

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1999-03-26**
SEC Accession No. **0000893220-99-000362**

([HTML Version](#) on [secdatabase.com](#))

FILER

VANGUARD/PRIMECAP FUND INC

CIK: **752177** | IRS No.: **232311358** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **002-92948** | Film No.: **99574079**

Business Address
*PO BOX 2600 VM #V34
VALLEY FORGE PA 19482
6106696289*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A
REGISTRATION STATEMENT (NO. 2-92948) UNDER
THE SECURITIES ACT OF 1933
PRE-EFFECTIVE AMENDMENT NO.

POST-EFFECTIVE AMENDMENT NO. 18

AND

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY
ACT OF 1940

AMENDMENT NO. 20

VANGUARD PRIMECAP FUND
(EXACT NAME OF REGISTRANT AS SPECIFIED IN DECLARATION OF TRUST)
P.O. BOX 2600
VALLEY FORGE, PA 19482
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)
REGISTRANT'S TELEPHONE NUMBER (610) 669-1000
R. GREGORY BARTON, ESQUIRE
P.O. BOX 876
VALLEY FORGE, PA 19482

IT IS PROPOSED THAT THE AMENDMENT BECOME EFFECTIVE:

on April 9, 1999 pursuant to paragraph (b) of Rule 485 of the Securities Act of 1933.

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:

As soon as practicable after this Registration Statement becomes effective.

WE HAVE ELECTED TO REGISTER AN INDEFINITE NUMBER OF SHARES PURSUANT TO REGULATION 24f-2 UNDER THE INVESTMENT COMPANY ACT OF 1940. WE FILED OUR RULE 24f-2 NOTICE FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 ON MARCH 25, 1999.

VANGUARD PRIMECAP FUND
CROSS REFERENCE SHEET

<TABLE>
<CAPTION>
FORM N-1A
ITEM NUMBER

LOCATION IN PROSPECTUS

<S>	<C>	<C>
Item 1.	Front and Back Cover Pages.....	Front and Back Cover Pages
Item 2.	Risk/Return Summary: Investments, Risks, and Performance.....	Fund Profile
Item 3.	Risk/Return Summary: Fee Table.....	Fee Table
Item 4.	Investment Objectives, Principal Investment Strategies, and Related Risks.....	A Word About Risk; Who Should Invest; Primary Investment Strategies
Item 5.	Management's Discussion of Fund Performance.....	Herein incorporated by reference to Registrant's Annual Report to Shareholders dated December 31, 1998 filed with the Securities & Exchange Commission's EDGAR system on February 19, 1999.
Item 6.	Management, Organization, and Capital	

	Structure.....	The Fund and Vanguard; Investment Adviser
Item 7.	Shareholder Information.....	Share Price; Dividends, Capital Gains, and Taxes; Investing with Vanguard
Item 8.	Distribution Arrangements.....	Not Applicable
Item 9.	Financial Highlights Information.....	Financial Highlights

<TABLE>

<CAPTION>

FORM N-1A
ITEM NUMBER

LOCATION IN STATEMENT
OF ADDITIONAL INFORMATION

<S>	<C>	<C>
Item 10.	Cover Page and Table of Contents.....	Cover Page; Table of Contents
Item 11.	Fund History.....	Description of the Fund
Item 12.	Description of the Fund and its Investments and Risks.....	Investment Policies; Description of the Fund; Fundamental Investment Limitations
Item 13.	Management of the Fund.....	Management of the Fund
Item 14.	Control Persons and Principal Holders of Securities.....	Management of the Fund
Item 15.	Investment Advisory and Other Services.....	Investment Advisory Services
Item 16.	Brokerage Allocation and Other Practices.....	Portfolio Transactions
Item 17.	Capital Stock and Other Securities.....	Description of the Fund
Item 18.	Purchase, Redemption, and Pricing of Shares.....	Purchase of Shares; Redemption of Shares; and Share Price
Item 19.	Taxation of the Fund.....	Description of the Fund
Item 20.	Underwriters.....	Not Applicable
Item 21.	Calculation of Performance Data.....	Yield and Total Return
Item 22.	Financial Statements.....	Financial Statements

3
VANGUARD PRIMECAP FUND

Prospectus
April 9, 1999
A Growth Stock Mutual Fund

CONTENTS

1	FUND PROFILE
3	ADDITIONAL INFORMATION
3	A WORD ABOUT RISK
3	WHO SHOULD INVEST
4	PRIMARY INVESTMENT STRATEGIES
6	THE FUND AND VANGUARD
7	INVESTMENT ADVISER
7	YEAR 2000 CHALLENGE
8	DIVIDENDS, CAPITAL GAINS, AND TAXES
9	SHARE PRICE
10	FINANCIAL HIGHLIGHTS
11	INVESTING WITH VANGUARD
11	SERVICES AND ACCOUNT FEATURES
12	TYPES OF ACCOUNTS
12	BUYING SHARES
14	REDEEMING SHARES
17	TRANSFERRING REGISTRATION
17	FUND AND ACCOUNT UPDATES
	GLOSSARY (INSIDE BACK COVER)

WHY READING THIS PROSPECTUS IS IMPORTANT

This prospectus explains the objective, risks, and strategies of Vanguard PRIMECAP Fund. To highlight terms and concepts important to mutual fund investors, we have provided "Plain Talk(R)" explanations along the way. Reading

the prospectus will help you to decide whether the Fund is the right investment for you. We suggest that you keep it for future reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

4

1

FUND PROFILE

The following profile summarizes key features of Vanguard PRIMECAP Fund.

NOTE: THE FUND IS CURRENTLY CLOSED TO NEW INVESTORS. EXISTING SHAREHOLDERS MAY PURCHASE ADDITIONAL FUND SHARES, BUT MAY NOT INVEST MORE THAN \$25,000 EACH YEAR.

INVESTMENT OBJECTIVE

The Fund is a stock fund that seeks to provide long-term capital growth.

INVESTMENT STRATEGIES

The Fund invests in stocks with above-average earnings growth potential that is not reflected in the current market price.

PRIMARY RISKS

THE FUND'S TOTAL RETURN, LIKE STOCK PRICES GENERALLY, WILL FLUCTUATE WITHIN A WIDE RANGE, SO AN INVESTOR COULD LOSE MONEY OVER SHORT OR EVEN LONG PERIODS. The fund is also subject to:

- Investment style risk, which is the chance that returns from growth stocks will trail returns from other asset classes or the overall stock market.
- Manager risk, which is the chance that poor security selection will cause the Fund to underperform other funds with similar investment objectives.

PERFORMANCE/RISK INFORMATION

The bar chart and table below provide an indication of the risk of investing in the Fund. The bar chart shows the Fund's performance in each calendar year over a ten-year period. The table shows how the Fund's average annual returns for one, five, and ten calendar years compare with those of a broad-based securities market index. Keep in mind that the Fund's past performance does not necessarily indicate how it will perform in the future.

ANNUAL TOTAL RETURNS
[BAR CHART]

<TABLE>
<S>

	<C>
1989	21.61%
1990	(2.79)%
1991	33.14%
1992	8.99%
1993	18.03%
1994	11.41%
1995	35.48%
1996	18.31%
1997	36.79%
1998	25.44%

</TABLE>

During the ten-year period shown in the bar chart, the highest return for a calendar quarter was 36.79% (quarter ended December 31, 1997) and the lowest return for a quarter was - 2.79% (quarter ended December 31, 1990).

AVERAGE ANNUAL TOTAL RETURNS FOR YEARS ENDED DECEMBER 31, 1998

<TABLE>

<CAPTION>

	1 YEAR	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>
Vanguard PRIMECAP Fund	25.44%	25.10%	20.03%
S&P 500 Index	28.58	24.06	19.21

</TABLE>

5
2

PLAIN TALK ABOUT
THE COSTS OF INVESTING

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

PLAIN TALK ABOUT
FUND EXPENSES

All mutual funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Vanguard PRIMECAP Fund's expense ratio in fiscal year 1998 was 0.51%, or \$5.10 per \$1,000 of average net assets. The average growth equity mutual fund had expenses in 1998 of 1.44%, or \$14.40 per \$1,000 of average net assets, according to Lipper, Inc., which reports on the mutual fund industry.

FEEES AND EXPENSES

The following table describes the fees and expenses you would pay if you buy and hold shares of the Fund. The expenses shown under Annual Fund Operating Expenses are based upon those incurred in the fiscal year ended December 31, 1998.

<TABLE>	
<S>	<C>
SHAREHOLDER FEES (fees paid directly from your investment)	
Sales Charge (Load) Imposed on Purchases:	None
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fees:	None
Exchange Fees:	None

</TABLE>

ANNUAL FUND OPERATING EXPENSES (expenses deducted from the Fund's assets)

<TABLE>	
<S>	<C>
Management Expenses:	0.48%
12b-1 Distribution Fees:	None
Other Expenses:	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES:	0.51%

</TABLE>

The following example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund. This example assumes that the Fund provides a return of 5% a year, and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of each period.

<TABLE>				
<CAPTION>				
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
	\$52	\$164	\$285	\$640

</TABLE>

THIS EXAMPLE SHOULD NOT BE CONSIDERED TO REPRESENT ACTUAL EXPENSES OR PERFORMANCE FROM THE PAST OR FOR THE FUTURE. ACTUAL FUTURE EXPENSES MAY BE HIGHER OR LOWER THAN THOSE SHOWN.

ADDITIONAL INFORMATION

DIVIDENDS AND CAPITAL GAINS
Distributed annually in December

INVESTMENT ADVISER
PRIMECAP Management Company, Pasadena, Calif.,
since inception

INCEPTION DATE
November 1, 1984

NET ASSETS AS OF DECEMBER 31, 1998
\$11 billion

SUITABLE FOR IRAS
Yes

MINIMUM INITIAL INVESTMENT
The Fund is currently closed to new investors. Existing
shareholders may purchase additional Fund shares, but
may not invest more than \$25,000 each year.

NEWSPAPER ABBREVIATION
Prmcpc

VANGUARD FUND NUMBER
059

CUSIP NUMBER
921936100

TICKER SYMBOL
VPMCX

=====

A WORD ABOUT RISK

This prospectus describes the risks you would face as an investor in Vanguard PRIMECAP Fund. It is important to keep in mind one of the main axioms of investing: The higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: The lower the risk, the lower the potential reward. As you consider an investment in Vanguard PRIMECAP Fund, you should also take into account your personal tolerance for the daily fluctuations of the stock market.

Look for this [FLAG GRAPHIC] symbol throughout the prospectus. It is used to mark detailed information about each type of risk that you would confront as a shareholder of the Fund.

=====

WHO SHOULD INVEST

The Fund may be a suitable investment for you if:

- You wish to add a growth stock fund to your existing holdings, which could include other stock investments as well as bond, money market, and tax-exempt investments.
- You are seeking growth of capital over the long term -- at least five years.
- You are not looking for current income.
- You are comfortable with the volatility that accompanies growth-stock investing.

PLAIN TALK ABOUT

Some investors try to profit from market-timing -- switching money into investments when they expect prices to rise, and taking money out when they expect the market to fall. As money is shifted in and out, a fund incurs expenses for buying and selling securities. These costs are borne by all fund shareholders, including the long-term investors who do not generate the costs. Therefore, the Fund discourages short-term trading by, among other things, limiting the number of exchanges it permits.

THE VANGUARD FUNDS DO NOT PERMIT MARKET-TIMING. DO NOT INVEST IN THIS FUND IF YOU ARE A MARKET-TIMER.

7

4

PLAIN TALK ABOUT GROWTH FUNDS AND VALUE FUNDS

Growth investing and value investing are two styles employed by stock fund managers. Growth funds generally focus on companies believed to have above-average potential for growth in revenue and earnings. Reflecting the market's high expectations for superior growth, the prices of such stocks are typically above-average in relation to such measures as revenue, earnings, book value, and dividends. Value funds generally emphasize stocks of companies from which the market does not expect strong growth. The prices of value stocks typically are below-average in comparison to such factors as earnings and book value, and these stocks typically pay above-average dividend yields. Growth and value stocks have, in the past, produced similar long-term returns, though each category has periods when it outperforms the other. In general, growth funds appeal to investors who will accept more volatility in hopes of a greater increase in share price. Growth funds also may appeal to investors with taxable accounts who want a higher proportion of returns to come as capital gains (which may be taxed at lower rates than dividend income). Value funds, by contrast, are appropriate for investors who want some dividend income and the potential for capital gains, but are less tolerant of share-price fluctuations.

The Fund has adopted the following policies, among others, to discourage short-term trading:

- The Fund reserves the right to reject any purchase request -- including exchanges from other Vanguard funds -- that it regards as disruptive to the efficient management of the Fund. A purchase request could be rejected because of the timing of the request or because of a history of excessive trading by the investor.
- There is a limit to the number of times you can exchange into and out of the Fund (see "Redeeming Shares" in the INVESTING WITH VANGUARD section).
- The Fund reserves the right to stop offering shares at any time.

PLAIN TALK ABOUT LARGE-CAP, MID-CAP, AND SMALL-CAP STOCKS

Stocks of publicly traded companies -- and mutual funds that hold these stocks -- can be classified by the companies' market value, or capitalization. Generally, Vanguard defines large-capitalization (large-cap) funds as those holding stocks of companies whose outstanding shares have a market value exceeding \$10 billion. Mid-cap funds hold stocks of companies with a market value between \$1 billion and \$10 billion. Small-cap funds typically hold stocks of companies with a market value of less than \$1 billion.

PRIMARY INVESTMENT STRATEGIES

This section explains the strategies that the investment adviser uses in pursuit of the Fund's objective, long-term growth of capital. The Fund's Board of Trustees oversees the management of the Fund, and may change the investment strategies in the interest of shareholders. In addition, this section discusses several important risks -- market risk, investment style risk, and manager risk -- faced by investors in the Fund.

MARKET EXPOSURE

The Fund invests chiefly in the common stocks of mid- and large-capitalization companies that offer favorable prospects for capital growth and sell at attractive prices, but that typically produce little current income.

[FLAG GRAPHIC] THE FUND IS SUBJECT TO MARKET RISK, WHICH IS THE POSSIBILITY THAT STOCK PRICES OVERALL WILL DECLINE OVER SHORT OR EVEN LONG PERIODS. STOCK MARKETS TEND TO MOVE IN CYCLES, WITH PERIODS OF RISING PRICES AND PERIODS OF FALLING PRICES.

To illustrate the volatility of stock prices, the following table shows the best, worst, and average total returns for the U.S. stock market over various periods as measured by the Standard & Poor's 500 Composite Stock Price Index, a widely used barometer of market activity. (Total returns consist of dividend income plus change in market price.) Note that the returns shown do not include the costs of buying and selling stocks or other expenses that a real-world investment portfolio would incur. Note, also, that the gap between best and worst tends to narrow over the long term.

U.S. STOCK MARKET RETURNS (1926 - 1998)

<TABLE>
<CAPTION>

	1 YEAR -----	5 YEARS -----	10 YEARS -----	20 YEARS -----
<S>	<C>	<C>	<C>	<C>
Best	54.2%	24.1%	19.9%	17.7%
Worst	- 43.1	- 12.4	- 0.8	3.1
Average	13.1	10.7	11.0	11.0

</TABLE>

The table covers all of the 1-, 5-, 10-, and 20-year periods from 1926 through 1998. You can see, for example, that while the average return on stocks for all of the 5-year periods was 10.7%, returns for individual 5-year periods ranged from a - 12.4% average (from 1928 through 1932) to 24.1% (from 1994 through 1998). These average returns reflect past performance on common stocks; you should not regard them as an indication of future returns from either the stock market as a whole or this Fund in particular.

Growth stocks, which are the Fund's primary investments, are likely to be even more volatile in price than the stock market as a whole. Historically, growth funds have tended to outperform in bull markets and underperform in declining markets. Of course, there is no guarantee that this pattern will continue in the future. The Fund also holds a significant number of mid-cap stocks, which tend to be more volatile than the large-cap stocks that dominate the S&P 500 Index.

Finally, because Vanguard PRIMECAP Fund's holdings are not identical to the S&P 500 Index or any other market index, the performance of the Fund will not mirror the returns of any particular index.

[FLAG GRAPHIC] THE FUND IS SUBJECT TO INVESTMENT STYLE RISK, WHICH IS THE POSSIBILITY THAT RETURNS FROM GROWTH STOCKS WILL TRAIL RETURNS FROM OTHER ASSET CLASSES OR THE OVERALL STOCK MARKET. AS A GROUP, GROWTH STOCKS TEND TO GO THROUGH CYCLES OF DOING BETTER -- OR WORSE -- THAN COMMON STOCKS IN GENERAL. THESE PERIODS HAVE, IN THE PAST, LASTED FOR AS LONG AS SEVERAL YEARS.

SECURITY SELECTION

PRIMECAP Management Company (PRIMECAP), adviser to the Fund, selects common stocks that it believes have above-average earnings growth potential that is not reflected in the current market price. Stocks selected for the Fund typically have strong positions within their industries, increasing sales, improving profitability, good long-term prospects for above-average growth in earnings, and strong management teams. Based on careful analysis, PRIMECAP attempts to quantify a company's "fundamental value." It compares each company's fundamental value with the market price of its stock. Stocks selected for the Fund are chosen primarily for the attractiveness of their market price in relation to the fundamental value. Although PRIMECAP invests with a long-term horizon of three to five years, it may sell stocks if the market price appears to have risen above their fundamental value or if other securities appear to be more favorably priced.

