



# Vanguard Bond Funds

**Supplement to the Prospectus and Summary Prospectus  
Dated May 28, 2010**

## **Important change to Vanguard GNMA Fund**

Effective immediately, Michael F. Garrett will become the sole portfolio manager of the GNMA Fund. The Fund's investment objective, strategies, and policies remain unchanged.

Mr. Garrett, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management Company, LLP, has worked in investment management since 1991. He has been with Wellington Management since 1999; assisted in managing the GNMA Fund from 1999 to 2009; and has co-managed the GNMA Fund since 2010. He holds a B.A. from Yale University.



**Vanguard**<sup>®</sup>

# Vanguard Bond Funds Prospectus

May 28, 2010

## Investor Shares & Admiral<sup>™</sup> Shares

Vanguard Short-Term Treasury Fund Investor Shares (VFISX)

Vanguard Short-Term Treasury Fund Admiral Shares (VFIRX)

Vanguard Short-Term Federal Fund Investor Shares (VSGBX)

Vanguard Short-Term Federal Fund Admiral Shares (VSGDX)

Vanguard Short-Term Investment-Grade Fund Investor Shares (VFSTX)

Vanguard Short-Term Investment-Grade Fund Admiral Shares (VFSUX)

Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX)

Vanguard Intermediate-Term Treasury Fund Admiral Shares (VFIUX)

Vanguard Intermediate-Term Investment-Grade Fund Investor Shares (VFICX)

Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares (VFIDX)

Vanguard GNMA Fund Investor Shares (VFIIX)

Vanguard GNMA Fund Admiral Shares (VFIJX)

Vanguard Long-Term Treasury Fund Investor Shares (VUSTX)

Vanguard Long-Term Treasury Fund Admiral Shares (VUSUX)

Vanguard Long-Term Investment-Grade Fund Investor Shares (VWESX)

Vanguard Long-Term Investment-Grade Fund Admiral Shares (VWETX)

This prospectus contains financial data for the Funds through the fiscal year ended January 31, 2010.

**The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

# Contents

Vanguard Fund Summaries		Financial Highlights	59
Short-Term Treasury Fund	1	Investing With Vanguard	76
Short-Term Federal Fund	5	Purchasing Shares	76
Short-Term Investment-Grade Fund	10	Converting Shares	79
Intermediate-Term Treasury Fund	15	Redeeming Shares	81
Intermediate-Term Investment-Grade Fund	20	Exchanging Shares	84
GNMA Fund	25	Frequent-Trading Limits	85
Long-Term Treasury Fund	30	Other Rules You Should Know	87
Long-Term Investment-Grade Fund	34	Fund and Account Updates	91
Investing in Vanguard Bond Funds	39	Contacting Vanguard	93
More on the Funds	40	Additional Information	95
The Funds and Vanguard	53	Glossary of Investment Terms	96
Investment Advisors	54		
Dividends, Capital Gains, and Taxes	56		
Share Price	58		

# Vanguard Short-Term Treasury Fund

## Investment Objective

The Fund seeks to provide current income while maintaining limited price volatility.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.18%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.04%	0.03%
Total Annual Fund Operating Expenses	0.22%	0.12%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$23	\$71	\$124	\$280
Admiral Shares	\$12	\$39	\$68	\$154

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 130% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests at least 80% of its assets in U.S. Treasury securities, which include bills, bonds, and notes issued by the U.S. Treasury. The Fund is expected to maintain a dollar-weighted average maturity of 1 to 4 years.

## Primary Risks

The Fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The Fund’s performance could be hurt by:

- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, so investors should expect the Fund’s monthly income to fluctuate.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low for the Fund because it invests mainly in short-term bonds, whose prices are much less sensitive to interest rate changes than are the prices of long-term bonds.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

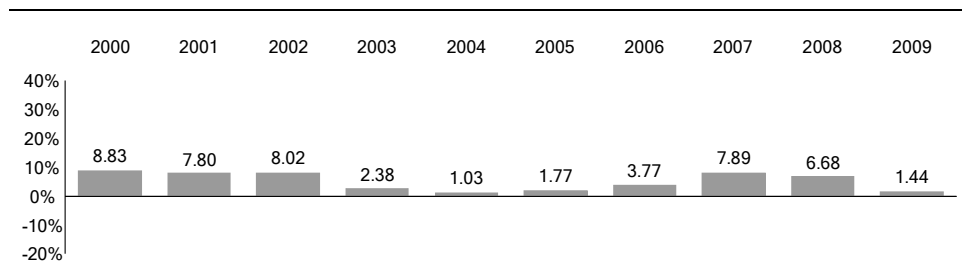
**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s Investor Shares has varied from one calendar year to another over the periods shown.

