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VANGUARD
PRIMECAP FUND

ANNUAL REPORT 1994

THE VANGUARD VOYAGE . . . STAYING THE COURSE

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THE VANGUARD VOYAGE . . . STAYING THE COURSE

WE ARE PRESENTLY OBSERVING TWO MILESTONES IN OUR HISTORY: (1) THE 20TH ANNIVERSARY OF THE VANGUARD GROUP; AND (2) THE 65TH ANNIVERSARY YEAR OF WELLINGTON FUND, THE OLDEST MUTUAL FUND ASSOCIATED WITH VANGUARD. WE CELEBRATE THESE TWO EVENTS SINCE THEY HAVE INDELIBLY ALTERED THE MUTUAL FUND INDUSTRY--IN OUR VIEW, FOR THE BETTER.

Wellington Fund--a pioneer in the mutual fund industry--began operations on June 30, 1929. Its first fifteen years were a struggle for survival in an industry that was shaken to its roots by the Great Crash of 1929-1933. From an initial base of $100,000, Wellington's assets had grown to but $27 million by the end of World War II. The Vanguard Group was founded on September 24, 1974. Soon thereafter, we assumed responsibility for the management of Wellington Fund and ten associated funds, with assets aggregating $1.4 billion.

The years that followed the founding of The Vanguard Group were marked by exceptional growth. Today, Wellington Fund, with assets of nearly $9 billion, remains one of the largest mutual funds in the nation. And Vanguard, now managing 85 mutual fund portfolios, is entrusted with assets of $134 billion, and ranks as the second largest fund complex in the world.

Our durability in an era of change--and our longevity in an era of challenge--didn't "just happen." What brought us to where we are today is what we were when we began. Put another way, we set our original investment course based on sound principles, and our corporate course based on a single focus: serving solely the interests of our Fund shareholders.

FOUNDING INVESTMENT PRINCIPLES

The founding investment principles of Wellington Fund were, above all, conservative. The Fund provided a broadly diversified portfolio at a time when holding individual securities was the conventional strategy. It incurred no debt in an era of high leverage that would soon come back to haunt less cautious investors. And it was a "balanced" fund--in fact, Wellington is America's oldest balanced fund--with holdings from each of the three basic financial asset classes: cash reserves, bonds, and common stocks. In short, Wellington Fund was a staid investment in an era of stock speculation that was to become, almost within moments, an era of conservatism.

For Vanguard, these investment principles endure. "Balance" is still our watchword, because the three basic financial asset classes have different--and usually countervailing--investment characteristics. When it began, Wellington Fund provided a balanced program in a single investment; in 1994, such a balance is often achieved by a combination of Vanguard money market, bond, and stock funds.

"Conservatism," too, remains our standard. Over the years, we have tried to maintain the discipline to eschew offering funds that lack sound financial principles, often based on marketplace fads that could not--and did not--endure. Our conservatism applies not only to the funds we offer, but to the instruments in which they invest. For example, we have steered clear of exotic derivative securities with unpredictable investment characteristics. Too many fund managers have been taken in by these highly risky instruments, and their shareholders have paid a heavy price--except in cases where the manager has "made the fund whole," when to do otherwise would have shocked investors and impaired their confidence in the fund complex.

Speculation, it seems, comes and goes, albeit in different guises. But the investment principles to which we have adhered since Wellington Fund began in 1929 remain firm:

* We offer Funds with sound and durable investment objectives, designed for long-term investors.

(please turn to inside back cover)

VANGUARD/PRIMECAP FUND SEEKS TO PROVIDE LONG-TERM GROWTH OF CAPITAL BY INVESTING IN COMMON STOCKS SELECTED ON THE BASIS OF GREATER-THAN-AVERAGE EARNINGS GROWTH POTENTIAL, CONSISTENCY OF EARNINGS GROWTH, AND QUALITY OF MANAGEMENT.

CHAIRMAN'S LETTER

FELLOW SHAREHOLDER:

The year ended December 31, 1994--Vanguard/PRIMECAP Fund's tenth anniversary year--was an outstanding one for the Fund in every respect. While the stock market "went nowhere" during the year, the Fund provided a total return of +11.4%. It is a special pleasure to have the opportunity to report to you on a fine year that concludes a fine decade for the Fund.

The following table presents our customary comparison of the total returns (capital change plus income) of PRIMECAP Fund and the two benchmarks that we have chosen as our tracking standards: the unmanaged Standard & Poor's 500 Composite Stock Price Index and the average growth mutual fund. In both cases, our results are exceptional.

<TABLE>
<CAPTION>

	Total Return Year Ended December 31, 1994
<S>	<C>
PRIMECAP FUND	+11.4%
STANDARD & POOR'S 500 STOCK INDEX	+ 1.3%
AVERAGE GROWTH MUTUAL FUND	- 2.2

</TABLE>

The Fund's total return is based on net asset values of $18.42 per share on December 31, 1993, and $19.98 on December 31, 1994, with the latter figure adjusted to take into account the reinvestment of our annual dividend of $.12 per share from net investment income, and two distributions totaling $.41 per share from net realized capital gains, of which $.07 per share was carried over from 1993 and $.34 per share was realized in 1994.

THE FINANCIAL MARKETS IN 1994

During the year, the stock market enjoyed four "ups" and endured four "downs." A pattern of quarterly declines in the late weeks of March, June, and September was broken when a November to mid-December decline was aborted by a solid year-end rally, which recaptured most of the year's earlier lost ground. On balance, the price of the Standard & Poor's 500 Composite Stock Price Index edged downward just a notch, from 466 when the year began to 459 at its close, down -1.5%. The positive total return (+1.3%) on the Index, then, was more than accounted for by the $13 of dividend income that it generated.

As always, there were some important cross-currents in the financial markets. And in 1994, many of them were just the reverse of 1993. In particular, a year ago value stocks (those with above-average yields and below average market price-to-book value ratios) provided a return of +18.6%, and overwhelmingly dominated the +1.7% return on growth stocks (those with the opposite characteristics, and with above-average prospects for consistent earnings growth). In 1994, however, growth stocks turned the tables and led the way, if by a far more modest margin (+3.1% versus -0.6%) than for value stocks in 1993. So, just as last year redounded to the benefit of value-oriented investors, this past year redounded to the benefit of investors in growth equities.