PRIMECAP does not try to market-time. However, if attractively priced stocks cannot be found, the Fund's cash levels will increase.

Because the Fund's selections are determined by analyses of the individual securities, the Fund's makeup may differ substantially from the overall market's characteristics. For example, the proportion of the Fund's assets invested in a

particular industry may be significantly larger or smaller than the proportion of the overall stock market represented by that industry.

As of December 31, 1998, the Fund had invested 39.17% of total net assets in its top ten holdings.

The Fund is generally managed without regard to tax ramifications.

[FLAG GRAPHIC] THE FUND IS SUBJECT TO MANAGER RISK, WHICH IS THE POSSIBILITY THAT THE ADVISER MAY DO A POOR JOB OF SELECTING STOCKS.

9

6

PLAIN TALK ABOUT TURNOVER RATE

Before investing in a mutual fund, you should review its turnover rate. This gives an indication of how transaction costs could affect the fund's future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains that must be distributed to shareholders as income subject to taxes. The average turnover rate for all domestic stock funds is approximately 85%, according to Morningstar, Inc.

TURNOVER RATE

Although the Fund generally seeks to invest for the long term, it may sell securities regardless of how long the securities have been held. The Fund's average turnover rate for the past five years has been about 10%. (A turnover rate of 100% would occur, for example, if the Fund sold and replaced securities valued at 100% of its net assets within a one-year period.)

OTHER INVESTMENT POLICIES AND RISKS

Although the Fund typically does not make significant investments in securities of companies based outside the United States, the Fund reserves the right to invest up to 20% of its assets in foreign securities. These securities may be traded in U.S. or foreign markets. To the extent that it owns foreign stocks, the Fund is subject to (1) country risk, which is the possibility that political events (such as a war), financial problems (such as government default), or natural disasters (such as an earthquake) will weaken a country's economy and cause investments in that country to lose money, and (2) currency risk, which is the possibility that Americans investing abroad could lose money because of a rise in the value of the U.S. dollar versus foreign currencies.

The Fund may, from time to time, take temporary defensive measures -- such as holding cash reserves without limit -- that are inconsistent with the Fund's primary investment strategies, in response to adverse market, economic, political, or other conditions. In taking such measures, the Fund may not achieve its investment objective.

THE FUND AND VANGUARD

The Fund is a member of The Vanguard Group, a family of more than 35 investment companies with more than 100 distinct investment portfolios holding assets worth more than \$440 billion. All of the Vanguard funds share in the expenses associated with business operations, such as personnel, office space, equipment, and advertising.

Vanguard also provides marketing services to the funds. Although shareholders do not pay sales commissions or 12b-1 distribution fees, each fund pays its allocated share of The Vanguard Group's marketing costs.

PLAIN TALK ABOUT VANGUARD'S UNIQUE CORPORATE STRUCTURE

The Vanguard Group is truly a MUTUAL mutual fund company. It is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by for-profit management companies that may be owned by one person, by a group of individuals, or by investors who own the management company's stock. By contrast, Vanguard provides its services on an "at-cost" basis, and the funds' expense ratios reflect only these costs. No separate management company reaps profits or absorbs losses from operating the funds.

PLAIN TALK ABOUT
THE FUND'S ADVISER

PRIMECAP Management Company is an investment advisory firm founded in 1983. As of December 31, 1998, PRIMECAP managed more than \$15 billion in assets. It also provides investment advisory services to endowment funds, employee benefit plans, and foundations unrelated to Vanguard. The managers responsible for overseeing the PRIMECAP Fund are:

Howard B. Schow, Chairman and Chief Investment Officer of PRIMECAP Management; has worked in investment management since 1956; has managed assets since 1967; with PRIMECAP since 1983; B.A., Williams College; M.B.A., Harvard Business School.

Theo A. Kolokotronis, President of PRIMECAP Management; has worked in investment management since 1970; has managed assets since 1983; with PRIMECAP since 1983; B.A., University of Chicago; M.B.A., Harvard Business School.

Joel P. Fried, Executive Vice President of PRIMECAP Management; has worked in investment management since 1985; has managed assets since 1986; with PRIMECAP since 1986; B.S. and M.B.A., University of California, Los Angeles.

F. Jack Liebau Jr., Senior Vice President of PRIMECAP Management; has worked in investment management since 1984; has managed assets since 1986; with PRIMECAP since 1986; B.A., Stanford University.

INVESTMENT ADVISER

The Fund employs PRIMECAP Management Company, 225 South Lake Avenue, Pasadena, CA 91101, as its investment adviser. PRIMECAP manages the Fund subject to the control of the Trustees and officers of the Fund.

PRIMECAP's advisory fee is paid quarterly. This fee is based on certain annual percentage rates applied to the Fund's average month-end assets for each quarter.

For the fiscal year ended December 31, 1998, the advisory fees represented an effective annual rate of 0.21%.

The Fund has authorized PRIMECAP to choose brokers or dealers to handle the purchase and sale of securities for the Fund, and to get the best available price and most favorable execution from these brokers with respect to all transactions.

In the interest of obtaining better execution of a transaction, PRIMECAP may choose brokers who charge higher commissions. If more than one broker can obtain the best available price and favorable execution of a transaction, then PRIMECAP is authorized to choose a broker who, in addition to executing the transaction, will provide research services to PRIMECAP or the Fund. Also, the Fund may direct PRIMECAP to use a particular broker for certain transactions in exchange for commission rebates or research services provided to the Fund.

The Board of Trustees may, without prior approval from shareholders, change the terms of the advisory agreement between the Fund and PRIMECAP, or hire a new investment adviser, either as a replacement for PRIMECAP or as an additional adviser. However, any such change will be communicated to shareholders in writing.

PLAIN TALK ABOUT
DISTRIBUTIONS

As a shareholder, you are entitled to your share of the fund's income from interest and dividends, and gains from the sale of investments. You receive such earnings as either an income dividend or a capital gains distribution. Income dividends come from both the dividends that the fund earns from its holdings and the interest it receives from its money market and bond investments. Capital gains are realized whenever the fund sells securities for higher prices than it paid for them. These capital gains are either short-term or long-term depending on whether the fund held the securities for less than or more than one year.

PLAIN TALK ABOUT "BUYING A DIVIDEND"

Unless you are investing through a tax-deferred retirement account (such as an IRA), it is not to your advantage to buy shares of a fund shortly before it makes a distribution, because doing so can cost you money in taxes. This is known as "buying a dividend." For example: On December 15, you invest \$5,000, buying 250 shares for \$20 each. If the fund pays a distribution of \$1 per share on December 16, its share price would drop to \$19 (not counting market change). You still have only \$5,000 (250 shares x \$19 = \$4,750 in share value, plus 250 shares x \$1 = \$250 in distributions), but you owe tax on the \$250 distribution you received -- even if you reinvest it in more shares. To avoid "buying a dividend," check a fund's distribution schedule before you invest.

YEAR 2000 CHALLENGE

The common practice in computer programming of using just two digits to identify a year has resulted in the Year 2000 challenge throughout the information technology industry. If unchanged, many computer applications and systems could misinterpret dates occurring after December 31, 1999, leading to errors or failure. Such failure could adversely affect a fund's operations, including pricing, securities trading, and the servicing of shareholder accounts.

The Vanguard Group is dedicated to providing uninterrupted, high-quality performance from our computer systems before, during, and after 2000. In July 1998, we completed the renovation and initial testing of our internal systems. Vanguard is diligently working with external partners, suppliers, and vendors, including fund managers and other service providers, to assure that the systems with which we interact remain operational at all times.

In addition to taking every reasonable step to secure our internal systems and external relationships, Vanguard is further developing contingency plans intended to assure that unexpected systems failures will not adversely affect the Fund's operations. Vanguard intends to monitor these processes through the rollover of 1999 into 2000 and to quickly implement alternate solutions if necessary.

However, despite Vanguard's efforts and contingency plans, noncompliant computer systems could have a material adverse effect on the Fund's business, operations, or financial condition. Additionally, the Fund's performance could be hurt if a computer-system failure at a company or governmental unit affects the price of securities the Fund owns.

DIVIDENDS, CAPITAL GAINS, AND TAXES

The Fund distributes to shareholders virtually all of its net income (interest and dividends less expenses), as well as any capital gains realized from the sale of its holdings. Distributions generally occur in December. In addition, the Fund may occasionally be required to make supplemental dividend or capital gains distributions at some other time during the year. You can receive distributions of income or capital gains in cash, or you can have them automatically invested in more shares of the Fund. In either case, these distributions are taxable to you. It is important to note that distributions of dividends and capital gains that are declared in December -- if paid to you by the end of January -- are taxed as if they had been paid to you in December.

Vanguard will send you a statement each year showing the tax status of all your distributions. If you have chosen to receive dividend and/or capital gains distributions in cash, and the postal or other delivery service is unable to deliver checks to your address of record, we will change the distribution option so that all dividends and other distributions are automatically invested in additional shares. We will not pay interest on uncashed distribution checks.

- The dividends and short-term capital gains that you receive are considered ordinary income for tax purposes.
- Any distributions of net long-term capital gains by the Fund are taxable to you as long-term capital gains, no matter how long you've owned shares in the Fund.
- Although the Fund does not seek to realize any particular amount of capital gains during a year, such gains are realized from time to time as by-products of its ordinary investment activities. Consequently, distributions may vary considerably from year to year.
- If you sell or exchange shares, any gain or loss you have is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return.
- Distributions of dividends or capital gains, and capital gains or losses from your sale or exchange of Fund shares, may be subject to state and local income taxes as well.

The tax information in this prospectus is provided as general information and will not apply to you if you are investing through a tax-deferred account such as an IRA or a qualified employee benefit plan. (Non-U.S. investors may be subject to U.S. withholding and estate tax.) You should consult your tax adviser about the tax consequences of an investment in the Fund.

IMPORTANT NOTE: By law, the Fund must withhold 31% of your taxable distributions and any redemption proceeds if you do not provide your correct taxpayer identification number, or certify that it is correct, or if the IRS instructs the Fund to do so.

SHARE PRICE

The Fund's share price, called its net asset value, or NAV, is calculated each business day after the close of trading on the New York Stock Exchange (the NAV is not calculated on holidays or other days the Exchange is closed). Net asset value per share is computed by adding up the total value of the Fund's investments and other assets, subtracting any of its liabilities (debts), and then dividing by the number of Fund shares outstanding:

$$\text{NET ASSET VALUE} = \frac{\text{TOTAL ASSETS} - \text{LIABILITIES}}{\text{NUMBER OF SHARES OUTSTANDING}}$$

Knowing the daily net asset value is useful to you as a shareholder because it indicates the current value of your investment. The Fund's NAV, multiplied by the number of shares you own, gives you the dollar amount you would have received had you sold all of your shares back to the Fund that day.

A NOTE ON PRICING: The Fund's investments will be priced at their market value when market quotations are readily available. When these quotations are not readily available, investments will be priced at their fair value, calculated according to procedures adopted by the Fund's Board of Trustees.

The Fund's share price can be found daily in the mutual fund listings of most major newspapers under the heading "Vanguard Funds." Different newspapers use different abbreviations of the Fund's name, but the most common is Pfmcp.

PLAIN TALK ABOUT HOW TO READ THE FINANCIAL HIGHLIGHTS TABLE

The Fund began fiscal 1998 with a net asset value (price) of \$39.56 per share. During the year, the Fund earned \$0.34 per share from investment income (interest and dividends) and \$9.63 per share from investments that had appreciated in value or that were sold for higher prices than the Fund paid for them.

Shareholders received \$1.87 per share in the form of dividend and capital gains distributions. A portion of each year's distributions may come from the prior year's income or capital gains.

The earnings (\$9.97 per share) minus the distributions (\$1.87 per share) resulted in a share price of \$47.66 at the end of the year. This was an increase of \$8.10 per share (from \$39.56 at the beginning of the year to \$47.66 at the end of the year). For a shareholder who reinvested the distributions in the purchase of more shares, the total return from the Fund was 25.44% for the year.

As of December 31, 1998, the Fund had \$11 billion in net assets. For the year, its expense ratio was 0.51% (\$ 5.10 per \$1,000 of net assets); and its net investment income amounted to 0.78% of its average net assets. It sold and replaced securities valued at 13% of its net assets.

FINANCIAL HIGHLIGHTS

The following financial highlights table is intended to help you understand the Fund's financial performance for the past five years, and certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost each year on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the financial statements audited by PricewaterhouseCoopers LLP, independent accountants, whose report -- along with the Fund's financial statements -- is included in the Fund's most recent annual report to shareholders. You may have the annual report sent to you without charge by contacting Vanguard.

<TABLE>
<CAPTION>

	VANGUARD PRIMECAP FUND YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR	\$ 39.56	\$ 30.08	\$ 26.23	\$ 19.98	\$ 18.42
INVESTMENT OPERATIONS					
Net Investment Income	.34	.21	.19	.22	.12
Net Realized and Unrealized Gain (Loss) on Investments	9.63	10.77	4.59	6.84	1.97
Total from Investment Operations	9.97	10.98	4.78	7.06	2.09
DISTRIBUTIONS					
Dividends from Net Investment Income	(.35)	(.20)	(.20)	(.22)	(.12)
Distributions from Realized Capital Gains	(1.52)	(1.30)	(.73)	(.59)	(.41)
Total Distributions	(1.87)	(1.50)	(.93)	(.81)	(.53)
NET ASSET VALUE, END OF YEAR	\$ 47.66	\$ 39.56	\$ 30.08	\$ 26.23	\$ 19.98
TOTAL RETURN	25.44%	36.79%	18.31%	35.48%	11.41%
RATIOS/SUPPLEMENTAL DATA					
Net Assets, End of Year (Millions)	\$ 11,210	\$ 8,186	\$ 4,204	\$ 3,237	\$ 1,554
Ratio of Total Expenses to Average Net Assets	0.51%	0.51%	0.59%	0.58%	0.64%
Ratio of Net Investment Income to Average Net Assets	0.78%	0.69%	0.69%	0.99%	0.79%
Turnover Rate	13%	13%	10%	7%	8%

</TABLE>

From time to time, the Vanguard funds advertise yield and total return figures. Yield is a measure of past dividend income. Total return includes both past dividend income (assuming that it has been reinvested) plus realized and unrealized capital appreciation (or depreciation). Neither yield nor total return should be used to predict the future performance of a fund.

"Standard & Poor's(R)," "S&P(R)," "S&P 500(R)," "Standard & Poor's 500," and "500" are trademarks of The McGraw-Hill Companies, Inc.

INVESTING WITH VANGUARD

Are you looking for the most convenient way to open or add money to a Vanguard account? Obtain instant access to fund information? Establish an account for a minor child or for your retirement savings?

Vanguard can help. Our goal is to make it easy and pleasant for you to do business with us.

The following sections of the prospectus briefly explain the many services we offer. Booklets providing detailed information are available on the services marked with a [BOOK GRAPHIC]. Please call us to request copies.

SERVICES AND ACCOUNT FEATURES

Vanguard offers many services that make it convenient to buy, sell, or exchange shares, or to obtain fund or account information.

TELEPHONE REDEMPTIONS (SALES AND EXCHANGES)

Automatically set up for this Fund unless you notify us otherwise.

VANGUARD DIRECT DEPOSIT SERVICE(TM) [BOOK GRAPHIC]

Automatic method for depositing your paycheck or U.S. government payment (including Social Security and government pension checks) into your account.

VANGUARD AUTOMATIC EXCHANGE SERVICE(TM) [BOOK GRAPHIC]

Automatic method for moving a fixed amount of money from one Vanguard fund account to another.

VANGUARD FUND EXPRESS(R) [BOOK GRAPHIC]

Electronic method for buying or selling shares. You can transfer money between your Vanguard fund account and an account at your bank, savings and loan, or credit union on a systematic schedule or whenever you wish.

VANGUARD DIVIDEND EXPRESS(TM) [BOOK GRAPHIC]

Electronic method for transferring dividend and/or capital gains distributions directly from your Vanguard fund account to your bank, savings and loan, or credit union account.

VANGUARD TELE-ACCOUNT(R) 1-800-662-6273 (ON-BOARD) [BOOK GRAPHIC]

Toll-free 24-hour access to Vanguard fund and account information--as well as some transactions--by using any touch-tone phone. Tele-Account provides total return, share price, price change, and yield quotations for all Vanguard funds; gives your account balances and history (e.g., last transaction, latest dividend distribution); and allows you to sell or exchange fund shares.

ACCESS VANGUARD(TM) www.vanguard.com [COMPUTER GRAPHIC]

You can use your personal computer to perform certain transactions for most Vanguard funds by accessing our website. To establish this service, you must register through the website. We will then send to you, by mail, an account access password that allows you to process the following financial and administrative transactions online:

- Open a new account.*
- Buy, sell, or exchange shares of most funds.
- Change your name/address.
- Add/change fund options (including dividend options, Vanguard Fund Express, bank instructions, checkwriting, and Vanguard Automatic Exchange Service).

*Only current Vanguard shareholders can open a new account online, by exchanging shares from other existing Vanguard accounts.

INVESTOR INFORMATION DEPARTMENT: 1-800-662-7447 (SHIP) TEXT TELEPHONE:
1-800-952-3335

Call Vanguard for information on our funds, fund services, and retirement accounts, and to request literature.

CLIENT SERVICES DEPARTMENT: 1-800-662-2739 (CREW) Text Telephone: 1-800-662-2738
Call Vanguard for information on your account, account transactions, and account statements.