The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

#### Annual Total Returns—Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 0.78%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 3.92% (quarter ended September 30, 2001), and the lowest return for a quarter was -1.34% (quarter ended June 30, 2004).

#### Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Short-Term Treasury Fund Investor Shares</b>			
Return Before Taxes	1.44%	4.28%	4.92%
Return After Taxes on Distributions	0.32	2.95	3.37
Return After Taxes on Distributions and Sale of Fund Shares	0.96	2.88	3.29
<b>Barclays Capital U.S. 1-5 Year Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	0.19%	4.39%	5.01%
			Since Inception (Feb. 13, 2001)
	1 Year	5 Years	
<b>Vanguard Short-Term Treasury Fund Admiral Shares</b>			
Return Before Taxes	1.54%	4.41%	4.53%
<b>Barclays Capital U.S. 1-5 Year Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	0.19%	4.39%	4.50%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## Investment Advisor

The Vanguard Group, Inc.

Portfolio Manager

David R. Glocke, Principal of Vanguard. He has managed the Fund since 2000.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Short-Term Federal Fund

## Investment Objective

The Fund seeks to provide current income while maintaining limited price volatility.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.18%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.04%	0.03%
Total Annual Fund Operating Expenses	0.22%	0.12%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$23	\$71	\$124	\$280
Admiral Shares	\$12	\$39	\$68	\$154

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 370% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests at least 80% of its assets in short-term bonds issued or guaranteed by the U.S. government and its agencies and instrumentalities, many of which are not backed by the full faith and credit of the U.S. government. The Fund is expected to maintain a dollar-weighted average maturity of 1 to 4 years.

## Primary Risks

The Fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The Fund’s performance could be hurt by:

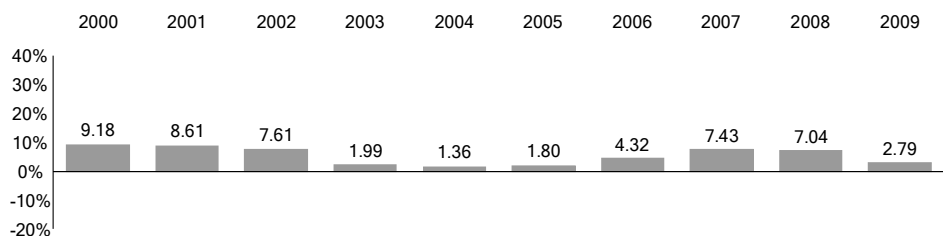
- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, so investors should expect the Fund’s monthly income to fluctuate.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low for the Fund because it invests mainly in short-term bonds, whose prices are much less sensitive to interest rate changes than are the prices of long-term bonds.
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline. Credit risk should be very low for the Fund, because it invests only in bonds issued or guaranteed by U.S. government agencies or instrumentalities.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

#### Annual Total Returns—Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 0.99%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 3.89% (quarter ended December 31, 2008), and the lowest return for a quarter was -1.50% (quarter ended June 30, 2004).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Short-Term Federal Fund Investor Shares</b>			
Return Before Taxes	2.79%	4.65%	5.17%
Return After Taxes on Distributions	1.39	3.23	3.56
Return After Taxes on Distributions and Sale of Fund Shares	1.85	3.14	3.46
<b>Barclays Capital U.S. 1-5 Year Government/Credit Bond Index</b>			
(reflects no deduction for fees, expenses, or taxes)	4.62%	4.52%	5.36%
	1 Year	5 Years	Since Inception (Feb. 12, 2001)
<b>Vanguard Short-Term Federal Fund Admiral Shares</b>			
Return Before Taxes	2.89%	4.75%	4.68%
<b>Barclays Capital U.S. 1-5 Year Government/Credit Bond Index</b>			
(reflects no deduction for fees, expenses, or taxes)	4.62%	4.52%	4.85%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

The Vanguard Group, Inc.

### Portfolio Manager

Ronald M. Reardon, Principal of Vanguard. He has managed the Fund since 2005.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Short-Term Investment-Grade Fund

## Investment Objective

The Fund seeks to provide current income while maintaining limited price volatility.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.21%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.03%	0.03%
Total Annual Fund Operating Expenses	0.24%	0.12%

## Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$25	\$77	\$135	\$306
Admiral Shares	\$12	\$39	\$68	\$154

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 59% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody’s Investors Service, Inc., or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody’s or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor. (Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody’s.) The Fund is expected to maintain a dollar-weighted average maturity of 1 to 4 years.