If the performance of the stock market was "so-so" during the past year, nothing that gentle could be said about the bond market. The total return on the Lehman Long-Term U.S. Treasury Bond Index was -7.6% (-14.5% decline in price, partly offset by interest income of +6.9%), as long Treasury yields rose from

[FIGURE 1]

[FIGURE 2]

6.4% to 7.8%. Yields on short-term and intermediate-term bonds also rose sharply; however, because of their shorter maturities, price declines were much smaller. This rising rate environment was surely a major factor in dampening the returns on stocks of all stripes.

A primary cause of the interest rate rise was investor fears about a resurgence of inflation. So far, at least, the U.S. Consumer Price Index gives little evidence of it. The CPI has risen just 2.7% over the past twelve months, although more sensitive indicators--such as commodity prices and producer prices--have been rising at higher rates.

In an effort to quell inflationary fears, the Federal Reserve acted to "tighten" the money supply in order to slow economic growth and rein in potential future inflation. Fully six rate increases--in February, March, April, May, August, and again in November--combined to raise the Federal funds rate (at which banks borrow from one another) from 3.00% to 5.50%. Still, the specter of inflation remains, and further rate increases may well lie in prospect.

To add some perspective to the financial market cross-currents in 1994, the chart above compares the returns of growth stocks and value stocks during the past five years. While you can see that "cycles of superiority" occurred throughout the period, when all was said and done, the annual rates of return were very close: Growth +8.8%; Value +8.3%. This outcome suggests the wisdom of consistently sticking to your objectives, rather than endeavoring (fruitlessly, I believe) to switch back and forth between these two market segments in the search for higher returns. Put another way, most investors would benefit by "staying the course" that best meets their needs, whether in growth stocks or value stocks--or some steady mix of the two.

I would call your particular attention to the modesty of both annual rates of return. With the first half of the decade of the 1990s now behind us, investors who had expected equity returns in this decade to be a reprise of the "Golden Eighties" (when the average annual total return of the Standard & Poor's 500 Index was +17.5%) are doubtless disappointed. Nonetheless, we should not lose sight of the fact that the long-term (since 1926) return of the Index has averaged +10.2% per annum. History, it seems clear, has a message to give us about maintaining reasonable performance expectations.

PRIMECAP FUND IN 1994

While stock market returns in 1994 were a pale imitation of 1993, PRIMECAP defied the trend. Our total return of +11.4% not only substantially exceeded the +1.3% return of the Standard & Poor's 500 Index, but also surpassed the return of -2.2% for the average growth-oriented mutual fund. If we were "into" mutual fund rankings (we are not), I would brag about our numerical ranking, or perhaps our percentile or decile ranking. But, since a mutual fund's return in a given year is rarely an omen of its ranking in the subsequent year, I would simply leave it said that the Fund's competitive performance for the year was highly superior.

The reasons are not hard to find. Our large edge over the Index was accounted for (and then some) by our very large commitment to the technology group. During the year, our technology holdings averaged 44% of Fund net assets, compared to a weighting of just 9% for the Index. With

technology stocks representing the best-performing industry group of 1994 (+20.3%), this concentration clearly paid off for our shareholders. What is more, the selection of individual issues by PRIMECAP Management Company, the Fund's investment adviser, added substantial value to our return, with the stocks in our technology position rising by +33.1% on average. On balance, the remainder of our portfolio performed at about "par" to the Index, so it was technology that carried the day.

Pretty much the same story is reflected in our superiority over the average growth mutual fund. The average competitor maintained a technology weighting about 7 percentage points greater than that of the Index, about what you would expect from mutual funds with a growth orientation, but nonetheless well short of PRIMECAP's weighting.

There is a lesson in all of this: superior industry concentration can "pay off." But shareholders should recognize that such concentration carries risks of its own, and a particular industry is unlikely to repeat its performance superiority year after year. Portfolio concentration, to use a trite but accurate phrase, is "a two-edged sword." I do not want to belabor this point, for, on an individual stock basis, the PRIMECAP portfolio is broadly diversified, owning stocks in 73 companies, with the ten largest holdings accounting for 31% of net assets--about typical for most major equity mutual funds.

REVIEWING THE DECADE

The chart below presents PRIMECAP Fund's record over the past decade compared to our two traditional benchmarks, the unmanaged Standard & Poor's 500 Stock Index and the average growth mutual fund. During this ten-year period, the Fund's average annual rate of return was a solid +15.5%, well above the +12.1% return achieved by the average growth fund and also significantly ahead of the +14.3% rate of return of the Standard & Poor's 500 Index.

The Index, as you know, is a tough competitor. It is calculated "on paper," without the "real world" expenses of fund operations, advisory fees, portfolio transaction costs, and the impact of cash reserves.

(continued)

[FIGURE 3]

Average Annual Total Returns--Periods Ended December 31, 1994

	1 Year	5 Years	10 Years
PRIMECAP FUND	+11.41%	+13.15%	+15.54%
AVERAGE GROWTH FUND	- 2.17	+ 8.45	+12.08
STANDARD & POOR'S 500 INDEX	+ 1.31	+ 8.68	+14.33

Note: Past performance is not predictive of future performance.

Mutual funds, on the other hand, must incur such costs, and it is difficult for most professional managers to provide more-than-compensatory returns. Indeed, during the past decade, the Index outpaced fully 101 of the 132 growth funds in operation throughout the period.

Our performance margin over the average growth fund is not only generous on an annual basis, but, compounded over a decade, leads to a huge difference in capital accumulation. The following summary table presents a comparison of an investment in the Fund with an investment in the most appropriate "real world" option available--the average growth-oriented mutual fund.

The table compares the ten-year results assuming, in each case, a $10,000 investment with all dividends and capital gains reinvested. On December 31, 1994, the investor in PRIMECAP Fund would have accumulated $42,390; the investor in the average growth fund, $31,280. This $11,110 of extra performance is equivalent to fully 111%(!) of the initial $10,000 investment.