SERVICES FOR CLIENTS OF VANGUARD'S INSTITUTIONAL DIVISION: 1-888-809-8102
Vanguard's Institutional Division offers a variety of specialized services for large institutional investors, including the ability to effect account transactions through private electronic networks and third-party recordkeepers.

15
12

TYPES OF ACCOUNTS

Individuals and institutions can establish a variety of accounts with Vanguard.

FOR ONE OR MORE PEOPLE

Open an account in the name of one (individual) or more (joint tenants) people.

FOR HOLDING PERSONAL TRUST ASSETS

Invest assets held in an existing personal trust.

FOR INDIVIDUAL RETIREMENT ACCOUNTS[BOOK GRAPHIC]

Open a traditional IRA account or a Roth IRA account. Eligibility and other requirements are established by federal law and Vanguard custodial account agreements. For more information, please call 1-800-662-7447 (SHIP).

FOR AN ORGANIZATION[BOOK GRAPHIC]

Open an account as a corporation, partnership, endowment, foundation, or other entity.

FOR THIRD-PARTY TRUSTEE RETIREMENT INVESTMENTS

Open an account as a retirement trust or plan based on an existing corporate or institutional plan. These accounts are established by the trustee of the existing plan.

VANGUARD PROTOTYPE PLANS

Open a variety of retirement accounts using Vanguard prototype plans for individuals, sole proprietorships, and small businesses. For more information, please call 1-800-662-2003.

A NOTE ON INVESTING WITH VANGUARD THROUGH OTHER FIRMS

You may purchase or sell Fund shares through a financial intermediary such as a bank, broker, or investment adviser. If you invest with Vanguard through an intermediary, please read that firm's program materials carefully to learn of any special rules that may apply. For example, special terms may apply to additional service features, fees, or other policies. Consult your intermediary to determine when your order will be priced.

BUYING SHARES

You buy your shares at the Fund's next-determined net asset value after Vanguard receives your request. As long as your request is received before the close of trading on the New York Stock Exchange, generally 4 p.m. Eastern time, you will buy your shares at that day's net asset value.

MINIMUM INVESTMENT TO . . .

open a new account

\$3,000 (regular account); \$1,000 (traditional IRAs and Roth IRAs).

NOTE: The Fund is currently closed to new investors.

add to an existing account

\$100 by mail or exchange; \$1,000 by wire.

NOTE: Existing shareholders may purchase additional Fund shares, but may not invest more than \$25,000 each year.

A NOTE ON LOW BALANCES

The Fund reserves the right to close any nonretirement account whose balance falls below the minimum initial investment. The Fund will deduct a \$10 annual fee in June if your nonretirement account balance falls below \$2,500. The fee is waived if your total Vanguard account assets are \$50,000 or more.

BY MAIL TO . . . [ENVELOPE GRAPHIC]

add to an existing account

Mail your check with an Invest-By-Mail form detached from your confirmation statement to the address listed on the form.

16

13

Make your check payable to: The Vanguard Group-59
All purchases must be made in
U.S. dollars, and checks must be drawn on U.S. banks.

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 2600	455 Devon Park Drive
Valley Forge, PA 19482-2600	Wayne, PA 19087-1815

For clients of Vanguard's Institutional Division . . .

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 2900	455 Devon Park Drive
Valley Forge, PA 19482-2900	Wayne, PA 19087-1815

IMPORTANT NOTE: To prevent check fraud, Vanguard will not accept checks made payable to third parties.

By Telephone to . . . [PHONE GRAPHIC]

add to an existing account

Call Vanguard Tele-Account* 24 hours a day--or Client Services during business hours--to exchange from another Vanguard fund account with the same registration (name, address, taxpayer identification number, and account type). Use Vanguard Fund Express (see "Services and Account Features") to transfer assets from your bank account. Call Client Services before your first use to verify that this option is in place.

Vanguard Tele-Account	Client Services
1-800-662-6273	1-800-662-2739

*You must obtain a Personal Identification Number through Tele-Account at least seven days before you request your first exchange.

IMPORTANT NOTE: Once you've requested a telephone transaction and a confirmation number has been assigned, the transaction cannot be revoked. We reserve the right to refuse any purchase request.

BY WIRE TO ADD TO AN EXISTING ACCOUNT [WIRE GRAPHIC]

Call Client Services to arrange your wire transaction. Wire transactions are not available for retirement accounts, except for asset transfers and direct rollovers.

Wire to:
FRB ABA 021001088
Marine Midland Bank, New York

For credit to:
Account: 000112046
Vanguard Incoming Wire Account

In favor of:
Vanguard PRIMECAP Fund-59
[Account number, or temporary number for a new account]
[Registered account owner/s]
[Registered address]

17
14

BUYING SHARES (continued)

You can redeem (that is, sell or exchange) shares purchased by check or Vanguard Fund Express at any time. However, while your redemption request will be processed at the next-determined net asset value after it is received, your redemption proceeds will not be available until payment for your purchase is collected, which may take up to ten calendar days.

A NOTE ON LARGE PURCHASES

It is important that you call Vanguard before you invest a large dollar amount. We must consider the interests of all Fund shareholders and so reserve the right to refuse any purchase that will disrupt the Fund's operation or performance.

REDEEMING SHARES

This section describes how you can redeem--that is, sell or exchange--the Fund's shares.

When Selling Shares:

- Vanguard sends the redemption proceeds to you or a designated third party.*
- You can sell all or part of your Fund shares at any time.

*May require a signature guarantee; see footnote on page 16.

When Exchanging Shares:

- The redemption proceeds are used to purchase shares of a different Vanguard fund.
- You must meet the receiving fund's minimum investment requirements.
- Vanguard reserves the right to revise or terminate the exchange privilege, limit the amount of an exchange, or reject an exchange at any time, without notice.

In both cases, your transaction will be based on the Fund's next-determined share price, subject to any special rules discussed in this prospectus. For exchanges, the purchase side of the transaction will be based on the receiving fund's next-determined share price, again subject to any special rules discussed in this prospectus.

NOTE: Once a redemption is processed and a confirmation number given, the transaction CANNOT be canceled.

HOW TO REQUEST A REDEMPTION

You can request a redemption from your Fund account in any one of three ways: online, by telephone, or by mail.

ONLINE REQUESTS [COMPUTER GRAPHIC]

ACCESS VANGUARD at www.vanguard.com

You can use your personal computer to sell or exchange shares of most Vanguard funds by accessing our website. To establish this service, you must register

through the website. We will then send you, by mail, an account access password that will enable you to sell or exchange shares online (as well as perform other transactions).

NOTE: The Vanguard funds whose shares you cannot exchange online or by telephone are VANGUARD U.S. STOCK INDEX FUNDS, VANGUARD BALANCED INDEX FUND, VANGUARD INTERNATIONAL STOCK INDEX FUNDS, VANGUARD REIT INDEX FUND, VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND, and VANGUARD GROWTH AND INCOME FUND. These funds do, however, permit online and telephone exchanges within IRAs and other retirement accounts. If you sell shares of these funds online, you will receive a redemption check at your address of record.

TELEPHONE REQUESTS[PHONE GRAPHIC]

All Account Types Except Retirement:

Call Vanguard Tele-Account 24 hours a day--or Client Services during business hours--to sell or exchange shares. You can exchange shares from this Fund to open an account in another Vanguard fund or to add to an existing Vanguard fund account with an identical registration.

18

15

Retirement Accounts:

You can exchange--but not sell--shares by calling Tele-Account or Client Services.

Vanguard Tele-Account	Client Services
1-800-662-6273	1-800-662-2739

SPECIAL INFORMATION: We will automatically establish the telephone redemption option for your account, unless you instruct us otherwise in writing. While telephone redemption is easy and convenient, this account feature involves a risk of loss from unauthorized or fraudulent transactions. Vanguard will take reasonable precautions to protect your account from fraud. You should do the same by keeping your account information private and immediately reviewing any account statements that we send to you. Make sure to contact Vanguard immediately about any transaction you believe to be unauthorized.

We reserve the right to refuse a telephone redemption if the caller is unable to provide:

- X The ten-digit account number.
- X The name and address exactly as registered on the account.
- X The primary Social Security or employer identification number as registered on the account.
- X The Personal Identification Number, if applicable.

Please note that Vanguard will not be responsible for any account losses due to telephone fraud, so long as we have taken reasonable steps to verify the caller's identity. If you wish to remove the telephone redemption feature from your account, please notify us in writing.

A NOTE ON UNUSUAL CIRCUMSTANCES

Vanguard reserves the right to revise or terminate the telephone redemption privilege at any time, without notice. In addition, Vanguard can stop selling shares or postpone payment at times when the New York Stock Exchange is closed or under any emergency circumstances as determined by the U.S. Securities and Exchange Commission. If you experience difficulty making a telephone redemption during periods of drastic economic or market change, you can send us your request by regular or express mail. Follow the instructions on selling or exchanging shares by mail in this section.

MAIL REQUESTS[ENVELOPE GRAPHIC]

All Account Types Except Retirement:

Send a letter of instruction signed by all registered account holders. Include the fund name and account number and (if you are selling) a dollar amount or number of shares OR (if you are exchanging) the name of the fund you want to exchange into and a dollar amount or number of shares. To exchange into an

account with a different registration (including a different name, address, taxpayer identification number, or account type), you must provide Vanguard with written instructions that include the guaranteed signatures of all current owners of the fund from which you wish to redeem.

Vanguard Retirement Accounts:

For information on how to request distributions from:

- Traditional IRAs and Roth IRAs--call Client Services.
- SEP-IRAs, SIMPLE IRAs, 403(b)(7) custodial accounts, and Profit-Sharing and Money Purchase Pension (Keogh) Plans--call Individual Retirement Plans at 1-800-662-2003.

Depending on your account registration type, additional documentation may be required.

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 1120	455 Devon Park Drive
Valley Forge, PA 19482-1120	Wayne, PA 19087-1815

19
16

REDEEMING SHARES (continued)

For clients of Vanguard's Institutional Division ...

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 2900	455 Devon Park Drive
Valley Forge, PA 19482-2900	Wayne, PA 19087-1815

A NOTE ON LARGE REDEMPTIONS

It is important that you call Vanguard before you redeem a large dollar amount. We must consider the interests of all fund shareholders and so reserve the right to delay delivery of your redemption proceeds--up to seven days--if the amount will disrupt the Fund's operation or performance.

If you redeem more than \$250,000 worth of Fund shares within any 90-day period, the Fund reserves the right to pay part or all of the redemption proceeds above \$250,000 in kind, i.e., in securities, rather than in cash. If payment is made in kind, you may incur brokerage commissions if you elect to sell the securities for cash.

OPTIONS FOR REDEMPTION PROCEEDS

You may receive your redemption proceeds in one of two ways: check, or exchange to another Vanguard fund.

CHECK REDEMPTIONS

Normally, Vanguard will mail your check within two business days of a redemption.

EXCHANGE REDEMPTIONS

As described above, an exchange involves using the proceeds of your redemption to purchase shares of another Vanguard fund.

FOR OUR MUTUAL PROTECTION

For your best interests and ours, Vanguard applies these additional requirements to redemptions:

REQUEST IN "GOOD ORDER"

All redemption requests must be received by Vanguard in "good order." This means that your request must include:

- X The Fund name and account number.
- X The amount of the transaction (in dollars or shares).

- X Signatures of all owners exactly as registered on the account (for mail requests).
- X Signature guarantees (if required).*
- X Any supporting legal documentation that may be required.
- X Any outstanding certificates representing shares to be redeemed.

*For instance, a signature guarantee must be provided by all registered account shareholders when redemption proceeds are to be sent to a different person or address. A signature guarantee can be obtained from most banks, credit unions, and licensed brokers.

TRANSACTIONS ARE PROCESSED AT THE NEXT-DETERMINED SHARE PRICE AFTER VANGUARD HAS RECEIVED ALL REQUIRED INFORMATION.

LIMITS ON ACCOUNT ACTIVITY

Because excessive account transactions can disrupt management of the Fund and increase the Fund's costs for all shareholders, Vanguard limits account activity as follows:

- You may make no more than two substantive "round trips" through the Fund during any 12-month period.
- Your round trips through the Fund must be at least 30 days apart.
- The Fund may refuse a share purchase at any time, for any reason.
- Vanguard may revoke an investor's telephone exchange privilege at any time, for any reason.

A "round trip" is a redemption from the Fund followed by a purchase back into the Fund. Also, "round trip" covers transactions accomplished by any combination of methods, including transactions conducted by check, wire, or exchange to/from another Vanguard fund. "Substantive" means a dollar amount that Vanguard determines, in its sole discretion, could adversely affect the management of the Fund.

RETURN YOUR SHARE CERTIFICATES

Any portion of your account represented by share certificates cannot be redeemed until you return the certificates to Vanguard. Certificates must be returned (unsigned), along with a letter requesting the sale or exchange you wish to process, via certified mail to:

The Vanguard Group
 455 Devon Park Drive
 Wayne, PA 19087-1815

ALL TRADES FINAL

Vanguard will not cancel any transaction request (including any purchase or redemption) that we believe to be authentic once the request has been received and a confirmation number assigned.

TRANSFERRING REGISTRATION

You can transfer the registration of your Fund shares to another owner by completing a transfer form and sending it to Vanguard.

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 1110	455 Devon Park Drive
Valley Forge, PA 19482-1110	Wayne, PA 19087-1815

For clients of Vanguard's Institutional Division . . .

First-class mail to:	Express or Registered mail to:
The Vanguard Group	The Vanguard Group
P.O. Box 2900	455 Devon Park Drive
Valley Forge, PA 19482-2900	Wayne, PA 19087-1815

FUND AND ACCOUNT UPDATES

STATEMENTS AND REPORTS

We will send you account and tax statements to help you keep track of your Fund account throughout the year as well as when you are preparing your income tax returns.

In addition, you will receive financial reports about the Fund twice a year. These comprehensive reports include an assessment of the Fund's performance (and a comparison to its industry benchmark), an overview of the markets, a report from the advisers, and the Fund's financial statements which include a listing of the Fund's holdings.

To keep the Fund's costs as low as possible (so that you and other shareholders can keep more of the Fund's investment earnings), Vanguard attempts to eliminate duplicate mailings to the same address. When we find that two or more Fund shareholders have the same last name and address, we send just one Fund report to that address--instead of mailing separate reports to each shareholder. If you want us to send separate reports, however, you may notify our Investor Information Department at 1-800-662-7447.

CONFIRMATION STATEMENT

Sent each time you buy, sell, or exchange shares; confirms the trade date and the amount of your transaction.

PORTFOLIO SUMMARY [BOOK GRAPHIC]

Mailed quarterly for most accounts; shows the market value of your account at the close of the statement period, as well as distributions, purchases, sales, and exchanges for the current calendar year.

21

18

FUND AND ACCOUNT UPDATES (continued)

FUND FINANCIAL REPORTS

Mailed in February and August for this Fund.

TAX STATEMENTS

Generally mailed in January; report previous year's dividend and capital gains distributions, proceeds from the sale of shares, and distributions from IRAs or other retirement accounts.

AVERAGE COST REVIEW STATEMENT [BOOK GRAPHIC]

Issued quarterly for most taxable accounts (accompanies your Portfolio Summary); shows the average cost of shares that you redeemed during the calendar year, using the average cost single category method.

22

(THIS PAGE INTENTIONALLY LEFT BLANK.)

23

(THIS PAGE INTENTIONALLY LEFT BLANK.)

24

GLOSSARY OF INVESTMENT TERMS

CAPITAL GAINS DISTRIBUTION

Payment to mutual fund shareholders of gains realized on securities that the fund has sold at a profit, minus any realized losses.

CASH RESERVES

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

COMMON STOCK

A security representing ownership rights in a corporation. A stockholder is entitled to share in the company's profits, some of which may be paid out as dividends.

DIVIDEND INCOME

Payment to shareholders of income from interest or dividends generated by a

fund's investments.

EXPENSE RATIO

The percentage of a fund's average net assets used to pay its expenses. The expense ratio includes management fees, administrative fees, and any 12b-1 distribution fees.

FUND DIVERSIFICATION

Holding a variety of securities so that a fund's return is not badly hurt by the poor performance of a single security, industry, or country.

GROWTH STOCK FUND

A mutual fund that emphasizes stocks of companies believed to have above-average prospects for growth. Reflecting market expectations for superior growth, the prices of growth stocks often are relatively high in comparison to revenue, earnings, book value, and dividends.

INVESTMENT ADVISER

An organization that makes the day-to-day decisions regarding a fund's investments.

MUTUAL FUND

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

NET ASSET VALUE (NAV)

The market value of a mutual fund's total assets, minus liabilities, divided by the number of shares outstanding. The value of a single share is called its share value or share price.

PRICE/EARNINGS (P/E) RATIO

The current share price of a stock, divided by its per-share earnings (profits) from the past year. A stock selling for \$20, with earnings of \$2 per share, has a price/earnings ratio of 10.

SECURITIES

Stocks, bonds, and other investment vehicles.

TOTAL RETURN

A percentage change, over a specified time period, in a mutual fund's net asset value, with the ending net asset value adjusted to account for the reinvestment of all distributions of dividends and capital gains.

VALUE STOCK FUND

A mutual fund that emphasizes stocks of companies whose growth prospects are generally regarded as subpar by the market. Reflecting these market expectations, the prices of value stocks typically are below-average in comparison with such factors as revenue, earnings, book value, and dividends.