	Total Return Ten Years Ended December 31, 1994	
	Annual Rate of Return	Final Value of Initial Investment of $10,000
PRIMECAP FUND	+15.5%	$42,390
AVERAGE GROWTH FUND	+12.1	31,280
PRIMECAP ADVANTAGE	+ 3.4%	$11,110

It should go without saying that PRIMECAP's returns reflected in the table are merely history. Future returns of the Fund--both on an absolute basis and relative to the average growth fund--are unpredictable, and may be better or worse than those shown in the table.

Hard as it may be to believe, the table actually understates the relative record of PRIMECAP in two major respects:

First, the comparison ignores income taxes. Given its growth objective (and despite its relatively low expense ratio), PRIMECAP Fund has generated a lower level of taxable net investment income than most comparable growth funds. In addition, with our low rate of portfolio turnover (about 16% annually, compared to 88% for the average growth fund), we have also generated a substantially lower level of taxable realized capital gains. As a result, on an after-tax basis, the Fund's relative return would be substantially enhanced. (I would note, however, that as a result of our low gain realization in the face of substantial capital appreciation, significant unrealized capital appreciation is reflected in the Fund's net asset value. Specifically, 20% of the value of our portfolio on December 31, 1994, was represented by unrealized appreciation.)

Second, the comparison ignores sales charges. While our Fund is purchased on a "no-load" (no sales commission) basis, most mutual funds carry hefty initial sales charges, meaning that the return shown in the table is earned, not on 100% of the initial investment (as in the Fund), but on about 93% of the investment (i.e., assuming the initial investment carried a sales charge of 7%). We estimate, very roughly, that the impact of sales charges would have reduced the return of the average growth fund by about 0.5% per year, from 12.1% to 11.6%.

In short, we are satisfied--and we hope you are as well--that our performance over the past decade has been outstanding on an "unadjusted" basis, and would be even more outstanding on an "adjusted" basis.

A LIFETIME PERSPECTIVE

As we celebrate our tenth anniversary, I would like to add a bit of perspective. First, and most importantly, in my Chairman's letter in our initial Annual Report (1985), I stated in advance the standards we would emulate. They have not changed over the ensuing decade: (1) "the principal measure will be the Standard & Poor's 500 Composite Stock Price Index, a pretty good reflection of how `the market' is doing," and (2) "in order to reflect our adviser's ability to select stocks from the specific universe we have chosen to emphasize in our portfolio . . . the average of other mutual funds with a growth objective." To state the obvious, we have met both objectives.

Potential superior performance, however fragile it may be to forecast, was but one of the factors that led to the organization of PRIMECAP Fund. We also stressed the importance of the Fund's adviser, its growth-oriented philosophy, and the structure of the

[FIGURE 4]

portfolios it was then managing. On all counts, we believe that our analysis was sound. In particular, the senior management team at PRIMECAP Management Company is virtually the same as it was a decade ago, with Howard B. Schow, Mitchell J. Milias, and Theo A. Kolokotrones remaining as the firm's senior partners today. About the only noticeable difference is that all three have "weathered the storms" of the past decade, and each now has ten more years of professional investment experience than when the Fund began. We've had a great run together.

As its record lengthened and the Fund became better known, substantial asset growth ensued. PRIMECAP Fund's assets crossed the $50 million mark in 1985, $250 million in 1989, and reached nearly $800 million one year ago. Today, thanks to large asset increases both from capital appreciation and from cash inflow from investors, assets total $1.6 billion.

On this note, I offer a word of caution to shareholders. The "Achilles heel" of the mutual fund industry is the strong tendency of investors to purchase a fund's shares after it has enjoyed one year--or even several years--of outstanding performance. This tendency is also accompanied by a reverse effect: to redeem fund shares after a period of sub-par performance. Taken together--to state what I hope is obvious--these two tendencies are a formula for investment failure.

All mutual funds--including PRIMECAP--have their ups and downs in relative performance. To make this point, the chart above shows the annual performance of our Fund relative to the Standard & Poor's 500 Index(R)5ring each of the past ten years. If I am sure of anything in this fallible business, it is that annual fluctuations in relative returns will occur in the future, as in the past. In PRIMECAP's case, good performance during its first two years was overwhelmed by distinctly sub-par performance during the next three years. Over the past five years--especially in 1993 and 1994--the Fund returned to the plus side of the ledger.

The message, simply put, is that shareholders should look at PRIMECAP Fund as a long-term

investment, not as a vehicle for capturing good returns for a few years and, when disappointment (inevitable, even if temporary) comes, "moving on." Fund shareholders who have been with us for a long time are aware of this hazard, and we underscore it for shareholders who have joined us in 1993 and 1994.

LOOKING AHEAD

A year ago, I wrote to you that "stock yields are near all-time historical lows, and interest rates are at their lowest level in two decades. So, it would be imprudent not to offer a word of caution about the stock market, which is surely due for its share of difficult bumps along the way during the next few years." Certainly 1994 constituted just such a bump for the stock market, and the possibility of future bumps cannot be ignored.

On this note, it is worth reemphasizing that investing in stocks is risky. That is, in essence, why stocks offer higher reward potential than bonds and short-term reserves. The greatest risk is faced by short-term investors who look for quick stock market returns or transitory stock market trends. The lowest risk and the highest rewards--at least in the past--have been achieved by long-term investors who have "stayed the course" with a sound investment approach that is consistent with their own financial objectives.

We, too, intend to stay the course with the consistent objectives and policies that we established for PRIMECAP Fund at the outset and to which we have hewed ever since. The Fund provides sound participation in a diversified list of common stocks selected for their capital appreciation possibilities. As part of a balanced portfolio of mutual funds--including stock funds, bond funds, and money market funds--PRIMECAP Fund should be a suitable investment in helping you to implement the investment course you have chosen to follow.

Sincerely,

/s/ JOHN C. BOGLE
- -----------------
John C. Bogle
Chairman of the Board

January 10, 1995

Note: Mutual fund data from Lipper Analytical Services, Inc.