VOLATILITY

The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations between its high and low prices.

YIELD

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

25

[LOGO] THE VANGUARDGROUP

Post Office Box 2600
Valley Forge, PA 19482-2600

FOR MORE INFORMATION

If you'd like more information about Vanguard PRIMECAP Fund, the following documents are available free upon request:

ANNUAL/SEMIANNUAL REPORT TO SHAREHOLDERS

Additional information about the Fund's investments is available in the Fund's annual and semiannual reports to shareholders. In these reports, you will find a discussion of the market conditions and investment strategies that significantly

affected the Fund's performance during the most recent fiscal year.

STATEMENT OF ADDITIONAL INFORMATION (SAI)

The SAI provides more detailed information about the Fund.

The current annual and semiannual reports and the SAI are incorporated by reference into (and are thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about the Fund or other Vanguard funds, please contact us as follows:

THE VANGUARD GROUP
Investor Information Department
P.O. BOX 2600
VALLEY FORGE, PA 19482-2600

TELEPHONE:
1-800-662-7447 (SHIP)

TEXT TELEPHONE:
1-800-952-3335

WORLD WIDE WEB:
www.vanguard.com

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

Client Services Department
Telephone:
1-800-662-2739 (CREW)

Text Telephone:
1-800-662-2738

INFORMATION PROVIDED BY THE SECURITIES AND EXCHANGE COMMISSION (SEC)
You can review and copy information about the Fund (including the SAI) at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 1-800-SEC-0330. Reports and other information about the Fund are also available on the SEC's website (www.sec.gov), or you can receive copies of this information, for a fee, by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-6009.

Fund's Investment Company Act
file number: 811-4098

(c) 1999 The Vanguard Group, Inc.
All rights reserved. Vanguard Marketing Corporation, Distributor.

P059N-04/09/1999

26
VANGUARD PRIMECAP FUND

Participant Prospectus
April 9, 1999

A Growth Stock Mutual Fund

CONTENTS

1	FUND PROFILE
3	ADDITIONAL INFORMATION
3	A WORD ABOUT RISK
3	WHO SHOULD INVEST
4	PRIMARY INVESTMENT STRATEGIES
6	THE FUND AND VANGUARD

7	INVESTMENT ADVISER
7	YEAR 2000 CHALLENGE
8	DIVIDENDS, CAPITAL GAINS, AND TAXES
9	SHARE PRICE
10	FINANCIAL HIGHLIGHTS
11	INVESTING WITH VANGUARD
11	ACCESSING FUND INFORMATION BY COMPUTER

GLOSSARY (inside back cover)

WHY READING THIS PROSPECTUS IS IMPORTANT

This prospectus explains the objective, risks, and strategies of Vanguard PRIMECAP Fund. To highlight terms and concepts important to mutual fund investors, we have provided "Plain Talk(R)" explanations along the way. Reading the prospectus will help you to decide whether the Fund is the right investment for you. We suggest that you keep it for future reference.

IMPORTANT NOTE

This prospectus is intended for participants in employer-sponsored retirement or savings plans. Another version -- for investors who would like to open a personal investment account -- can be obtained by calling Vanguard at 1-800-662-7447.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

27

1

FUND PROFILE

The following profile summarizes key features of Vanguard PRIMECAP Fund.

INVESTMENT OBJECTIVE

The Fund is a stock fund that seeks to provide long-term capital growth.

INVESTMENT STRATEGIES

The Fund invests in stocks with above-average earnings growth potential that is not reflected in the current market price.

PRIMARY RISKS

THE FUND'S TOTAL RETURN, LIKE STOCK PRICES GENERALLY, WILL FLUCTUATE WITHIN A WIDE RANGE, SO AN INVESTOR COULD LOSE MONEY OVER SHORT OR EVEN LONG PERIODS. The Fund is also subject to:

- Investment style risk, which is the chance that returns from growth stocks will trail returns from other asset classes or the overall stock market.
- Manager risk, which is the chance that poor security selection will cause the Fund to underperform other funds with similar investment objectives.

PERFORMANCE/RISK INFORMATION

The bar chart and table below provide an indication of the risk of investing in the Fund. The bar chart shows the Fund's performance in each calendar year over a ten-year period. The table shows how the Fund's average annual returns for one, five, and ten calendar years compare with those of a broad-based securities market index. Keep in mind that the Fund's past performance does not necessarily

indicate how it will perform in the future.

ANNUAL TOTAL RETURNS

[BAR GRAPH]

<TABLE>

<S>

	<C>
1989	21.61%
1990	(2.79)%
1991	33.14%
1992	8.99%
1993	18.03%
1994	11.41%
1995	35.48%
1996	18.31%
1997	36.79%
1998	25.44%

</TABLE>

During the ten-year period shown in the bar chart, the highest return for a calendar quarter was 36.79% (quarter ended December 31, 1997) and the lowest return for a quarter was -2.79% (quarter ended December 31, 1990).

AVERAGE ANNUAL TOTAL RETURNS FOR YEARS ENDED DECEMBER 31, 1998

	1 YEAR	5 YEARS	10 YEARS
	-----	-----	-----
Vanguard PRIMECAP Fund	25.44%	25.10%	20.03%
S&P 500 Index	28.58	24.06	19.21

28

2

PLAIN TALK ABOUT
THE COSTS OF INVESTING

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

PLAIN TALK ABOUT
FUND EXPENSES

All mutual funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Vanguard PRIMECAP Fund's expense ratio in fiscal year 1998 was 0.51%, or \$5.10 per \$1,000 of average net assets. The average growth equity mutual fund had expenses in 1998 of 1.44%, or \$14.40 per \$1,000 of average net assets, according to Lipper, Inc., which reports on the mutual fund industry.

FEEES AND EXPENSES

The following table describes the fees and expenses you would pay if you buy and hold shares of the Fund. The expenses shown under Annual Fund Operating Expenses are based upon those incurred in the fiscal year ended December 31, 1998.

SHAREHOLDER FEES (fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fees:	None
Exchange Fees:	None

ANNUAL FUND OPERATING EXPENSES (expenses deducted from the Fund's assets)

Management Expenses:	0.48%
12b-1 Distribution Fees:	None
Other Expenses:	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES:	0.51%

The following example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund. This example assumes that the Fund provides a return of 5% a year, and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of each period

1 Year	3 Years	5 Years	10 Years
-----	-----	-----	-----
\$52	\$164	\$285	\$640

THIS EXAMPLE SHOULD NOT BE CONSIDERED TO REPRESENT ACTUAL EXPENSES OR PERFORMANCE FROM THE PAST OR FOR THE FUTURE. ACTUAL FUTURE EXPENSES MAY BE HIGHER OR LOWER THAN THOSE SHOWN.

ADDITIONAL INFORMATION

DIVIDENDS AND CAPITAL GAINS
Distributed annually in December

INVESTMENT ADVISER
PRIMECAP Management Company, Pasadena, Calif., since inception

INCEPTION DATE
November 1, 1984

NET ASSETS AS OF DECEMBER 31, 1998
\$11 billion

NEWSPAPER ABBREVIATION
Prmcpc

VANGUARD FUND NUMBER
059

CUSIP NUMBER
921936100

TICKER SYMBOL
VPMCX

A WORD ABOUT RISK

This prospectus describes the risks you would face as an investor in Vanguard PRIMECAP Fund. It is important to keep in mind one of the main axioms of investing: The higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: The lower the risk, the lower the potential reward. As you consider an investment in Vanguard PRIMECAP Fund, you should also take into account your personal tolerance for the daily fluctuations of the stock market.

Look for this [FLAG] symbol throughout the prospectus. It is used to mark detailed information about each type of risk that you would confront as a shareholder of the Fund.

WHO SHOULD INVEST

The Fund may be a suitable investment for you if:

- You wish to add a growth stock fund to your existing holdings, which could include other stock investments as well as bond, money market, and tax-exempt investments.

- You are seeking growth of capital over the long term -- at least five years.
- You are not looking for current income.
- You are comfortable with the volatility that accompanies growth-stock investing.

PLAIN TALK ABOUT
COSTS AND MARKET-TIMING

Some investors try to profit from market-timing -- switching money into investments when they expect prices to rise, and taking money out when they expect the market to fall. As money is shifted in and out, a fund incurs expenses for buying and selling securities. These costs are borne by all fund shareholders, including the long-term investors who do not generate the costs. Therefore, the Fund discourages short-term trading by, among other things, limiting the number of exchanges it permits.

THE VANGUARD FUNDS DO NOT PERMIT MARKET-TIMING. DO NOT INVEST IN THIS FUND IF YOU ARE A MARKET-TIMER.

30

4

PLAIN TALK ABOUT
GROWTH FUNDS AND VALUE FUNDS

Growth investing and value investing are two styles employed by stock fund managers. Growth funds generally focus on companies believed to have above-average potential for growth in revenue and earnings. Reflecting the market's high expectations for superior growth, the prices of such stocks are typically above-average in relation to such measures as revenue, earnings, book value, and dividends. Value funds generally emphasize stocks of companies from which the market does not expect strong growth. The prices of value stocks typically are below-average in comparison to such factors as earnings and book value, and these stocks typically pay above-average dividend yields. Growth and value stocks have, in the past, produced similar long-term returns, though each category has periods when it outperforms the other. In general, growth funds appeal to investors who will accept more volatility in hopes of a greater increase in share price. Growth funds also may appeal to investors with taxable accounts who want a higher proportion of returns to come as capital gains (which may be taxed at lower rates than dividend income). Value funds, by contrast, are appropriate for investors who want some dividend income and the potential for capital gains, but are less tolerant of share-price fluctuations.

The Fund has adopted the following policies, among others, to discourage short-term trading:

- The Fund reserves the right to reject any purchase request -- including exchanges from other Vanguard funds -- that it regards as disruptive to the efficient management of the Fund. A purchase request could be rejected because of the timing of the request or because of a history of excessive trading by the investor.
- There is a limit to the number of times you can exchange into and out of the Fund (see "Exchanges" in the INVESTING WITH VANGUARD section).
- The Fund reserves the right to stop offering shares at any time.

PLAIN TALK ABOUT
LARGE-CAP, MID-CAP, AND SMALL-CAP STOCKS

Stocks of publicly traded companies -- and mutual funds that hold these stocks -- can be classified by the companies' market value, or capitalization. Generally, Vanguard defines large-capitalization (large-cap) funds as those holding stocks of companies whose outstanding shares have a market value exceeding \$10 billion. Mid-cap funds hold stocks of companies with a market value between \$1 billion and \$10 billion. Small-cap funds typically hold stocks of companies with a market value of less than \$1 billion.

PRIMARY INVESTMENT STRATEGIES

This section explains the strategies that the investment adviser uses in pursuit of the Fund's objective, long-term growth of capital. The Fund's Board of Trustees oversees the management of the Fund, and may change the investment

strategies in the interest of shareholders. In addition, this section discusses several important risks -- market risk, investment style risk, and manager risk -- faced by investors in the Fund.

MARKET EXPOSURE

The Fund invests chiefly in the common stocks of mid- and large-capitalization companies that offer favorable prospects for capital growth and sell at attractive prices, but that typically produce little current income.

[FLAG] THE FUND IS SUBJECT TO MARKET RISK, WHICH IS THE POSSIBILITY THAT STOCK PRICES OVERALL WILL DECLINE OVER SHORT OR EVEN LONG PERIODS. STOCK MARKETS TEND TO MOVE IN CYCLES, WITH PERIODS OF RISING PRICES AND PERIODS OF FALLING PRICES.

31

5

To illustrate the volatility of stock prices, the following table shows the best, worst, and average total returns for the U.S. stock market over various periods as measured by the Standard & Poor's 500 Composite Stock Price Index, a widely used barometer of market activity. (Total returns consist of dividend income plus change in market price.) Note that the returns shown do not include the costs of buying and selling stocks or other expenses that a real-world investment portfolio would incur. Note, also, that the gap between best and worst tends to narrow over the long term.

	U.S. STOCK MARKET RETURNS (1926 - 1998)			
	1 YEAR	5 YEARS	10 YEARS	20 YEARS
	-----	-----	-----	-----
Best	54.2%	24.1%	19.9%	17.7%
Worst	-43.1	-12.4	-0.8	3.1
Average	13.1	10.7	11.0	11.0

The table covers all of the 1-, 5-, 10-, and 20-year periods from 1926 through 1998. You can see, for example, that while the average return on stocks for all of the 5-year periods was 10.7%, returns for individual 5-year periods ranged from a -12.4% average (from 1928 through 1932) to 24.1% (from 1994 through 1998). These average returns reflect past performance on common stocks; you should not regard them as an indication of future returns from either the stock market as a whole or this Fund in particular.

Growth stocks, which are the Fund's primary investments, are likely to be even more volatile in price than the stock market as a whole. Historically, growth funds have tended to outperform in bull markets and underperform in declining markets. Of course, there is no guarantee that this pattern will continue in the future. The Fund also holds a significant number of mid-cap stocks, which tend to be more volatile than the large-cap stocks that dominate the S&P 500 Index.

Finally, because Vanguard PRIMECAP Fund's holdings are not identical to the S&P 500 Index or any other market index, the performance of the Fund will not mirror the returns of any particular index.

[FLAG] THE FUND IS SUBJECT TO INVESTMENT STYLE RISK, WHICH IS THE POSSIBILITY THAT RETURNS FROM GROWTH STOCKS WILL TRAIL RETURNS FROM OTHER ASSET CLASSES OR THE OVERALL STOCK MARKET. AS A GROUP, GROWTH STOCKS TEND TO GO THROUGH CYCLES OF DOING BETTER -- OR WORSE -- THAN COMMON STOCKS IN GENERAL. THESE PERIODS HAVE, IN THE PAST, LASTED FOR AS LONG AS SEVERAL YEARS.

SECURITY SELECTION

PRIMECAP Management Company (PRIMECAP), adviser to the Fund, selects common stocks that it believes have above-average earnings growth potential that is not reflected in the current market price. Stocks selected for the Fund typically have strong positions within their industries, increasing sales, improving profitability, good long-term prospects for above-average growth in earnings, and strong management teams. Based on careful analysis, PRIMECAP attempts to quantify a company's "fundamental value." It compares each company's fundamental value with the market price of its stock. Stocks selected for the Fund are chosen primarily for the attractiveness of their market price in relation to the fundamental value. Although PRIMECAP invests with a long-term horizon of three to five years, it may sell stocks if the market price appears to have risen

above their fundamental value or if other securities appear to be more favorably priced.

PRIMECAP does not try to market-time. However, if attractively priced stocks cannot be found, the Fund's cash levels will increase.

Because the Fund's selections are determined by analyses of the individual securities, the Fund's makeup may differ substantially from the overall market's characteristics. For example, the proportion of the Fund's assets invested in a particular industry may be significantly larger or smaller than the proportion of the overall stock market represented by that industry.

As of December 31, 1998, the Fund had invested 39.17% of total net assets in its top ten holdings.

The Fund is generally managed without regard to tax ramifications.

[FLAG] THE FUND IS SUBJECT TO MANAGER RISK, WHICH IS THE POSSIBILITY THAT THE ADVISER MAY DO A POOR JOB OF SELECTING STOCKS.

32

6

PLAIN TALK ABOUT TURNOVER RATE

Before investing in a mutual fund, you should review its turnover rate. This gives an indication of how transaction costs could affect the fund's future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains that must be distributed to shareholders as income subject to taxes. The average turnover rate for all domestic stock funds is approximately 85%, according to Morningstar, Inc.

TURNOVER RATE

Although the Fund generally seeks to invest for the long term, it may sell securities regardless of how long the securities have been held. The Fund's average turnover rate for the past five years has been about 10%. (A turnover rate of 100% would occur, for example, if the Fund sold and replaced securities valued at 100% of its net assets within a one-year period.)

OTHER INVESTMENT POLICIES AND RISKS

Although the Fund typically does not make significant investments in securities of companies based outside the United States, the Fund reserves the right to invest up to 20% of its assets in foreign securities. These securities may be traded in U.S. or foreign markets. To the extent that it owns foreign stocks, the Fund is subject to (1) country risk, which is the possibility that political events (such as a war), financial problems (such as government default), or natural disasters (such as an earthquake) will weaken a country's economy and cause investments in that country to lose money, and (2) currency risk, which is the possibility that Americans investing abroad could lose money because of a rise in the value of the U.S. dollar versus foreign currencies.

The Fund may, from time to time, take temporary defensive measures -- such as holding cash reserves without limit -- that are inconsistent with the Fund's primary investment strategies, in response to adverse market, economic, political, or other conditions. In taking such measures, the Fund may not achieve its investment objective.

THE FUND AND VANGUARD

The Fund is a member of The Vanguard Group, a family of more than 35 investment companies with more than 100 distinct investment portfolios holding assets worth more than \$440 billion. All of the Vanguard funds share in the expenses associated with business operations, such as personnel, office space, equipment, and advertising.

Vanguard also provides marketing services to the funds. Although shareholders do not pay sales commissions or 12b-1 distribution fees, each fund pays its allocated share of The Vanguard Group's marketing costs.

PLAIN TALK ABOUT VANGUARD'S UNIQUE CORPORATE STRUCTURE

The Vanguard Group is truly a MUTUAL mutual fund company. It is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by for-profit management companies that may be owned by one person, by a group of individuals, or by investors who own the management company's stock. By contrast, Vanguard provides its services on an "at-cost" basis, and the funds' expense ratios reflect only these costs. No separate management company reaps profits or absorbs losses from operating the funds.