AVERAGE ANNUAL TOTAL RETURNS--THE AVERAGE ANNUAL TOTAL RETURNS FOR THE FUND (PERIODS ENDED DECEMBER 31, 1994) ARE AS FOLLOWS:

<TABLE>
<CAPTION>

				10 YEARS		
	INCEPTION DATE	1 YEAR	5 YEARS	TOTAL RETURN	CAPITAL RETURN	INCOME RETURN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
VANGUARD/PRIMECAP FUND	11/1/84	+11.41%	+13.15%	+15.54%	+14.58%	+0.96%

</TABLE>

ALL OF THESE DATA REPRESENT PAST PERFORMANCE. THE INVESTMENT RETURN AND PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE SO THAT INVESTORS' SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST.

REPORT FROM THE INVESTMENT ADVISER

During 1994, PRIMECAP Fund's total return of +11.4% exceeded the +1.3% return for the unmanaged S&P 500 Index, marking the fifth consecutive year in which the Fund has outperformed this benchmark. It was the best year of relative performance in our ten-year history.

As was the case in 1993, PRIMECAP Fund's strong relative performance was chiefly attributable to a substantial overweighting during the year in the technology sector (44% of the Fund's net assets versus 9% for the Index) and excellent stock selection within that sector. Following a +33.8% gain in 1993, the Fund's technology stocks appreciated +33.1% in 1994. Our technology holdings continue to be concentrated in semiconductors, telecommunications, and computers.

The semiconductor group enjoyed another year of excellent performance. LSI Logic was the fifth best stock on the New York Stock Exchange, posting a gain of +158%. Burr-Brown appreciated +111%. Texas Instruments and Intel also contributed positively to the year's results. Earnings gains have accelerated as semiconductors capture an increasing share of the content in electronic products.

The revolution in wireless communications and the construction of interactive broadband networks have produced explosive revenue and earnings gains for telecommunications equipment suppliers. In 1994, L.M. Ericsson and

Motorola, the market leaders, enjoyed revenue growth rates in their multibillion dollar wireless businesses exceeding 50%. These results were reflected in good stock performance during the year. Tellabs, the Fund's best telecommunications stock in 1994, appreciated +133%.

For the first time in several years, the computer stocks contributed positively to our results. In last year's Annual Report we suggested that the restructuring and cost-reduction activities pursued by computer vendors would "pay off" as product pricing firmed. This indeed occurred in 1994. Computer vendors have radically adapted their cost structures to a new business model--one that assumes "commodity like" pricing and margins. Once this rationalization was complete, it enabled the companies to benefit from the strong unit growth they have consistently experienced over the last several years. Tandem Computers, Stratus Computers, and Hewlett-Packard significantly outperformed the S&P 500.

Most of the technology stocks held in the Fund share several common characteristics. They are research-and-development-intensive companies that create intellectual property. They are true growth companies in the sense that they demonstrate consistent unit growth and serve growing markets. However, in recent years much of the unit growth had been masked by pricing degradation. This is the antithesis of many of the stellar-performing consumer growth stocks of the eighties that were able to obscure deteriorating unit growth by regularly increasing prices.

As we contemplate the prospects of the Fund's technology holdings going forward, we are encouraged. We do not believe the stock market shares our assessment that technology stocks are growth stocks. The earnings growth of these stocks has materially exceeded their stock price appreciation. Consequently, the valuation (price to earnings ratio) has declined. Not surprisingly, this has affected the valuation of the entire Fund. At year-end 1993, the twelve-month price-earnings ratio for PRIMECAP Fund was 22.9. At year-end 1994, that ratio had declined to 17.2.

PRIMECAP Fund continues to substantially overweight the transportation sector (14% of net assets versus 2% for the Index). The sector suffered a -21.7% return for the year, largely offsetting 1993's +28.6% return. The decline was broad, as both airline and air freight stocks suffered setbacks. We are obviously disappointed by these results. Transportation stocks are typically "early cycle" stocks that benefit from an improving economy. Unfortunately, this was not the case in 1994. However, our confidence in this sector has never been greater. Capacity continues to exit the airline industry, cost structures are showing improvement, and international routes, which have depressed results, are turning profitable. We believe that the stronger airlines such as American Airlines, Delta Airlines, and Southwest Airlines are becoming more competitive at the expense of their weaker rivals.

Excellent stock selection within the financial sector also contributed to the Fund's performance in

1994. The Fund's financial stocks gained +8.2% versus -3.8% for the S&P 500. During the year, the Fund increased its weighting in the financial sector, primarily in reinsurance stocks. Capacity has exited the reinsurance market coincident with an uptick in demand. According to the Reinsurance Association of America, the number of reporting reinsurers has fallen from 129 in 1982 to 52 in 1994. At the same time, demand for reinsurance has improved as struggling insurers try to reduce their risk exposure, and market share is gained by stronger property casualty insurers that traditionally employ greater reinsurance. This should have a favorable effect on reinsurance pricing going forward.

Having just completed ten years of managing PRIMECAP Fund, we would like to review our investment philosophy, and renew our commitment to shareholders. Our investment process is driven by fundamental research. We try to know most of our companies very well by directly communicating with their management teams on a regular basis. This generates the conviction to buy stocks that are controversial or out of favor with other investors. It affords us the patience to wait for a thesis to evolve or for fundamentals to be recognized by the market. Finally, it gives us the courage to frequently buy stocks as they decline in price (assuming that there has been no change in the underlying fundamentals).

We are also long-term investors. For the last ten years, the Fund's average annual turnover has been approximately 16%. The Fund is constructed by selecting stocks one at a time. Each issue is evaluated on its own merits. Sector weightings are a function of how many or few attractive stocks we find within a sector, not by a predetermined model. These are the disciplines reflected in the management of PRIMECAP Fund. We believe they increase the likelihood of producing superior long-term investment results for our fellow shareholders.

Respectfully,

Howard B. Schow
Portfolio Manager

Theo A. Kolokotrones
Portfolio Manager

PRIMECAP Management Company

January 12, 1995

TOTAL INVESTMENT RETURN TABLE

The following table illustrates the results of a single-share investment in VANGUARD/PRIMECAP Fund since inception through December 31, 1994. During the period illustrated, stock prices fluctuated widely; these results should not be considered a representation of the dividend income or capital gain or loss which may be realized from an investment made in the Fund today.