33

7

PLAIN TALK ABOUT
THE FUND'S ADVISER

PRIMECAP Management Company is an investment advisory firm founded in 1983. As of December 31, 1998, PRIMECAP managed more than \$15 billion in assets. It also provides investment advisory services to endowment funds, employee benefit plans, and foundations unrelated to Vanguard. The managers responsible for overseeing the PRIMECAP Fund are:

HOWARD B. SCHOW, Chairman and Chief Investment Officer of PRIMECAP Management; has worked in investment management since 1956; has managed assets since 1967; with PRIMECAP since 1983; B.A., Williams College; M.B.A., Harvard Business School.

THEO A. KOLOKOTRONES, President of PRIMECAP Management; has worked in investment management since 1970; has managed assets since 1983; with PRIMECAP since 1983; B.A., University of Chicago; M.B.A., Harvard Business School.

JOEL P. FRIED, Executive Vice President of PRIMECAP Management; has worked in investment management since 1985; has managed assets since 1986; with PRIMECAP since 1986; B.S. and M.B.A., University of California, Los Angeles.

F. JACK LIEBAU JR., Senior Vice President of PRIMECAP Management; has worked in investment management since 1984; has managed assets since 1986; with PRIMECAP since 1986; B.A., Stanford University.

INVESTMENT ADVISER

The Fund employs PRIMECAP Management Company, 225 South Lake Avenue, Pasadena, CA 91101, as its investment adviser. PRIMECAP manages the Fund subject to the control of the Trustees and officers of the Fund.

PRIMECAP's advisory fee is paid quarterly. This fee is based on certain annual percentage rates applied to the Fund's average month-end assets for each quarter.

For the fiscal year ended December 31, 1998, the advisory fees represented an effective annual rate of 0.21%.

The Fund has authorized PRIMECAP to choose brokers or dealers to handle the purchase and sale of securities for the Fund, and to get the best available price and most favorable execution from these brokers with respect to all transactions.

In the interest of obtaining better execution of a transaction, PRIMECAP may choose brokers who charge higher commissions. If more than one broker can obtain the best available price and favorable execution of a transaction, then PRIMECAP is authorized to choose a broker who, in addition to executing the transaction, will provide research services to PRIMECAP or the Fund. Also, the Fund may direct PRIMECAP to use a particular broker for certain transactions in exchange for commission rebates or research services provided to the Fund.

The Board of Trustees may, without prior approval from shareholders, change the terms of the advisory agreement between the Fund and PRIMECAP, or hire a new investment adviser, either as a replacement for PRIMECAP or as an additional adviser. However, any such change will be communicated to shareholders in writing.

34

8

YEAR 2000 CHALLENGE

The common practice in computer programming of using just two digits to identify a year has resulted in the Year 2000 challenge throughout the information technology industry. If unchanged, many computer applications and systems could misinterpret dates occurring after December 31, 1999, leading to errors or failure. Such failure could adversely affect a fund's operations, including pricing, securities trading, and the servicing of shareholder accounts.

The Vanguard Group is dedicated to providing uninterrupted, high-quality performance from our computer systems before, during, and after 2000. In July 1998, we completed the renovation and initial testing of our internal systems. Vanguard is diligently working with external partners, suppliers, and vendors, including fund managers and other service providers, to assure that the systems with which we interact remain operational at all times.

In addition to taking every reasonable step to secure our internal systems and external relationships, Vanguard is further developing contingency plans intended to assure that unexpected systems failures will not adversely affect the Fund's operations. Vanguard intends to monitor these processes through the rollover of 1999 into 2000 and to quickly implement alternate solutions if necessary.

However, despite Vanguard's efforts and contingency plans, noncompliant computer systems could have a material adverse effect on the Fund's business, operations, or financial condition. Additionally, the Fund's performance could be hurt if a computer-system failure at a company or governmental unit affects the price of securities the Fund owns.

PLAIN TALK ABOUT DISTRIBUTIONS

As a shareholder, you are entitled to your share of the fund's income from interest and dividends, and gains from the sale of investments. You receive such earnings as either an income dividend or a capital gains distribution. Income dividends come from both the dividends that the fund earns from its holdings and the interest it receives from its money market and bond investments. Capital gains are realized whenever the fund sells securities for higher prices than it paid for them. These capital gains are either short-term or long-term depending on whether the fund held the securities for less than or more than one year.

DIVIDENDS, CAPITAL GAINS, AND TAXES

The Fund distributes to shareholders virtually all of its net income (interest and dividends less expenses), as well as any capital gains realized from the sale of securities. Distributions generally occur in December. In addition, the Fund may occasionally be required to make supplemental dividend or capital gains distributions at some other time during the year.

Dividend and capital gains distributions of Fund shares that are held as an investment option in an employer-sponsored retirement or savings plan will be reinvested in additional Fund shares and accumulate on a tax-deferred basis. You will not owe taxes on these distributions until you begin withdrawals. You should consult your plan administrator, your plan's Summary Plan Description, or your tax adviser about the tax consequences of an investment in the Fund and of any plan withdrawals.

35

9

SHARE PRICE

The Fund's share price, called its net asset value, or NAV, is calculated each business day after the close of trading on the New York Stock Exchange (the NAV is not calculated on holidays or other days the Exchange is closed). Net asset value per share is computed by adding up the total value of the Fund's investments and other assets, subtracting any of its liabilities (debts), and then dividing by the number of Fund shares outstanding:

$$\text{NET ASSET VALUE} = \frac{\text{TOTAL ASSETS} - \text{LIABILITIES}}{\text{NUMBER OF SHARES OUTSTANDING}}$$

Knowing the daily net asset value is useful to you as a shareholder because it indicates the current value of your investment. The Fund's NAV, multiplied by the number of shares you own, gives you the dollar amount you would have received had you sold all of your shares back to the Fund that day.

A NOTE ON PRICING: The Fund's investments will be priced at their market value when market quotations are readily available. When these quotations are not readily available, investments will be priced at their fair value, calculated according to procedures adopted by the Fund's Board of Trustees.

The Fund's share price can be found daily in the mutual fund listings of most major newspapers under the heading "Vanguard Funds." Different newspapers use different abbreviations of the Fund's name, but the most common is PRMCP.

36
10

PLAIN TALK ABOUT
HOW TO READ THE FINANCIAL HIGHLIGHTS TABLE

The Fund began fiscal 1998 with a net asset value (price) of \$39.56 per share. During the year, the Fund earned \$0.34 per share from investment income (interest and dividends) and \$9.63 per share from investments that had appreciated in value or that were sold for higher prices than the Fund paid for them.

Shareholders received \$1.87 in the form of dividend and capital gains distributions. A portion of each year's distributions may come from the prior year's income or capital gains.

The earnings (\$9.97 per share) minus the distributions (\$1.87 per share) resulted in a share price of \$47.66 at the end of the year. This was an increase of \$8.10 per share (from \$39.56 at the beginning of the year to \$47.66 at the end of the year). For a shareholder who reinvested the distributions in the purchase of more shares, the total return from the Fund was 25.44% for the year.

As of December 31, 1998, the Fund had \$11 billion in net assets. For the year, its expense ratio was 0.51% (\$5.10 per \$1,000 of net assets); and its net investment income amounted to 0.78% of its average net assets. It sold and replaced securities valued at 13% of its net assets.

FINANCIAL HIGHLIGHTS

The following financial highlights table is intended to help you understand the Fund's financial performance for the past five years, and certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost each year on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the financial statements audited by PricewaterhouseCoopers LLP, independent accountants, whose report -- along with the Fund's financial statements -- is included in the Fund's most recent annual report to shareholders. You may have the annual report sent to you without charge by contacting Vanguard.

<TABLE>
<CAPTION>

	VANGUARD PRIMECAP FUND YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR	\$ 39.56	\$ 30.08	\$ 26.23	\$ 19.98	\$ 18.42
INVESTMENT OPERATIONS					
Net Investment Income	.34	.21	.19	.22	.12
Net Realized and Unrealized Gain (Loss) on Investments	9.63	10.77	4.59	6.84	1.97
Total from Investment Operations	9.97	10.98	4.78	7.06	2.09
DISTRIBUTIONS					
Dividends from Net Investment Income	(.35)	(.20)	(.20)	(.22)	(.12)
Distributions from Realized Capital Gains	(1.52)	(1.30)	(.73)	(.59)	(.41)
Total Distributions	(1.87)	(1.50)	(.93)	(.81)	(.53)
NET ASSET VALUE, END OF YEAR	\$ 47.66	\$ 39.56	\$ 30.08	\$ 26.23	\$ 19.98
TOTAL RETURN	25.44%	36.79%	18.31%	35.48%	11.41%

RATIOS/SUPPLEMENTAL DATA

	=====	=====	=====	=====	=====
Net Assets, End of Year (Millions)	\$ 11,210	\$ 8,186	\$ 4,204	\$ 3,237	\$ 1,554
Ratio of Total Expenses to					
Average Net Assets	0.51%	0.51%	0.59%	0.58%	0.64%
Ratio of Net Investment Income to					
Average Net Assets	0.78%	0.69%	0.69%	0.99%	0.79%
Turnover Rate	13%	13%	10%	7%	8%
	=====	=====	=====	=====	=====

</TABLE>

From time to time, the Vanguard funds advertise yield and total return figures. Yield is a measure of past dividend income. Total return includes both past dividend income (assuming that it has been reinvested) plus realized and unrealized capital appreciation (or depreciation). Neither yield nor total return should be used to predict the future performance of a fund.

"Standard & Poor's (R)," "S&P (R)," "S&P 500 (R)," "Standard & Poor's 500," and "500" are trademarks of The McGraw-Hill Companies, Inc.

INVESTING WITH VANGUARD

The Fund is an investment option in your retirement or savings plan. Your plan administrator or your employee benefits office can provide you with detailed information on how to participate in your plan and how to elect the Fund as an investment option.

- If you have any questions about the Fund or Vanguard, including the Fund's investment objective, strategies, or risks, contact Vanguard's Participant Services Center, toll-free, at 1-800-523-1188.
- If you have questions about your account, contact your plan administrator or the organization that provides recordkeeping services for your plan.

INVESTMENT OPTIONS AND ALLOCATIONS

Your plan's specific provisions may allow you to change your investment selections, the amount of your contributions, or how your contributions are allocated among the investment choices available to you. Contact your plan administrator or employee benefits office for more details.

TRANSACTIONS

Contributions, exchanges, or redemptions of the Fund's shares are processed as soon as they have been received by Vanguard in good order. Good order means that your request includes complete information on your contribution, exchange, or redemption, and that Vanguard has received the appropriate assets.

EXCHANGES

The exchange privilege (your ability to redeem shares from one fund to purchase shares of another fund) may be available to you through your plan. Although we make every effort to maintain the exchange privilege, Vanguard reserves the right to revise or terminate this privilege, limit the amount of an exchange or reject any exchange, at any time, without notice. Because excessive exchanges can potentially disrupt the management of the Fund and increase its transaction costs, Vanguard limits participant exchange activity to no more than FOUR SUBSTANTIVE "ROUND TRIPS" THROUGH THE FUND (at least 90 days apart) during any 12-month period. A "round trip" is a redemption from the Fund followed by a purchase back into the Fund. "Substantive" means a dollar amount that Vanguard determines, in its sole discretion, could adversely affect the management of the Fund.

Before making an exchange to or from another fund available in your plan, consider the following:

- Certain investment options, particularly funds made up of company stock or investment contracts, may be subject to unique restrictions.
- Make sure to read that fund's prospectus. Contact Participant Services, toll-free, at 1-800-523-1188 for a copy.
- Vanguard can accept exchanges only as permitted by your plan. Contact

your plan administrator for details on the exchange policies that apply to your plan.

ACCESSING FUND INFORMATION BY COMPUTER

VANGUARD ON THE WORLD WIDE WEB www.vanguard.com

Use your personal computer to visit Vanguard's education-oriented website, which provides timely news and information about Vanguard funds and services; an online "university" that offers a variety of mutual fund classes; and easy-to-use, interactive tools to help you create your own investment and retirement strategies.

38

(THIS PAGE INTENTIONALLY LEFT BLANK.)

39

GLOSSARY OF INVESTMENT TERMS

CAPITAL GAINS DISTRIBUTION

Payment to mutual fund shareholders of gains realized on securities that the fund has sold at a profit, minus any realized losses.

CASH RESERVES

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

COMMON STOCK

A security representing ownership rights in a corporation. A stockholder is entitled to share in the company's profits, some of which may be paid out as dividends.

DIVIDEND INCOME

Payment to shareholders of income from interest or dividends generated by a fund's investments.

EXPENSE RATIO

The percentage of a fund's average net assets used to pay its expenses. The expense ratio includes management fees, administrative fees, and any 12b-1 distribution fees.

FUND DIVERSIFICATION

Holding a variety of securities so that a fund's return is not badly hurt by the poor performance of a single security, industry, or country.

GROWTH STOCK FUND

A mutual fund that emphasizes stocks of companies believed to have above-average prospects for growth. Reflecting market expectations for superior growth, the prices of growth stocks often are relatively high in comparison to revenue, earnings, book value, and dividends.

INVESTMENT ADVISER

An organization that makes the day-to-day decisions regarding a fund's investments.

MUTUAL FUND

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

NET ASSET VALUE (NAV)

The market value of a mutual fund's total assets, minus liabilities, divided by the number of shares outstanding. The value of a single share is called its share value or share price.

PRICE/EARNINGS (P/E) RATIO

The current share price of a stock, divided by its per-share earnings (profits) from the past year. A stock selling for \$20, with earnings of \$2 per share, has a price/earnings ratio of 10.

SECURITIES

Stocks, bonds, and other investment vehicles.

TOTAL RETURN

A percentage change, over a specified time period, in a mutual fund's net asset value, with the ending net asset value adjusted to account for the reinvestment of all distributions of dividends and capital gains.

VALUE STOCK FUND

A mutual fund that emphasizes stocks of companies whose growth prospects are generally regarded as subpar by the market. Reflecting these market expectations, the prices of value stocks typically are below-average in comparison with such factors as revenue, earnings, book value, and dividends.

VOLATILITY

The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations between its high and low prices.

YIELD

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

40

[SHIP]

THE VANGUARD GROUP (R)
Institutional Division
Post Office Box 2900
Valley Forge, PA 19482-2900

FOR MORE INFORMATION

If you'd like more information about Vanguard PRIMECAP Fund, the following documents are available free upon request:

ANNUAL/SEMIANNUAL REPORT TO SHAREHOLDERS

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

STATEMENT OF ADDITIONAL INFORMATION (SAI)

The SAI provides more detailed information about the Fund.

The current annual and semiannual reports and the SAI are incorporated by reference into (and are thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about the Fund or other Vanguard funds, please contact us as follows:

THE VANGUARD GROUP
PARTICIPANT SERVICES CENTER
P.O. BOX 2900
VALLEY FORGE, PA 19482-2900

TELEPHONE:

1-800-523-1188

TEXT TELEPHONE:
1-800-523-8004

WORLD WIDE WEB:
www.vanguard.com

INFORMATION PROVIDED BY THE SECURITIES AND EXCHANGE COMMISSION (SEC)

You can review and copy information about the Fund (including the SAI) at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 1-800-SEC-0330. Reports and other information about the Fund are also available on the SEC's website (www.sec.gov), or you can receive copies of this information, for a fee, by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-6009.

Fund's Investment Company Act file number: 811-4098

(C) 1999 The Vanguard Group, Inc.
All rights reserved.
Vanguard Marketing Corporation,
Distributor.

I059N-04/09/1999

41

PART B

VANGUARD PRIMECAP FUND

(THE FUND)

STATEMENT OF ADDITIONAL INFORMATION

APRIL 9, 1999

This Statement is not a prospectus but should be read in conjunction with the Fund's current Prospectus (dated April 9, 1998). To obtain the Prospectus or an additional Annual Report to Shareholders, which contains the Fund's financial statements as hereby incorporated by reference, please call:

VANGUARD INVESTOR INFORMATION DEPARTMENT

1-800-662-7447

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	PAGE

<S>	<C>
Description of the Fund.....	B-1
Investment Policies.....	B-3
Fundamental Investment Limitations.....	B-7
Share Price.....	B-8
Purchase of Shares.....	B-9
Redemption of Shares.....	B-9
Management of the Fund.....	B-10
Performance Measures.....	B-13
Investment Advisory Services.....	B-15
Portfolio Transactions.....	B-16
Financial Statements.....	B-17
Yield and Total Return.....	B-17

</TABLE>

ORGANIZATION

The Fund was organized as a Maryland corporation on November 1, 1984, and was reorganized as a Delaware business trust on July 30, 1998. The Fund is registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940 (the 1940 Act) as an open-end diversified management investment company.

There is no limit on the number of full and fractional shares that the Fund may issue.

SERVICE PROVIDERS

CUSTODIANS. State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110 and First Union National Bank, PA 4943, 530 Walnut Street, Philadelphia, Pennsylvania 19106 serve as the Fund's custodians. The custodians are responsible for maintaining the Fund's assets and keeping all necessary accounts and records.

INDEPENDENT ACCOUNTANTS. PricewaterhouseCoopers LLP, 30 South 17th Street, Philadelphia, Pennsylvania 19103, serves as the Trust's independent accountants. The accountants audit financial statements for the Funds and provide other related services.

B-1

42

TRANSFER AND DIVIDEND-PAYING AGENT. The Fund's transfer agent and dividend-paying agent is The Vanguard Group, Inc., 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

CHARACTERISTICS OF THE TRUST'S SHARES

RESTRICTIONS ON HOLDING OR DISPOSING OF SHARES. There are no restrictions on the right of shareholders to retain or dispose of the Fund's shares, other than the possible future termination of the Fund. The Fund may be terminated by reorganization into another mutual fund or by liquidation and distribution of its assets. Unless terminated by reorganization or liquidation, the Fund will continue indefinitely.

SHAREHOLDER LIABILITY. The Fund is organized under Delaware law, which provides that shareholders of a business trust are entitled to the same limitations of personal liability as shareholders of a corporation organized under Delaware law. Effectively, this means that a shareholder of the Fund will not be personally liable for payment of the Fund's debts except by reason of his or her own conduct or acts. In addition, a shareholder could incur a financial loss on account of a Fund obligation only if the Fund itself had no remaining assets with which to meet such obligation. We believe that the possibility of such a situation arising is extremely remote.

DIVIDEND RIGHTS. The shareholders of the Fund are entitled to receive any dividends or other distributions declared by the Fund. No shares have priority or preference over any other shares with respect to distributions. Distributions will be made from the assets of the Fund, and will be paid ratably to all shareholders according to the number of shares held by shareholders on the record date.

VOTING RIGHTS. Shareholders are entitled to vote on a matter if: (i) a shareholder vote is required under the 1940 Act; (ii) the matter concerns an amendment to the Declaration of Trust that would adversely affect to a material degree the rights and preferences of the shares of any class or fund; or (iii) the Trustees determine that it is necessary or desirable to obtain a shareholder vote. The 1940 Act requires a shareholder vote under various circumstances, including to elect or remove Trustees upon the written request of shareholders representing 10% or more of the Fund's net assets, and to change any fundamental policy of the Fund. Fund shareholders receive one vote for each dollar of net asset value owned on the record date, and a fractional vote for each fractional dollar of net asset value owned on the record date. Voting rights are non-cumulative and cannot be modified without a majority vote.

LIQUIDATION RIGHTS. In the event of liquidation, shareholders will be entitled to receive a pro rata share of the Fund's net assets.

PREEMPTIVE RIGHTS. There are no preemptive rights associated with shares of the Fund.

CONVERSION RIGHTS. There are no conversion rights associated with shares of the Fund.

REDEMPTION PROVISIONS. The Fund's redemption provisions are described in its current prospectus and elsewhere in this Statement of Additional Information.

SINKING FUND PROVISIONS. The Fund has no sinking fund provisions.

CALLS OR ASSESSMENT. The Fund's shares, when issued, are fully paid and non-assessable.

TAX STATUS OF THE FUND

The Fund qualifies as a "regulated investment company" under Subchapter M of the Internal Revenue Code. This special tax status means that the Fund will not be liable for federal tax on income and capital gains distributed to shareholders. In order to preserve its tax status, the Fund must comply with certain requirements. If the Fund fails to meet these requirements in any taxable year, it will be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, will be taxable to shareholders as ordinary income. In addition, the Fund could be required to recognize unrealized gains,

B-2

43

pay substantial taxes and interest, and make substantial distributions before regaining its tax status as a regulated investment company.

INVESTMENT POLICIES

The following policies supplement the Fund's investment objective and policies set forth in the Prospectus.

REPURCHASE AGREEMENTS

The Fund may invest, directly or indirectly, in repurchase agreements with commercial banks, brokers, or dealers, either for defensive purposes due to market conditions or to generate income from its excess cash balances. A repurchase agreement is an agreement under which the Fund acquires a money market instrument (generally a security issued by the U.S. Government or an agency thereof, a banker's acceptance or a certificate of deposit) from a commercial bank, broker, or dealer, subject to resale to the seller at an agreed upon price and date (normally, the next business day). A repurchase agreement may be considered a loan collateralized by securities. The resale price reflects an agreed upon interest rate effective for the period the instrument is held by the Fund and is unrelated to the interest rate on the underlying instrument. In these transactions, the securities acquired by the Fund (including accrued interest earned thereon) must have a total value in excess of the value of the repurchase agreement and are held by a custodian bank until repurchased. In addition, the Fund's Board of Trustees monitors the Fund's repurchase agreement transactions generally and has established guidelines and standards for review by the investment adviser of the creditworthiness of any bank, broker, or dealer that is a party to a repurchase agreement with the Fund.

The use of repurchase agreements involves certain risks. For example, if the other party to the agreement defaults on its obligation to repurchase the underlying security at a time when the value of the security has declined, the Fund may incur a loss upon disposition of the security. If the other party to the agreement becomes insolvent and subject to liquidation or reorganization under the Bankruptcy Code or other laws, a court may determine that the underlying security is collateral for a loan by the Fund not within the control of the Fund, and therefore the realization by the Fund on such collateral may be automatically stayed. Finally, it is possible that the Fund may not be able to substantiate its interest in the underlying security and may be deemed an

unsecured creditor of the other party to the agreement. While the Fund's management acknowledges these risks, it is expected that they can be controlled through careful monitoring procedures.

FUTURES CONTRACTS AND OPTIONS

Although it has no present intention to do so, the Fund is authorized to enter into stock futures contracts, options, and options on futures contracts for the following reasons: to maintain cash reserves while simulating full investment, to facilitate trading, to reduce transaction costs. Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. While the Fund will incur commission expenses in both opening and closing out futures positions, these costs are lower than transaction costs incurred in the purchase and sale of portfolio securities.

RESTRICTIONS ON THE USE OF FUTURES CONTRACTS. The Fund will not enter into futures contract transactions to the extent that, immediately thereafter, the sum of its initial margin deposits on open contracts exceeds 5% of the Fund's total assets. In addition, the Fund will not enter into futures contracts to the extent that its outstanding obligations to purchase securities under these contracts would exceed 20% of the Fund's total assets.

RISK FACTORS IN FUTURES CONTRACTS. Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may

B-3

44

not be possible to close a futures position. In the event of adverse price movements, the Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, the Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge. The Fund will minimize the risk that it will be unable to close out a futures contract by only entering into futures contracts which are traded on national futures exchanges and for which there appears to be a liquid secondary market.

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

Utilization of futures transactions by a Fund does involve the risk of imperfect or no correlation where the securities underlying futures contracts have different maturities than the portfolio securities being hedged. It is also possible that a Fund could both lose money on futures contracts and experience a decline in the value of its portfolio securities. There is also the risk of loss by a Fund of margin deposits in the event of bankruptcy of a broker with whom the Fund has an open position in a futures contract or related option.

LENDING OF SECURITIES

The Fund may lend its portfolio securities to qualified institutional investors (typically brokers, dealers, banks or other financial institutions) who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities, or completing arbitrage operations. By lending its portfolio securities, the Fund attempts to increase its income through the receipt of interest on the loan. Any gain or

loss in the market price of the securities loaned that might occur during the term of the loan would be for the account of the Fund. The terms and the structure of such loans must be consistent with the Investment Company Act of 1940, and the Rules and Regulations or interpretations of the Securities and Exchange Commission thereunder. These provisions limit the amount of securities a fund may lend to 33 1/3% of the Fund's total assets, and require that (a) the borrower pledges and maintains with the Fund collateral consisting of cash, a letter of credit, or securities issued or guaranteed by the United States Government having a value at all times not less than 100% of the value of the securities loaned, (b) the borrower adds to such collateral whenever the price of the securities loaned rises (i.e., the borrower "marks to the market" on a daily basis), (c) the loan is made subject to termination by the Fund at any time, and (d) the Fund receives reasonable interest on the loan (which may include the Fund's investing any cash collateral in interest bearing short-term investments), any distributions on the loaned securities and any increase in their market value. Loan arrangements made by the Fund will comply with all other applicable regulatory requirements, including the rules of the New York Stock Exchange, which rules presently require the borrower, after notice, to redeliver the securities within the normal settlement time of three business days. All relevant facts and circumstances, including the creditworthiness of the broker, dealer, or institution, will

B-4

45

be considered in making decisions with respect to the lending of securities, subject to review by the Fund's Board of Trustees.

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

VANGUARD INTERFUND LENDING PROGRAM. The SEC has issued an exemptive order permitting the Fund to participate in Vanguard's interfund lending program. This program allows the Vanguard funds to borrow money from and loan money to each other for temporary or emergency purposes. The program is subject to a number of conditions, including the requirement that no fund may borrow or lend money through the program unless it receives a more favorable interest rate than is available from a typical bank for a comparable transaction. In addition, a fund may participate in the program only if and to the extent that such participation is consistent with the fund's investment objective and other investment policies. The Boards of Trustees of the Vanguard funds are responsible for ensuring that the interfund lending program operates in compliance with all conditions of the SEC's exemptive order.

FOREIGN INVESTMENTS. The Fund may invest up to 20% of its assets in securities of foreign companies. Investors should recognize that investing in foreign companies involves certain special considerations which are not typically associated with investing in U.S. companies.

CURRENCY RISK. Since the stocks of foreign companies are frequently denominated in foreign currencies, and since the Fund may temporarily hold uninvested reserves in bank deposits in foreign currencies, the Fund will be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, and may incur costs in connection with conversions between various currencies. The investment policies of the Fund permit it to enter into forward foreign currency exchange contracts in order to hedge the Fund's holdings and commitments against changes in the level of future currency rates. Such contracts involve an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract.

FEDERAL TAX TREATMENT OF NON-U.S. TRANSACTIONS. Special rules govern the Federal income tax treatment of certain transactions denominated in terms of a currency other than the U.S. dollar or determined by reference to the value of one or more currencies other than the U.S. dollar. The types of transactions covered by the special rules include the following; (i) the acquisition of, or becoming the obligor under, a bond or other debt instrument (including, to the extent provided in Treasury regulations, preferred stock); (ii) the accruing of certain trade receivables and payables; and (iii) the entering into or acquisition of any forward contract, futures contract, option and similar financial instrument if such instrument is not marked to market. The disposition of a currency other than the U.S. dollar by a U.S. taxpayer is also treated as a transaction subject to the special currency rules. However, foreign currency-related regulated futures contracts and nonequity options are generally

not subject to the special currency rules if they are or would be treated as sold for their fair market value at year-end under the marking-to-market rules applicable to other futures contracts unless an election is made to have such currency rules apply. With respect to transactions covered by the special rules, foreign currency gain or loss is calculated separately from any gain or loss on the underlying transaction and is normally taxable as ordinary gain or loss. A taxpayer may elect to treat as capital gain or loss foreign currency gain or loss arising from certain identified forward contracts, futures contracts and options that are capital assets in the hands of the taxpayer and which are not part of a straddle. The Treasury Department issued regulations under which certain transactions subject to the special currency rules that are part of a "section 988 hedging transaction" (as defined in the Internal Revenue Code of 1986, as amended, and the Treasury regulations) will be integrated and treated as a single transaction or otherwise treated consistently for purposes of the Code. Any gain or loss attributable to the foreign currency component of a transaction engaged in by a Fund which is not subject to the special currency rules (such as foreign equity investments other than certain preferred stocks) will be treated as capital

B-5

46

gain or loss and will not be segregated from the gain or loss on the underlying transaction. It is anticipated that some of the non-U.S. dollar-denominated investments and foreign currency contracts the Fund may make or enter into will be subject to the special currency rules described above.

COUNTRY RISK. As foreign companies are not generally subject to uniform accounting, auditing, and financial reporting standards and practices comparable to those applicable to domestic companies, there may be less publicly available information about certain foreign companies than about domestic companies. Securities of some foreign companies are generally less liquid and more volatile than securities of comparable domestic companies. There is generally less government supervision and regulation of stock exchanges, brokers, and listed companies than in the U.S. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments which could affect U.S. investments in those countries.

Although the Funds will endeavor to achieve most favorable execution costs in their portfolio transactions, fixed commissions on many foreign stock exchanges are generally higher than negotiated commissions on U.S. exchanges. In addition, it is expected that the expenses for custodian arrangements of the Fund's foreign securities will be somewhat greater than the expenses for the custodian arrangements for handling U.S. securities of equal value.

Certain foreign governments levy withholding taxes against dividend and interest income. Although in some countries a portion of these taxes is recoverable, the non-recovered portion of foreign withholding taxes will reduce the income received from foreign companies held by the Funds. However, these foreign withholding taxes are not expected to have a significant impact on the Funds, since each Fund seeks long-term capital appreciation and any income should be considered incidental.

ILLIQUID SECURITIES. The Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities are securities that may not be sold or disposed of in the ordinary course of business within seven business days at approximately the value at which they are being carried on the Fund's books.

The Fund may invest in restricted, privately placed securities that, under SEC rules, may be sold only to qualified institutional buyers. Because these securities can be resold only to qualified institutional buyers, they may be considered illiquid securities -- meaning that they could be difficult for the Fund to convert to cash if needed.

If a substantial market develops for a restricted security held by the Fund, it will be treated as a liquid security, in accordance with procedures and guidelines approved by the Fund's Board of Trustees. This generally includes securities that are unregistered that can be sold to qualified institutional buyers in accordance with Rule 144A under the 1933 Act. While the Fund's investment adviser determines the liquidity of restricted securities on a daily basis, the Board oversees and retains ultimate responsibility for the adviser's decisions. Several factors the Board considers in monitoring these decisions include the valuation of a security, the availability of qualified institutional buyers, and the availability of information about the security's issuer.

TEMPORARY INVESTMENTS. The Fund may take temporary defensive measures that are inconsistent with the Fund's normal fundamental or non-fundamental

investment policies and strategies in response to adverse market, economic, political, or other conditions. Such measures could include investments in (a) highly liquid short-term fixed income securities issued by or on behalf of municipal or corporate issuers, obligations of the U.S. Government and its agencies, commercial paper, and bank certificates of deposit; (b) shares of other investment companies which have investment objectives consistent with those of the Fund; (c) repurchase agreements involving any such securities; and (d) other money market instruments. There is no limit on the extent to which the Fund may take temporary defensive measures. In taking such measures, the Fund may fail to achieve its investment objective.

B-6

47

FUNDAMENTAL INVESTMENT LIMITATIONS

The Fund is subject to the following fundamental investment limitations, which cannot be changed in any material way without the approval of the holders of a majority of the Fund's shares. For these purposes, a "majority" of the Fund's shares means shares representing the lesser of: (i) 67% or more of the votes cast to approve a change, so long as shares representing more than 50% of the Fund's net asset value are present or represented by proxy; or (ii) more than 50% of the Fund's net asset value.

BORROWING. The Fund may not borrow money, except for temporary or emergency purposes in an amount not exceeding 15% of the Fund's net assets. The Fund may borrow money through banks, reverse repurchase agreements, or Vanguard's interfund lending program only, and must comply with all applicable regulatory conditions. The Fund may not make any additional investments if its outstanding borrowings exceed 5% of net assets.

COMMODITIES. The Fund may not invest in commodities, except that it may invest in stock futures contracts, stock options, and options on stock futures contracts. No more than 5% of the Fund's total assets may be used as initial margin deposit for futures contracts, and no more than 20% of the Fund's total assets may be invested in futures contracts or options at any time.

DIVERSIFICATION. With respect to 75% of its total assets, the Fund may not: (i) purchase more than 10% of the outstanding voting securities of any one issuer; or (ii) purchase securities of any issuer if, as a result, more than 5% of the Fund's total assets would be invested in that issuer's securities. This limitation does not apply to obligations of the United States Government or its agencies or instrumentalities.

ILLIQUID SECURITIES. The Fund may not acquire any security if, as a result, more than 15% of its net assets would be invested in securities that are illiquid.

INDUSTRY CONCENTRATION. The Fund may not invest more than 25% of its total assets in any one industry.

INVESTING FOR CONTROL. The Fund may not invest in a company for purposes of controlling its management.

INVESTMENT COMPANIES. The Fund may not invest in any other investment company, except through a merger, consolidation or acquisition of assets, or to the extent permitted by Section 12 of the 1940 Act. Investment companies whose shares the Fund acquires pursuant to Section 12 must have investment objectives and investment policies consistent with those of the Fund.

LOANS. The Fund may not lend money to any person except (i) by purchasing bonds or other fixed income securities or by entering into repurchase agreements; (ii) by entering into collateralized repurchase agreements; (iii) as provided under the heading "Lending of Securities"; or (iv) to another Vanguard fund through Vanguard's interfund lending program.

MARGIN. The Fund may not purchase securities on margin or sell securities short, except as permitted by the Fund's investment policies relating to commodities.

OIL, GAS, MINERALS. The Fund may not invest in interests in oil, gas, or

other mineral exploration or development programs.

OPTIONS. The Fund may not purchase or sell put or call options, except as permitted by the Fund's investment policies relating to commodities.

PLEDGING ASSETS. The Fund may not pledge, mortgage, or hypothecate more than 15% of its net assets.

REAL ESTATE. The Fund may not invest directly in real estate, although it may invest in securities of companies that deal in real estate.

B-7

48

SENIOR SECURITIES. The Fund may not issue senior securities, except in compliance with the 1940 Act.

UNDERWRITING. The Fund may not engage in the business of underwriting securities issued by other persons. The Fund will not be considered an underwriter when disposing of its investment securities.

None of these limitations prevents the Fund from participating in The Vanguard Group (Vanguard). As a member of the Group, the Fund may own securities issued by Vanguard, make loans to Vanguard, and contribute to Vanguard's costs or other financial requirement. See "Management of the Fund" for more information.