<TABLE>
<CAPTION>

PERIOD	PER SHARE DATA*				TOTAL INVESTMENT RETURN**			
					PRIMECAP Fund			S&P 500 Index
Year Ended December 31	Net Asset Value	Capital Gains Distributions	Income Dividends	Value with Income Dividends & Capital Gains Reinvested	Capital Return	Income Return	Total Return	Total Return
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INITIAL (11/84)	$ 6.25	--	--	$ 6.25	--	--	--	--
1984	6.56	--	--	6.56	+ 4.9%	0.0%	+ 4.9%	+ 0.6%
1985	8.89	--	$.01	8.90	+35.6	+0.2	+35.8	+31.6
1986	10.64	$.18	.14	10.99	+21.8	+1.7	+23.5	+18.6
1987	10.06	.23	.10	10.74	- 3.2	+0.9	- 2.3	+ 5.2
1988	11.18	.25	.09	12.32	+13.7	+1.0	+14.7	+16.5
1989	12.82	.61	.16	14.98	+20.2	+1.4	+21.6	+31.6
1990	12.21	.12	.13	14.56	- 3.8	+1.0	- 2.8	- 3.1
1991	15.36	.68	.15	19.39	+31.8	+1.3	+33.1	+30.4
1992	16.19	.41	.12	21.13	+ 8.2	+0.8	+ 9.0	+ 7.6
1993	18.42	.59	.07	24.94	+17.6	+0.4	+18.0	+10.1
1994	19.98	.41	.12	27.78	+10.7	+0.7	+11.4	+ 1.3
LIFETIME							+344.6%	+284.0%
AVERAGE ANNUAL RATE OF RETURN							+15.8%	+14.2%

</TABLE>

*All per share data have been adjusted for the 4-for-1 stock split in February 1990.

**Adjusted to include reinvestment of income dividends and any capital gains distributions both for the Fund and the Index. No adjustment has been made for income taxes payable by shareholders on reinvested income dividends and capital gains distributions.

FINANCIAL STATEMENTS
December 31, 1994

STATEMENT OF NET ASSETS

<TABLE>
<CAPTION>

	Shares	Market Value (000)+
<S>	<C>	<C>
COMMON STOCKS (86.3%)		
BASIC MATERIALS (2.4%)		
Engelhard Corp.	1,040,000	$ 23,140
(1) MacDermid, Inc.	189,000	6,898
Quaker Chemical Corp.	140,000	2,555
Stepan Co.	300,000	4,500
GROUP TOTAL		37,093
CAPITAL GOODS & CONSTRUCTION (2.2%)		
Belden Inc.	133,500	2,970
Donaldson Co., Inc.	540,000	12,758
(1) Granite Construction Co.	840,000	17,010
* Sanifill, Inc.	70,000	1,750
GROUP TOTAL		34,488
CONSUMER CYCLICALS (9.1%)		
Arvin Industries, Inc.	660,000	15,345
* BET Holdings Inc. Class A	280,000	4,235
Capital Cities/ABC, Inc.	150,000	12,787
* Coherent, Inc.	500,000	8,375
* Electronic Arts	870,000	16,639
* Filene's Basement Corp.	845,000	3,908
* GC Cos.	200,000	5,250
Harcourt General, Inc.	560,000	19,740
Knight-Ridder, Inc.	100,000	5,050
(1) McClatchy Newspapers, Inc.	390,000	8,385
Polaroid Corp.	720,000	23,400
* Price/Costco Inc.	1,420,000	18,283
GROUP TOTAL		141,397
ENERGY (1.0%)		
Panhandle Eastern Corp.	468,750	9,258
Schlumberger Ltd.	115,000	5,793
GROUP TOTAL		15,051
FINANCIAL (9.9%)		
American International Group, Inc.	380,000	37,240
(1) Avemco Corp.	650,000	9,994
City National Corp.	621,485	6,603
General Re Corp.	385,000	47,644
Marsh & McLennan, Inc.	220,000	17,435
Transatlantic Holdings	325,000	18,159
* Zurich Reinsurance Centre Holdings, Inc.	587,000	16,950
GROUP TOTAL		154,025
HEALTH CARE (7.6%)		
Block Drug Co. Class A	146,316	5,487
Caremark International, Inc.	200,000	3,425
* Cordis Corp.	525,000	31,500
* Heart Technology, Inc.	800,000	15,600
Johnson & Johnson	102,800	5,628
Eli Lilly & Co.	300,000	19,687
*(2) Lynx Therapeutic	297,000	30
*(2) Lynx Therapeutic Pfd.	432,000	216
Medtronic, Inc.	447,400	24,887
Puritan-Bennett Corp.	260,000	5,395
Upjohn Co.	188,000	5,781
GROUP TOTAL		117,636
TECHNOLOGY (35.3%)		
COMPUTER & COMPUTER RELATED (10.6%)		
Adobe Systems, Inc.	1,065,000	31,684

* Digital Equipment Corp.	643,000	21,380
* Evans & Sutherland Computer Corp.	420,000	5,460
Hewlett-Packard Co.	315,000	31,461
* Stratus Computer, Inc.	440,000	16,720
* Symbol Technologies, Inc.	880,000	27,170
* Tandem Computers, Inc.	1,840,000	31,510
ELECTRONIC COMPONENTS & INSTRUMENTS (12.3%)		
AMP, Inc.	225,000	16,369
* Burr-Brown Corp.	240,000	3,240
* Dionex Corp.	255,000	9,435
Intel Corp.	800,000	50,900
* LSI Logic Corp.	412,500	16,655
Molex, Inc.	100,000	3,450
Molex, Inc. Class A	100,000	3,100
Perkin-Elmer Corp.	520,000	13,325
Sony Corp. ADR	104,000	5,837
Tektronix, Inc.	550,000	18,837
Texas Instruments, Inc.	469,000	35,116
Xerox Corp.	150,000	14,850
TELECOMMUNICATIONS (12.4%)		
L.M. Ericsson Telephone Co. ADR	760,000	41,895
L.M. Ericsson Telephone Co. Cvt. 4.25%	620,000	1,163
Motorola, Inc.	700,000	40,512
* Octel Communications Corp.	680,000	14,110
*(1) Plantronics, Inc.	460,000	13,800
Reuters Holdings PLC ADR	260,000	11,407
* Tellabs, Inc.	860,000	47,730
Vodafone Group PLC ADR	640,000	21,520
GROUP TOTAL		548,636
TRANSPORT & SERVICES (13.8%)		
* AMR Corp.	1,160,000	61,770
Airborne Freight Corp.	460,000	9,430
* Alaska Air Group, Inc.	250,000	3,750
American President Cos., Ltd.	348,000	8,787
Delta Air Lines, Inc.	950,000	47,975