Compliance with the investment limitations set forth above is measured at the time the securities are purchased. If a percentage restriction is adhered to at the time the investment is made, a later change in percentage resulting from a change in the market value of assets will not constitute a violation of such restriction.

SHARE PRICE

Each Fund's share price, or "net asset value" per share, is calculated by dividing the total assets of each Fund, less all liabilities, by the total number of shares outstanding. The net asset value is determined as of the close of the New York Stock Exchange (the Exchange) generally 4:00 p.m. Eastern time on each day the Exchange is open for trading.

Portfolio securities for which market quotations are readily available (includes those securities listed on national securities exchanges, as well as those quoted on the NASDAQ Stock Market) will be valued at the last quoted sales price on the day the valuation is made. Such securities which are not traded on the valuation date are valued at the mean of the bid and ask prices. Price information on exchange-listed securities is taken from the exchange where the security is primarily traded. Securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities.

Short-term instruments (those acquired with remaining maturities of 60 days or less) may be valued at cost, plus or minus any amortized discount or premium, which approximates market value.

Bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities. The prices provided by a pricing service may be determined without regard to bid or last sale prices of each security, but take into account institutional-size transactions in similar groups of securities as well as any developments related to specific securities.

Foreign securities are valued at the last quoted sales price, according to the broadest and most representative market, available at the time each Fund is valued. If events which materially affect the value of each Fund's investments occur after the close of the securities markets on which such securities are primarily traded, those investments may be valued by such methods as the Board of Trustees deems in good faith to reflect fair value.

In determining each Fund's net asset value per share, all assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars using the officially quoted daily exchange rates used by Morgan Stanley Capital International in calculating various benchmarking indices. This officially quoted exchange rate may be determined prior to or after the close of

a particular securities market. If such quotations are not available, the rate of exchange will be determined in accordance with policies established in good faith by the Board of Trustees.

Other assets and securities for which no quotations are readily available or which are restricted as to sale (or resale) are valued by such methods as the Board of Trustees deems in good faith to reflect fair value.

B-8

49

The share price for each Fund can be found daily in the mutual fund listings of most major newspapers under the heading of "Vanguard Funds".

PURCHASE OF SHARES

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

The Fund has authorized Charles Schwab & Co., Inc. (Schwab) to accept on its behalf purchase and redemption orders under certain terms and conditions. Schwab is also authorized to designate other intermediaries to accept purchase and redemption orders on the Fund's behalf subject to those terms and conditions. Under this arrangement, the Fund will be deemed to have received a purchase or redemption order when Schwab or, if applicable, Schwab's authorized designee, accepts the order in accordance with the Fund's instructions. Customer orders that are properly transmitted to the Fund by Schwab, or if applicable, Schwab's authorized designee, will be priced as follows:

Orders received by Schwab before 3 p.m. Eastern time on any business day will be sent to Vanguard that day and your share price will be based on the Fund's net asset value calculated at the close of trading that day. Orders received by Schwab after 3 p.m. Eastern time, will be sent to Vanguard on the following business day and your share price will be based on the Fund's net asset value calculated at the close of trading that day.

REDEMPTION OF SHARES

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

No charge is made by the Fund for redemptions. Shares redeemed by a Fund shareholder may be worth more or less than what the shareholder paid for them, depending on the market value of the securities held by the Fund.

B-9

50

MANAGEMENT OF THE FUND

OFFICERS AND TRUSTEES

The officers of the Fund manage its day-to-day operations and are responsible to the Fund's Board of Trustees. The Trustees set broad policies for the Trust and choose its officers. The following is a list of the Trustees and officers of the Fund and a statement of their present positions and principal occupations during the past five years. As a group, the Fund's Trustees and

officers own less than 1% of the outstanding shares of the Fund. Each Trustee also serves as a Director of The Vanguard Group, Inc., and as a Trustee of each of the 36 investment companies administered by Vanguard (35 in the case of Mr. Malkiel and 28 in the case of Mr. MacLaury). The mailing address of the Trustees and officers of the Fund is Post Office Box 876, Valley Forge, PA 19482.

JOHN C. BOGLE (DOB: 5/8/1929), Senior Chairman and Trustee*

Senior Chairman and Director of The Vanguard Group, Inc., and Trustee of each of the investment companies in The Vanguard Group; Director of The Mead Corp. (Paper Products), General Accident Insurance, and Chris-Craft Industries, Inc. (Broadcasting & Plastics Manufacturer).

JOHN J. BRENNAN (DOB: 7/29/1954), Chairman, Chief Executive Officer, and Trustee *

Chairman, Chief Executive Officer, and Director of The Vanguard Group, Inc., and Trustee of each of the investment companies in The Vanguard Group.

JOANN HEFFERNAN HEISEN (DOB: 1/25/1950), Trustee

Vice President, Chief Information Officer, and member of the Executive Committee of Johnson and Johnson (Pharmaceuticals/Consumer Products), Director of Johnson & Johnson*MERCK Consumer Pharmaceuticals Co., Women First HealthCare, Inc. (Research and Education Institution), Recording for the Blind and Dyslexic, The Medical Center at Princeton, and Women's Research and Education Institute.

BRUCE K. MACLAURY (DOB: 5/7/1931), Trustee

President Emeritus of The Brookings Institution (Independent Non-Partisan Research Organization); Director of American Express Bank, Ltd., The St. Paul Companies, Inc. (Insurance and Financial Services), and National Steel Corp.

BURTON G. MALKIEL (DOB: 8/28/1932), Trustee

Chemical Bank Chairman's Professor of Economics, Princeton University; Director of Prudential Insurance Co. of America, Banco Bilbao Gestinova, Baker Fentress & Co. (Investment Management), The Jeffrey Co. (Holding Company), and Southern New England Telecommunications Co.

ALFRED M. RANKIN, JR. (DOB: 10/8/1941), Trustee

Chairman, President, Chief Executive Officer, and Director of NACCO Industries (Machinery/Coal/Appliances); Director of The BFGoodrich Co. (Aircraft Systems/Manufacturing/Chemicals), and The Standard Products Co. (Rubber Products Company).

JOHN C. SAWHILL (DOB: 6/12/1936), Trustee

President and Chief Executive Officer of The Nature Conservancy (Non-Profit Conservation Group); Director of Pacific Gas and Electric Co., Procter & Gamble Co., NACCO Industries (Machinery/Coal/ Appliances), and Newfield Exploration Co. (Energy); formerly, Director and Senior Partner of McKinsey & Co., and President of New York University.

JAMES O. WELCH, JR. (DOB: 5/13/1931), Trustee

Retired Chairman of Nabisco Brands, Inc. (Food Products); retired Vice Chairman and Director of RJR Nabisco (Food and Tobacco Products); Director of TECO Energy, Inc., and Kmart Corp.

J. LAWRENCE WILSON (DOB: 3/2/1936), Trustee

Chairman and Chief Executive Officer of Rohm & Haas Co. (Chemicals); Director of Cummins Engine Co. (Diesel Engine Company), and The Mead Corp. (Paper Products); and Trustee of Vanderbilt University.

RAYMOND J. KLAPINSKY (DOB: 12/7/1938), Secretary *

Managing Director of The Vanguard Group, Inc.; Secretary of The Vanguard Group, Inc. and of each of the investment companies in The Vanguard Group.

THOMAS J. HIGGINS (DOB: 5/21/1957), Treasurer *

Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies in The Vanguard Group.

ROBERT D. SNOWDEN (DOB: 9/4/1961), Controller *

Principal of The Vanguard Group, Inc.; Controller of each of the investment companies in The Vanguard Group.

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

Vanguard PRIMECAP Fund is a member of The Vanguard Group of Investment Companies which consists of more than 30 investment companies (the Trusts). Through their jointly-owned subsidiary, The Vanguard Group, Inc. (Vanguard), the Fund and the other funds in The Vanguard 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.

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 Trustees of each fund. In addition, each fund bears its own direct expenses such as legal, auditing, and custodian fees.

The Fund's officers are also officers and employees of Vanguard. No officer or employee owns, or is permitted to own, any securities of any external adviser for the Trusts.

The Vanguard Group has adopted a Code of Ethics designed to prevent certain officers and employees of Vanguard who may have access to nonpublic information about the trading activities of Vanguard funds from profiting from that information. The Code places substantive and procedural restrictions on securities trades by Vanguard access persons and their immediate family members. For example, the Code requires that access persons receive advance approval for every securities trade to ensure that there is no conflict with the trading activities of Vanguard funds. The provisions of Vanguard's Code of Ethics are similar to, and in many cases more restrictive than, those recommended by a blue ribbon panel of mutual fund executives.

Vanguard was established and operates under a Funds' Service Agreement that was approved by the shareholders of each of the Funds. Under the agreement, each Fund (except those funds that invest solely in other Vanguard funds) is obligated to contribute money to Vanguard's working capital. The amount of each fund's capital contribution is adjusted from time to time based on Vanguard's capital needs and each fund's proportionate net assets. Although there is no fixed limit on Vanguard's capital needs, the agreement provides that each Vanguard fund may be called upon to invest up to 0.40% of its current assets in Vanguard. At December 31, 1998, PRIMECAP Fund had contributed capital of \$1,862,000, representing 0.02% of its net assets and 2.6% of Vanguard's total capitalization.

MANAGEMENT

Corporate management and administrative services include: (1) executive staff; (2) accounting and financial; (3) legal and regulatory; (4) shareholder account maintenance; (5) monitoring and control of custodian relationships; (6) shareholder reporting; and (7) review and evaluation of advisory and other

services provided to the Funds by third parties. During the fiscal year ended December 31, 1996, 1997, and 1998, the Fund's share of Vanguard's actual net costs of operation relating to management and administrative services (including transfer agency) totaled approximately \$10,384, \$14,527, and \$26,595,000, respectively.

B-11

52

DISTRIBUTION

Vanguard Marketing Corporation, a wholly-owned subsidiary of The Vanguard Group, Inc., provides all distribution and marketing activities for the Trusts in the Group. The principal distribution expenses are for advertising, promotional materials, and marketing personnel. Distribution services may also include organizing and offering to the public, from time to time, one or more new investment companies which will become members of The Vanguard Group. The Trustees and officers of Vanguard determine the amount to be spent annually on distribution activities, the manner and amount to be spent on each fund, and whether to organize new investment companies.

One half of the distribution expenses of a marketing and promotional nature is allocated among the funds based upon relative net assets. The remaining one half of those expenses is allocated among the funds based upon each fund's sales for the preceding 24 months relative to the total sales of all the funds; as a Group, provided, however, that no fund's aggregate quarterly rate of contribution for distribution expenses of a marketing and promotional nature shall exceed 125% of average distribution expense rate for The Vanguard Group, and that no fund shall incur annual distribution expenses in excess of 20/100 of 1% of its average month-end net assets. During the fiscal years ended December 31, 1996, 1997, and 1998, the Fund incurred approximately \$829,000, \$1,192,000, and \$2,214,000 of The Vanguard Group's distribution and marketing expenses, respectively.

INVESTMENT ADVISORY SERVICES

Vanguard provides investment advisory services to several Vanguard funds. These services are provided on an at-cost basis from a money management staff employed directly by Vanguard. The compensation and other expenses of this staff are paid by the funds and Trusts utilizing these services.

TRUSTEE COMPENSATION

The individuals appearing in the following table serve as Trustees of all Vanguard funds, and each Fund pays a proportionate share of the Trustees' compensation. The Funds employ their officers on a shared basis, as well. However, officers are compensated by The Vanguard Group, Inc., not the funds.

INDEPENDENT TRUSTEES. The funds compensate their independent Trustees -- that is, the ones who are not also officers of the Fund -- in three ways:

- The independent Trustees receive an annual fee for their service to the funds, which is subject to reduction based on absences from scheduled Board meetings.
- The independent Trustees are reimbursed for the travel and other expenses that they incur in attending Board meetings.
- Upon retirement, the independent Trustees receive an aggregate annual fee of \$1,000 for each year served on the Board, up to fifteen years of service. This annual fee is paid for ten years following retirement, or until each Trustee's death.

"INTERESTED" TRUSTEES. The Funds' interested Trustees -- Messrs. Bogle and Brennan -- receive no compensation for their service in that capacity. However, they are paid in their role as officers of The Vanguard Group, Inc.

COMPENSATION TABLE. The following table provides compensation details for each of the Trustees. We list the amounts paid as compensation and accrued as retirement benefits by the Fund for each Trustee. In addition, the table shows the total amount of benefits that we expect each Trustee to receive

B-12

from all Vanguard funds upon retirement, and the total amount of compensation paid to each Trustee by all Vanguard funds. All information shown relates to the Fund's most recent fiscal year.

VANGUARD PRIMECAP FUND
TRUSTEES COMPENSATION TABLE

<TABLE>
<CAPTION>

NAMES OF TRUSTEES -----	TOTAL COMPENSATION FROM FUND -----	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF TRUST EXPENSES -----	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT -----	TOTAL COMPENSATION FROM ALL VANGUARD TRUSTS PAID TO TRUSTEES (1) -----
<S>	<C>	<C>	<C>	<C>
John C. Bogle.....	None	None	None	None
John J. Brennan.....	None	None	None	None
Barbara Barnes Hauptfuhrer(2)...	\$2,225	\$301	\$15,000	\$75,000
JoAnn Heffernan Heisen.....	\$1,113	\$131	\$15,000	\$37,500
Robert E. Cawthorn(2).....	\$ 927	\$201	\$ 6,000	\$31,250
Bruce K. MacLaury.....	\$2,330	\$224	\$12,000	\$70,000
Burton G. Malkiel.....	\$2,241	\$217	\$15,000	\$75,000
Alfred M. Rankin, Jr.....	\$2,225	\$158	\$15,000	\$75,000
John C. Sawhill.....	\$2,225	\$201	\$15,000	\$75,000
James O. Welch, Jr.....	\$2,225	\$232	\$15,000	\$75,000
J. Lawrence Wilson.....	\$2,225	\$167	\$15,000	\$75,000

</TABLE>

(1) The amounts reported in this column reflect the total compensation paid to each Trustee for his or her service as Trustee of 36 Vanguard Trusts (35 in the case of Mr. Malkiel; 28 in the case of Mr. MacLaury).

(2) Mr. Cawthorn and Mrs. Hauptfuhrer have retired from the Fund's Board, effective May 31, 1998 and December 31, 1998, respectively.

PERFORMANCE MEASURES

Vanguard may use reprinted material discussing The Vanguard Group, Inc. or any of the member funds of The Vanguard Group of Investment Companies.

Each of the investment company members of The Vanguard Group, including Vanguard PRIMECAP Fund, may, from time to time, use one or more of the following unmanaged indexes for comparative performance purposes.

STANDARD & POOR'S 500 COMPOSITE STOCK PRICE INDEX -- includes stocks selected by Standard & Poor's Index Committee to include leading companies in leading industries and to reflect the U.S. stock market.

STANDARD & POOR'S MIDCAP 400 INDEX -- is composed of 400 medium sized domestic stocks.

STANDARD & POOR'S 500/BARRA VALUE INDEX -- consists of the stocks in the Standard and Poor's 500 Composite Stock Price Index ("S&P 500") with the lowest price-to-book ratios, comprising 50% of the market capitalization of the S&P 500.

STANDARD & POOR'S SMALL CAP 600/BARRA VALUE INDEX -- contains stocks of the S&P SmallCap 600 Index which have a lower than average price-to-book ratio.

STANDARD & POOR'S SMALLCAP 600/BARRA GROWTH INDEX -- contains stocks of the S&P SmallCap 600 Index which have a higher than average price-to-book ratio.

RUSSELL 1000 VALUE INDEX -- consists of the stocks in the Russell 1000 Index (comprising the 1,000 largest U.S.-based companies measured by total market capitalization) with the lowest price-to-book ratios, comprising 50% of the market capitalization of the Russell 1000.

WILSHIRE 5000 EQUITY INDEX -- consists of more than 7,000 common equity securities, covering all stocks in the U.S. for which daily pricing is available.

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

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

GOLDMAN SACHS 100 CONVERTIBLE BOND INDEX -- currently includes 71 bonds and 29 preferreds. The original list of names was generated by screening for convertible issues of \$100 million or greater in market capitalization. The index is priced monthly.

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

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

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

MERRILL LYNCH CORPORATE & GOVERNMENT BOND INDEX -- consists of over 4,500 U.S. treasury, agency and investment grade corporate bonds.

LEHMAN CORPORATE (BAA) BOND INDEX -- all publicly offered fixed-rate, nonconvertible domestic corporate bonds rated Baa by Moody's, with a maturity longer than one year and with more than \$25 million outstanding. This index includes over 1,000 issues.

BOND BUYER MUNICIPAL BOND INDEX -- is a yield index on current-coupon high-grade general-obligation municipal bonds.

STANDARD & POOR'S PREFERRED INDEX -- is a yield index based upon the average yield for four high-grade, non-callable preferred stock issues.

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

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

COMPOSITE INDEX -- 65% Standard & Poor's 500 Index and 35% Lehman Long-Term Corporate AA or Better Bond Index.

COMPOSITE INDEX -- 65% Lehman Long-Term Corporate AA or Better Bond Index and a 35% weighting in a blended equity composite (75% Standard & Poor's/BARRA Value Index, 12.5% Standard & Poor's Utilities Index, and 12.5% Standard & Poor's Telephone Index).

LEHMAN LONG-TERM CORPORATE AA OR BETTER BOND INDEX -- consists of all publicly issued, fixed-rate, nonconvertible investment grade, dollar-denominated, SEC-registered corporate debt rated AA or AAA.

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

LEHMAN BROTHERS MUTUAL FUND SHORT (1-5) GOVERNMENT/CORPORATE INDEX -- is a market-weighted index that contains individually priced U.S. Treasury, agency, and corporate investment grade bonds rated BBB- or better with maturities between one and five years. The index has a market value of over \$1.6 trillion.

LEHMAN BROTHERS MUTUAL FUND INTERMEDIATE (5-10) GOVERNMENT/CORPORATE INDEX -- is a market-weighted index that contains individually priced U.S. Treasury, agency, and corporate securities rated BBB- or better with maturities

between five and ten years. The index has a market value of over \$700 billion.

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

Advertisements which refer to the use of the Trust as a potential investment for Individual Retirement Accounts may quote a total return based upon compounding of dividends on which it is presumed no Federal income tax applies.

In assessing such comparisons of yields, an investor should keep in mind that the composition of the investments in the reported averages is not identical to the Fund's portfolio and that the items included in the calculations of such averages may not be identical to the formula used by the Fund to calculate its yield. In addition, there can be no assurance that the Fund will continue its performance as compared to such other averages.

INVESTMENT ADVISORY SERVICES

The Fund has entered into an investment advisory agreement with PRIMECAP Management Company (the Adviser), located at 225 South Lake Street, Pasadena, CA 91101, under which the Adviser manages the investment and reinvestment of the Fund's assets and continuously reviews, supervises, and administers the Fund's investment program. The Adviser discharges its responsibilities subject to the control of the officers and Trustees of the Fund.

The Adviser is a California corporation whose outstanding shares are owned by its directors and officers. The directors of the corporation and the offices they currently hold are: Howard Bernard Schow, Chairman, Mitchell John Milias, Vice Chairman, and Theofanis Anastasios Kolokotronis, President.

The Fund pays the Adviser an advisory fee at the end of each fiscal quarter, calculated by applying a quarterly rate, based on the following annual percentage rates, to the Fund's average month-end net assets for the quarter:

<TABLE>
<CAPTION>

NET ASSETS	RATE
-----	----
<S>	<C>
First \$50 million.....	0.500%
Next \$200 million.....	0.450%
Next \$250 million.....	0.375%
Next \$1,750 million.....	0.250%
Next \$2,750 million.....	0.200%
Next \$5,000 million.....	0.175%
Over \$10,000 million.....	0.150%

</TABLE>

During the fiscal years ended December 31, 1996, 1997, and 1998, the Fund incurred investment advisory fees of approximately \$10,439,000, \$14,455,000, and \$20,669,000 respectively. These fees were paid pursuant to a previous agreement that called for a higher rate of fees.

The agreement is renewable for one-year periods, so long as such continuance is specifically approved at least annually by a vote of the Fund's Board of Trustees, including the affirmative votes of a majority of the Trustees who are not parties to the contract or "interested persons" (as defined in the 1940 Act) of any such party. The agreement is automatically terminated if assigned, and may be terminated without penalty at any time (1) by vote of the

Board of Trustees of the Fund on 60 days' written notice to the Adviser; or (2) by the Adviser upon 90 days' written notice to the Fund.

The Fund's Board of Trustees may, without the approval of shareholders, provide for:

(i) The employment of a new investment adviser pursuant to the terms of a new advisory agreement, either as a replacement for an existing adviser or as an additional adviser.

(ii) A change in the terms of an advisory agreement.

B-15

56

(iii) The continued employment of an existing adviser after an assignment of the advisory agreement resulting from a change in control of the adviser.

Any such change will be communicated to shareholders in writing.

PORTFOLIO TRANSACTIONS

The investment advisory agreement authorizes the Adviser (with the approval of the Fund's Board of Trustees) to select the brokers or dealers that will execute the purchases and sales of portfolio securities for the Fund and directs the Adviser to use its best efforts to obtain the best available price and most favorable execution as to all transactions for the Fund. The Adviser has undertaken to execute each investment transaction at a price and commission which provides the most favorable total cost or proceeds reasonably obtainable under the circumstances.

In placing portfolio transactions, the Adviser will use its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain best available price and most favorable execution. The full range and quality of brokerage services available will be 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 which supply investment research and statistical information and provide other services in addition to execution services to the Fund and/or the Adviser. The Adviser considers such information 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.

The 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 Trustees, the Adviser may cause the Fund to pay a broker-dealer which furnishes brokerage and research services 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 Adviser to the Fund.

Currently, it is the Fund's policy that the Adviser 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. The Adviser will only pay such higher commissions 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 Adviser and/or the Fund. However, the Adviser has informed the Fund that it generally will not pay higher commission rates specifically for the purpose of obtaining research services.

During the fiscal years ended December 31, 1996, 1997, and 1998, the Fund paid approximately \$1,475,231, \$3,097,602, and \$3,541,233 in brokerage commissions, respectively. The Fund nearly doubled in size during 1997, which is why the total amount of brokerage commissions paid increased sharply in that year.

Some securities considered for investment by the Fund may also be appropriate for other clients served by the Adviser. If purchase or sale of securities consistent with the investment policies of the Fund and one or more of these other clients serviced by the Adviser are considered at or about the same time, transactions in such securities will be allocated among the Fund and such other clients in a manner deemed equitable by the Adviser. Although there may be no specified formula for allocating such transactions, the allocation methods used and the results of such allocations will be subject to periodic review by the Fund's Board of Trustees.

B-16

57

FINANCIAL STATEMENTS

The Fund's Financial Statements for the year ended December 31, 1998, including the financial highlights for each of the five years in the period ended December 31, 1998, appearing in the Vanguard PRIMECAP Fund's 1998 Annual Report to Shareholders, and the report thereon of PricewaterhouseCoopers LLP, independent accountants, also appearing therein, are incorporated by reference in this Statement of Additional Information. For a more complete discussion of the performance, please see the Fund's Annual Report to Shareholders, which may be obtained without charge.

YIELD AND TOTAL RETURN

The Fund's yield of the Fund for the 30-day period ended December 31, 1998 was 0.47%.

The Fund's average annual total returns of the Trust for the one-, five-, and ten-year periods ended December 31, 1998 were +25.44%, +25.10%, and +20.03%, respectively.

AVERAGE ANNUAL TOTAL RETURN

Average annual total return is the average annual compounded rate of return for the periods of one year, five years, ten years, or the life of the Fund, all ended on the last day of a recent month. Average annual total return quotations will reflect changes in the price of the Fund's shares and assume that all dividends and capital gains distributions during the respective periods were reinvested in Fund shares.

Average annual total return is calculated by finding the average annual compounded rates of return of a hypothetical investment over such periods according to the following formula (average annual total return is then expressed as a percentage):

$$T = (ERV/P) (1/N) - 1$$

Where:

<TABLE>

<S>	<C>	<C>
T	=	average annual total return
P	=	a hypothetical initial investment of \$1,000
n	=	number of years
ERV	=	ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical \$1,000 investment made at the beginning of the applicable period.

</TABLE>

CUMULATIVE TOTAL RETURN

Cumulative total return is the cumulative rate of return on a hypothetical initial investment of \$1,000 for a specified period. Cumulative total return quotations reflect changes in the price of the Fund's shares and assume that all dividends and capital gains distributions during the period were reinvested in Fund shares. Cumulative total return is calculated by finding the cumulative rates of a return of a hypothetical investment over such periods, according to the following formula (cumulative total return is then expressed as a percentage):

$$C = (ERV/P) - 1$$

Where:

<TABLE>		
<S>	<C>	<C>
C	=	cumulative total return
P	=	a hypothetical initial investment of \$1,000
ERV	=	ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical \$1,000 investment made at the beginning of the applicable period.
</TABLE>		

B-17

58

SEC YIELDS

Yield is the net annualized yield based on a specified 30-day (or one month) period assuming semiannual compounding of income. Yield is calculated by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period, according to the following formula:

$$YIELD = 2[((a-b)/cd+1)^{(6)} - 1]$$

Where:

<TABLE>		
<S>	<C>	<C>
a	=	dividends and interest earned during the period.
b	=	expenses accrued for the period (net of reimbursements).
c	=	the average daily number of shares outstanding during the period that were entitled to receive dividends.
d	=	the maximum offering price per share on the last day of the period.
</TABLE>		

B-18

59

PART C

VANGUARD PRIMECAP FUND

OTHER INFORMATION

ITEM 23. EXHIBITS

<TABLE>	
<CAPTION>	
EXHIBIT	DESCRIPTION
-----	-----
<S>	<C>
(a)	Articles of Incorporation**
(b)	By-Laws of Registrant**
(c)	Reference is made to Articles III and V of the Registrant's Declaration of Trust
(d)	Investment Advisory Contracts
(e)	Not Applicable
(f)	Reference is made to the section entitled "Management of the Trust" in the Registrant's Statement of Additional Information
(g)	Custodian Agreement*
(h)	Amended and Restated Funds' Service Agreement*
(i)	Legal Opinion
(j)	Consent of Independent Accountants+
(k)	Not Applicable
(l)	Not Applicable
(m)	Not Applicable
(n)	Financial Data Schedule+
(o)	Not Applicable
</TABLE>	

* Filed previously

ITEM 24. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

Registrant is not controlled by or under common control with any person.

ITEM 25. INDEMNIFICATION

The Registrant's organizational documents contain provisions indemnifying Trustees and officers against liability incurred in their official capacity. Article VII, Section 2 of the Declaration of Trust provides that the Registrant may indemnify and hold harmless each and every Trustee and officer from and against any and all claims, demands, costs, losses, expenses, and damages whatsoever arising out of or related to the performance of his or her duties as a Trustee or officer. However, this provision does not cover any liability to which a Trustee or officer 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 or her office. Article VI of the By-Laws generally provides that the Registrant shall indemnify its Trustees and officers from any liability arising out of their past or present service in that capacity. Among other things, this provision excludes any liability arising by reason of willful misfeasance, bad faith, gross negligence, or the reckless disregard of the duties involved in the conduct of the Trustee's or officer's office with the Registrant.

ITEM 26. BUSINESS AND OTHER CONNECTIONS OF THE INVESTMENT ADVISER

PRIMECAP Management Company (PRIMECAP), is an investment adviser registered under the Investment Advisers Act of 1940, as amended (the Advisers Act). The list required by this Item 26 of officers and directors of PRIMECAP, together with any information as to any business profession, vocation, or employment of a substantial nature engaged in by such officers and directors during the past two years, is incorporated herein by reference from Schedules B and D of form ADV filed by PRIMECAP pursuant to the Advisers Act (SEC File

C-1

60

No. 801-19765). See also the information under the captions "Investment Adviser" in the prospectus constituting Part A of this Registration Statement, and "Investment Advisory Services" in the Statement of Additional Information constituting Part B of this Registration Statement.

ITEM 27. PRINCIPAL UNDERWRITERS

- (a) Not Applicable
- (b) Not Applicable
- (c) Not Applicable

ITEM 28. LOCATION OF ACCOUNTS AND RECORDS

The books, accounts, and other documents required to be maintained by Section 31(a) of the Investment Company Act and the rules promulgated thereunder will be maintained at the offices of Registrant; Registrant's Transfer Agent, The Vanguard Group, Inc., Valley Forge, Pennsylvania 19482; and the Registrant's Custodians, State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02105; and First Union National Bank, PA 4943, 530 Walnut Street, Philadelphia, Pennsylvania 19106.

ITEM 29. MANAGEMENT SERVICES

Other than as set forth under the description of The Vanguard Group in Part B of this Registration Statement, Registrant is not a party to any management-related service contract.

ITEM 30. UNDERTAKINGS

Not Applicable

C-2

61

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND THE INVESTMENT COMPANY ACT OF 1940, THE REGISTRANT HEREBY CERTIFIES THAT IT MEETS THE REQUIREMENTS FOR EFFECTIVENESS OF THIS REGISTRATION STATEMENT PURSUANT TO RULE 485(b) UNDER THE SECURITIES ACT OF 1933 AND HAS DULY CAUSED THIS POST-EFFECTIVE AMENDMENT TO THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWN OF VALLEY FORGE AND THE COMMONWEALTH OF PENNSYLVANIA, ON THE 26TH DAY OF MARCH, 1999.

PRIMECAP FUND

BY: (signature)

 (HEIDI STAM)
 JOHN J. BRENNAN,
 PRESIDENT AND CHIEF EXECUTIVE
 OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS POST-EFFECTIVE AMENDMENT TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATE INDICATED:

<TABLE>
 <CAPTION>

<C>	SIGNATURES -----	TITLE -----	DATE ----
	BY: (signature) ----- (HEIDI STAM) JOHN C. BOGLE*	Senior Chairman of the Board and Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) JOHN J. BRENNAN*	Chairman, Trustee, and Chief Executive Officer	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) JOANN HEFFERNAN HEISEN*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) BRUCE K. MACLAURY*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) BURTON G. MALKIEL*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) ALFRED M. RANKIN, JR.*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) JAMES O. WELCH, JR.*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) JOHN C. SAWHILL*	Trustee	March 26, 1999
	BY: (signature) ----- (HEIDI STAM) J. LAWRENCE WILSON*	Treasurer and Principal Financial Officer and	March 26, 1999

</TABLE>

* By Power of Attorney. See File Number 33-4424, filed on January 25, 1999.
Incorporated by Reference.

62

INDEX TO EXHIBITS

<TABLE>	
<S>	<C>
Consent of Independent Accountants.....	Ex-99.BJ
Financial Data Schedule.....	Ex-99.BN
</TABLE>	

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses and Statement of Additional Information constituting parts of this Post-Effective Amendment No. 18 to the registration statement on Form N-1A (the "Registration Statement") of our report dated February 2, 1999 relating to the financial statements and financial highlights appearing in the December 31, 1998 Annual Report to Shareholders of Vanguard PRIMECAP Fund, which are also incorporated by reference into the Registration Statement. We also consent to the references to us under the heading "Financial Highlights" in the Prospectuses and under the headings "Financial Statements" and "Service Providers -- Independent Accountants" in the Statement of Additional Information.

PRICEWATERHOUSECOOPERS LLP

Philadelphia, PA

March 25, 1999

[ARTICLE] 6
 [CIK] 0000752177
 [NAME] VANGUARD PRIMECAP FUND
 [MULTIPLIER] 1000

<TABLE>

<S>	<C>
[PERIOD-TYPE]	YEAR
[FISCAL-YEAR-END]	DEC-31-1998
[PERIOD-START]	JAN-01-1998
[PERIOD-END]	DEC-31-1998
[INVESTMENTS-AT-COST]	6768389
[INVESTMENTS-AT-VALUE]	11242425
[RECEIVABLES]	64672
[ASSETS-OTHER]	1862
[OTHER-ITEMS-ASSETS]	0
[TOTAL-ASSETS]	11308959
[PAYABLE-FOR-SECURITIES]	6494
[SENIOR-LONG-TERM-DEBT]	0
[OTHER-ITEMS-LIABILITIES]	92579
[TOTAL-LIABILITIES]	99073
[SENIOR-EQUITY]	0
[PAID-IN-CAPITAL-COMMON]	6589740
[SHARES-COMMON-STOCK]	235210
[SHARES-COMMON-PRIOR]	206908
[ACCUMULATED-NII-CURRENT]	0
[OVERDISTRIBUTION-NII]	(3059)
[ACCUMULATED-NET-GAINS]	149169
[OVERDISTRIBUTION-GAINS]	0
[ACCUM-APPREC-OR-DEPREC]	4474036
[NET-ASSETS]	11209886
[DIVIDEND-INCOME]	59285
[INTEREST-INCOME]	66712
[OTHER-INCOME]	748
[EXPENSES-NET]	50160
[NET-INVESTMENT-INCOME]	76585
[REALIZED-GAINS-CURRENT]	433652
[APPREC-INCREASE-CURRENT]	1697719
[NET-CHANGE-FROM-OPS]	2207956
[EQUALIZATION]	0
[DISTRIBUTIONS-OF-INCOME]	80088
[DISTRIBUTIONS-OF-GAINS]	348822
[DISTRIBUTIONS-OTHER]	0
[NUMBER-OF-SHARES-SOLD]	71476
[NUMBER-OF-SHARES-REDEEMED]	52348
[SHARES-REINVESTED]	9174
[NET-CHANGE-IN-ASSETS]	3023723
[ACCUMULATED-NII-PRIOR]	444
[ACCUMULATED-GAINS-PRIOR]	64339

[OVERDISTRIB-NII-PRIOR]	0
[OVERDIST-NET-GAINS-PRIOR]	0
[GROSS-ADVISORY-FEES]	20669
[INTEREST-EXPENSE]	0
[GROSS-EXPENSE]	50162
[AVERAGE-NET-ASSETS]	9824168
[PER-SHARE-NAV-BEGIN]	39.56
[PER-SHARE-NII]	0.34
[PER-SHARE-GAIN-APPREC]	9.63
[PER-SHARE-DIVIDEND]	0.35
[PER-SHARE-DISTRIBUTIONS]	1.52
[RETURNS-OF-CAPITAL]	0
[PER-SHARE-NAV-END]	47.66
[EXPENSE-RATIO]	0.51
[AVG-DEBT-OUTSTANDING]	0
[AVG-DEBT-PER-SHARE]	0

</TABLE>