</TABLE>

<TABLE>
<CAPTION>

<S>	Shares <C>	Market Value (000)+ <C>
* Federal Express Corp.	1,105,000	$ 66,576
Southwest Airlines Co.	950,000	15,913
GROUP TOTAL		214,201
UTILITIES (.9%)		
Telephone & Data Systems, Inc.	295,000	13,607
MISCELLANEOUS (4.1%)		
Manpower Inc.	940,000	26,437
Other (2.5%)		38,172
GROUP TOTAL		64,609
TOTAL COMMON STOCKS (Cost $1,023,822)		1,340,743
TEMPORARY CASH INVESTMENT (14.7%)		
	Face Amount (000)	
REPURCHASE AGREEMENT		
Collateralized by U.S. Government Obligations in a Pooled Cash Account 5.90%, 1/3/95 (Cost $228,157)	$228,157	228,157

TOTAL INVESTMENTS (101.0%) (Cost $1,251,979)	1,568,900
OTHER ASSETS AND LIABILITIES (-1.0%)	
Other Assets--Notes C and E	48,332
Liabilities--Note E	(63,519)
	(15,187)
NET ASSETS (100%)	
Applicable to 77,778,863 outstanding $.001 par value shares (authorized 100,000,000 shares)	$1,553,713
NET ASSET VALUE PER SHARE	$19.98

</TABLE>

+ See Note A to Financial Statements.
* Non-Income Producing Security.
(1) Considered affiliated companies as the Fund owns more than 5% of the outstanding voting securities of such companies.
(2) Restricted securities represent .02 of 1% of net assets.

<TABLE>
<CAPTION>

AT DECEMBER 31, 1994,
NET ASSETS CONSISTED OF:

<S>	Amount (000) <C>	Per Share <C>
Paid in Capital	$1,230,579	$15.82
Undistributed Net Investment Income	137	--
Accumulated Net Realized Gains	6,076	.08
Unrealized Appreciation of Investments--Note D	316,921	4.08
NET ASSETS	$1,553,713	$19.98

</TABLE>

STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

<S>	<C>	Year Ended December 31, 1994 (000) <C>
INVESTMENT INCOME		
INCOME		
Dividends		$ 9,090
Interest		7,094
Total Income		16,184
EXPENSES		
Investment Advisory Fee--Note B		3,882
The Vanguard Group--Note C		
Management and Administrative	$2,965	
Marketing and Distribution	184	3,149
Taxes (other than income taxes)		86
Custodians' Fees		18
Auditing Fees		11
Shareholders' Reports		54
Annual Meeting and Proxy Costs		19
Directors' Fees and Expenses		5
Total Expenses		7,224

Net Investment Income	8,960
REALIZED NET GAIN ON INVESTMENT SECURITIES SOLD	31,811
CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENT SECURITIES	77,964
Net Increase in Net Assets Resulting from Operations	$118,735

</TABLE>

SPECIAL TAX INFORMATION

SPECIAL 1994 TAX INFORMATION (UNAUDITED)
FOR VANGUARD/PRIMECAP FUND, INC.

Corporate shareholders should note that for the fiscal year ended December 31, 1994, 85.5% of the Fund's investment income (i.e., dividend income plus short-term capital gains, if any) qualifies for the intercorporate dividends received deduction.

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 1994 (000) <C>	Year Ended December 31, 1993 (000) <C>
INCREASE IN NET ASSETS		
OPERATIONS		
Net Investment Income	$ 8,960	$ 3,225
Realized Net Gain	31,811	25,536
Change in Unrealized Appreciation (Depreciation)	77,964	93,538
Net Increase in Net Assets Resulting from Operations	118,735	122,299
DISTRIBUTIONS (1)		
Net Investment Income	(8,890)	(3,028)
Realized Net Gain	(28,580)	(25,364)
Total Distributions	(37,470)	(28,392)
CAPITAL SHARE TRANSACTIONS (2)		
Issued --Regular	388,913	154,453
--In Lieu of Cash Distributions	36,964	27,861
--Exchange	455,358	103,697
Redeemed --Regular	(93,175)	(95,669)
--Exchange	(106,509)	(139,445)
Net Increase from Capital Share Transactions	681,551	50,897
Total Increase	762,816	144,804
NET ASSETS		
Beginning of Year	790,897	646,093
End of Year (3)	$1,553,713	$ 790,897
(1) Distributions Per Share		
Net Investment Income	$.12	$.07
Realized Net Gain	$.41	$.59
(2) Shares Issued and Redeemed		
Issued	43,291	14,702
Issued in Lieu of Cash Distributions	1,885	1,571
Redeemed	(10,327)	(13,251)
	34,849	3,022
(3) Undistributed Net Investment Income	$ 137	$ 67

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

For a Share Outstanding Throughout Each Year(1)	1994	1993	1992	1991	1990
	Year Ended December 31,				
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR	$18.42	$16.19	$15.36	$12.21	$12.82
INVESTMENT OPERATIONS					
Net Investment Income	.12	.07	.12	.15	.12
Net Realized and Unrealized Gain (Loss) on Investments	1.97	2.82	1.24	3.83	(.48)
TOTAL FROM INVESTMENT OPERATIONS	2.09	2.89	1.36	3.98	(.36)
DISTRIBUTIONS					
Dividends from Net Investment Income	(.12)	(.07)	(.12)	(.15)	(.13)
Distributions from Realized Capital Gains	(.41)	(.59)	(.41)	(.68)	(.12)
TOTAL DISTRIBUTIONS	(.53)	(.66)	(.53)	(.83)	(.25)
NET ASSET VALUE, END OF YEAR	$19.98	$18.42	$16.19	$15.36	$12.21
TOTAL RETURN	+11.41%	+18.03%	+8.99%	+33.14%	-2.79%
RATIOS/SUPPLEMENTAL DATA					
Net Assets, End of Year (Millions)	$1,554	$791	$646	$486	$305
Ratio of Expenses to Average Net Assets	.64%	.67%	.68%	.68%	.75%
Ratio of Net Investment Income to Average Net Assets	.79%	.44%	.84%	1.09%	1.06%
Portfolio Turnover Rate	8%	16%	7%	24%	11%

</TABLE>

(1) Adjusted to reflect a 4-for-1 stock split as of February 23, 1990.

NOTES TO FINANCIAL STATEMENTS

Vanguard/PRIMECAP Fund is registered under the Investment Company Act of 1940 as a diversified open-end investment company.

A. The following significant accounting policies are in conformity with generally accepted accounting principles for investment companies. Such policies are consistently followed by the Fund in the preparation of financial statements.

1. SECURITY VALUATION: Securities listed on an exchange are valued at the latest quoted sales prices as of the close of the New York Stock Exchange (generally 4:00 PM) on the valuation date; securities not traded are valued at the mean of the latest quoted bid and asked prices. Securities not listed are valued at the latest quoted bid prices. Temporary cash investments are valued at cost which approximates market value.

2. FEDERAL INCOME TAXES: The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements.

3. REPURCHASE AGREEMENTS: The Fund, along with other members of The Vanguard Group of Investment Companies, transfers uninvested cash balances into a Pooled Cash Account, the daily aggregate of which is invested in repurchase agreements secured by U.S. Government obligations. Securities pledged as collateral for repurchase agreements are held by the Fund's custodian bank until maturity of each repurchase agreement. Provisions of the agreement ensure that the market value of this collateral is sufficient in the event of default; however, in the event of default or bankruptcy by the other party to the agreement,

realization and/or retention of the collateral may be subject to legal proceedings.

4. OTHER: Security transactions are accounted for on the date the securities

are purchased or sold. Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

B. Under the terms of a contract which expires April 30, 1995, the Fund pays PRIMECAP Management Company an advisory fee calculated at an annual percentage rate of average net assets. For the year ended December 31, 1994, the advisory fee represented an effective annual rate of .34 of 1% of average net assets.

C. The Vanguard Group, Inc. furnishes at cost corporate management, administrative, marketing and distribution services. The costs of such services are allocated to the Fund under methods approved by the Board of Directors. At December 31, 1994, the Fund had contributed capital of $229,000 to Vanguard (included in Other Assets), representing 1.1% of Vanguard's capitalization. The Fund's officers and directors are also officers and directors of Vanguard.

D. During the year ended December 31, 1994, the Fund made purchases of $552,487,000 and sales of $77,176,000 of investment securities other than U.S. Government securities and temporary cash investments.

At December 31, 1994, unrealized appreciation for financial reporting and Federal income tax purposes aggregated $316,921,000 of which $349,979,000 related to appreciated securities and $33,058,000 related to depreciated securities.

E. The market value of securities on loan to broker/dealers at December 31, 1994, was $35,482,000 for which the Fund had received cash collateral of $37,421,000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Vanguard/PRIMECAP Fund

In our opinion, the accompanying statement of net assets and the related statements of operations and changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Vanguard/PRIMECAP Fund (the "Fund") at December 31, 1994, the results of its operations, the changes in its net assets and the financial highlights for each of the respective periods presented, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities by correspondence with the custodian and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP   Thirty South Seventeenth Street
February 2, 1995   Philadelphia, Pennsylvania 19103

DIRECTORS AND OFFICERS

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

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

ROBERT E. CAWTHORN, Chairman of Rhone-Poulenc Rorer Inc.; Director of Sun Company, Inc.

BARBARA BARNES HAUPTFUHRER, Director of The Great Atlantic and Pacific Tea Company, Alco Standard Corp., Raytheon Company, Knight-Ridder, Inc., and Massachusetts Mutual Life Insurance Co.

BRUCE K. MACLAURY, President of The Brookings Institution; Director of

American Express Bank Ltd., The St. Paul Companies, Inc., and Scott Paper Company.

BURTON G. MALKIEL, Chemical Bank Chairman's Professor of Economics, Princeton University; Director of Prudential Insurance Co. of America, Amdahl Corporation, Baker Fentress & Co., The Jeffrey Co., and Southern New England Communications Company.

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

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

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

J. LAWRENCE WILSON, Chairman and Chief Executive Officer of Rohm & Haas Company; Director of Cummins Engine Company; Trustee of Vanderbilt University and the Culver Educational Foundation.

OTHER FUND OFFICERS

RICHARD F. HYLAND, Treasurer; Treasurer of The Vanguard Group, Inc., and of each of the investment companies in The Vanguard Group.

RAYMOND J. KLAPINSKY, Secretary; Senior Vice President and Secretary of The Vanguard Group, Inc.; Secretary of each of the investment companies in The Vanguard Group.

KAREN E. WEST, Controller; Vice President of The Vanguard Group, Inc.; Controller of each of the investment companies in The Vanguard Group.

OTHER VANGUARD GROUP OFFICERS

JEREMY G. DUFFIELD Senior Vice President Planning & Development	VINCENT S. MCCORMACK Senior Vice President Operations
JAMES H. GATELY Senior Vice President Institutional	RALPH K. PACKARD Senior Vice President Chief Financial Officer
IAN A. MACKINNON Senior Vice President Fixed Income Group	

THE VANGUARD VOYAGE . . . STAYING THE COURSE

(continued from inside front cover)

* We set specific standards for each Fund's investment policies and principles.

* We adhere to the highest standards of investment quality, consistent with each Fund's objectives.

* We offer candor in our Fund descriptions (including full disclosure of risk) to prospective investors, and in our description to shareholders of each Fund's success (or, sometimes, lack of the same).

These principles make at least as much sense today as they did in 1929, perhaps even more. For we live in an era when many fund organizations have become asset-gathering machines, capitalizing on past performance that is unrepeatable and investment fads that today, as yesterday, will come and go. The new marketing policy is too often "if investors want it, we'll sell it to them." But our principle remains "if it makes sound investment sense, we'll offer it, even if it takes years to attract substantial assets."

FOUNDING CORPORATE VALUES

With the founding of The Vanguard Group in 1974, a new concept of values was brought to bear on mutual fund management. Unlike other fund organizations, Vanguard alone is structured to serve only its Funds' shareholders. Vanguard's corporate structure places not the fund management company, but the fund shareholders, "at the top" of the organizational chart. Vanguard Fund shareholders are literally the owners of the firm and are entitled to all of the benefits that, at other fund firms, accrue to the owners of the management company.

Because of this unique structure, Vanguard has become best known for its low costs, which we believe are just as essential a consideration in investing in mutual funds as risk potential and total return. We call this relationship between risk, return, and cost the "eternal triangle" of mutual fund investing.

We take special pride in our position as (by far) the lowest-cost provider of financial services in the world. Under our "no-load" offering structure, shareholders begin their Vanguard investment program with $1,000 of assets (not, say, $950) for each $1,000 investment. Then, under our "at-cost" operating structure, each $1,000 is managed for only about $3 per year; our competitors may charge three, four, or even five times that amount.

In all, Vanguard has distinguished itself by providing Funds with sound and durable goals to investors with long-term time horizons, and doing so at the fairest financial terms available. We believe that the unique Vanguard structure "promotes a healthy and viable mutual fund complex within which each Fund can better prosper; enables the Funds to realize substantial savings from advisory fee reductions; promotes savings from economies of scale; and provides the Funds with direct and conflict-free control over distribution functions." We are not alone in this belief. Indeed, the quotation is taken verbatim from the unanimous decision of the U.S. Securities and Exchange Commission when, in 1981, it approved our application for the structure under which we operate today.

A CLOSING THOUGHT

We are proud of what Wellington Fund, the other Vanguard Funds, and The Vanguard Group have come to represent, and we are grateful for the success and growth with which we have been blessed. We are an industry leader, and, as a competitor observed a few years ago, we are "the standard by which all fund organizations are judged."

In battle terms, "the vanguard" is the first wave of troops or ships, and Vanguard surely is in the first wave of the battle for investment survival. As we look behind us, however, the "second wave" is not in sight. No fund organization has followed our lead, leaving ours a lonely course. No matter. We have an organization that places the interests of our Fund shareholders first. We have Funds that shall endure the vicissitudes of the future. Come what may, we intend to "stay the course," and we shall do our very best to continue to deserve your confidence and loyalty. We hope that you will stay the course with us.

THE VANGUARD FAMILY OF FUNDS

FIXED INCOME FUNDS

MONEY MARKET FUNDS
Vanguard Admiral Funds
U.S. Treasury Money Market Portfolio
Vanguard Money Market Reserves

TAX-EXEMPT MONEY MARKET FUNDS
Vanguard Municipal Bond Fund
Money Market Portfolio
Vanguard State Tax-Free Funds
Money Market Portfolios (CA, NJ, OH, PA)

TAX-EXEMPT INCOME FUNDS
Vanguard Municipal Bond Fund
Vanguard State Tax-Free Funds
Insured Longer-Term Portfolios
(CA, FL, NJ, NY, OH, PA)

INCOME FUNDS
Vanguard Admiral Funds
Vanguard Fixed Income Securities Fund
Vanguard Preferred Stock Fund

EQUITY AND BALANCED FUNDS

GROWTH AND INCOME FUNDS
Vanguard Convertible Securities Fund
Vanguard Equity Income Fund
Vanguard Quantitative Portfolios
Vanguard/Trustees' Equity Fund
U.S. Portfolio
Vanguard/Windsor Fund
Vanguard/Windsor II

BALANCED FUNDS

Vanguard Asset Allocation Fund
Vanguard STAR Fund
Vanguard/Wellesley Income Fund
Vanguard/Wellington Fund

GROWTH FUNDS
Vanguard/Morgan Growth Fund
Vanguard/PRIMECAP Fund
Vanguard U.S. Growth Portfolio

AGGRESSIVE GROWTH FUNDS
Vanguard Explorer Fund
Vanguard Specialized Portfolios

INTERNATIONAL FUNDS
Vanguard International Growth Portfolio
Vanguard/Trustees' Equity Fund
International Portfolio

INDEX FUNDS

Vanguard Index Trust
Total Stock Market Portfolio
500 Portfolio
Extended Market Portfolio
Growth Portfolio
Value Portfolio
Small Capitalization Stock Portfolio

Vanguard International Equity Index Fund
European Portfolio
Pacific Portfolio
Emerging Markets Portfolio
Vanguard Bond Index Fund
Vanguard Tax-Managed Fund
Vanguard Balanced Index Fund

[LOGO]

<TABLE>
<S> <C>

Vanguard Financial Center	Valley Forge, Pennsylvania 19482
New Account Information: 1-(800) 662-7447	Shareholder Account Services: 1-(800) 662-2739

</TABLE>

This Report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus. All Funds in the Vanguard Family are offered by prospectus only.

Q590-12/94

EDGAR APPENDIX

This appendix describes the components of the printed version of this report that do not translate into a format acceptable to the EDGAR system.

The front cover of the printed version of this report features the Vanguard ship in the crashing sea.

A small picture of a rear view of the Vanguard ship crashing through the sea appears at the top of the inside covers of the report.

A running head featuring a sextant appears on pages one through six.

A photograph of John C. Bogle appears at the lower-right of page one.

A line chart depicting the indexed values of the Standard & Poor's Growth Index and the Standard & Poor's Value Index for the fiscal years 1990 to 1994 appears at the upper-left of page two.

A cumulative performance line chart for the period December 31, 1984, to December 31, 1994, including average annual total returns, appears on page 3.

A bar chart depicting Primecap Versus The Standard & Poor's 500 Index, Annual Performance Margin over one decade appears at the top of page 5.

A running head featuring a map and telescope appears on pages seven and eight.

A running head featuring a lantern appears on page nine.

A running head featuring a log book and pen appears on pages ten through fifteen.

A running head featuring a compass appears on page 16.

At the bottom of the back cover there appears a triangle with the sides labeled "risk," "cost," and "return."

A seagull in flight is featured at the top of the outside back cover of the report.