## Primary Risks

The Fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The Fund’s performance could be hurt by:

- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, so investors should expect the Fund’s monthly income to fluctuate.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low for the Fund because it invests mainly in short-term bonds, whose prices are much less sensitive to interest rate changes than are the prices of long-term bonds.
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline. Although the Fund

invests a limited portion of its assets in low-quality bonds, credit risk should be low for the Fund because it invests mainly in bonds that are considered high-quality and, to a lesser extent, in bonds that are considered medium-quality.

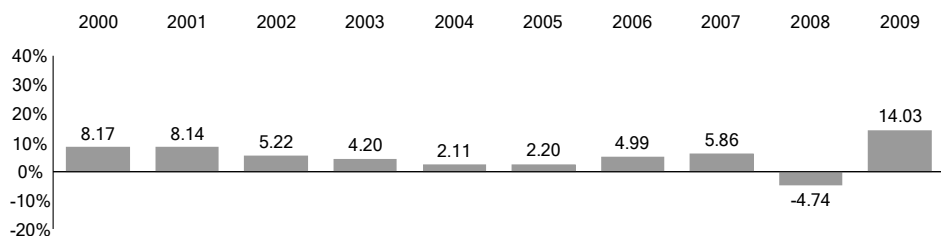
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

**Annual Total Returns—Investor Shares<sup>1</sup>**



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 2.01%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 6.02% (quarter ended June 30, 2009), and the lowest return for a quarter was -3.42% (quarter ended September 30, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Short-Term Investment-Grade Fund Investor Shares</b>			
Return Before Taxes	14.03%	4.29%	4.92%
Return After Taxes on Distributions	12.43	2.72	3.11
Return After Taxes on Distributions and Sale of Fund Shares	9.06	2.73	3.10
<b>Barclays Capital U.S. 1-5 Year Credit Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	13.52%	4.79%	5.86%
	1 Year	5 Years	Since Inception (Feb. 12, 2001)
<b>Vanguard Short-Term Investment-Grade Fund Admiral Shares</b>			
Return Before Taxes	14.17%	4.40%	4.54%
<b>Barclays Capital U.S. 1-5 Year Credit Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	13.52%	4.79%	5.44%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

The Vanguard Group, Inc.

### Portfolio Manager

Gregory S. Nassour, CFA, Principal of Vanguard. He has managed the Fund since 2008.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Intermediate-Term Treasury Fund

## Investment Objective

The Fund seeks to provide a moderate and sustainable level of current income.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.21%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.04%	0.03%
Total Annual Fund Operating Expenses	0.25%	0.12%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$26	\$80	\$141	\$318
Admiral Shares	\$12	\$39	\$68	\$154

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 109% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests at least 80% of its assets in U.S. Treasury securities, which include bills, bonds, and notes issued by the U.S. Treasury. The Fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years.

## Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund’s performance could be hurt by:

- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors should expect the Fund’s monthly income to fluctuate accordingly.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests mainly in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

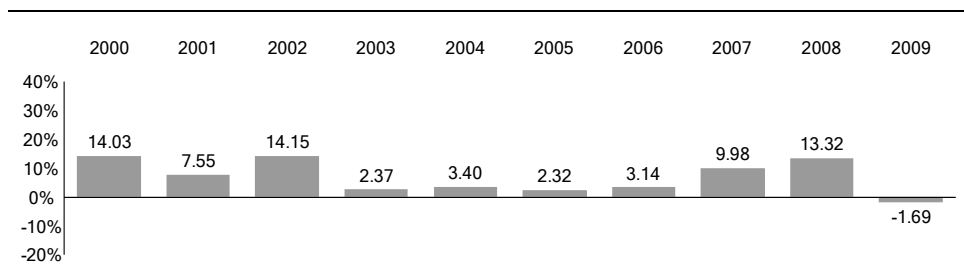
**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s

Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

#### Annual Total Returns—Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 1.45%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 8.32% (quarter ended September 30, 2002), and the lowest return for a quarter was -3.22% (quarter ended June 30, 2004).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Intermediate-Term Treasury Fund Investor Shares</b>			
Return Before Taxes	-1.69%	5.27%	6.72%
Return After Taxes on Distributions	-3.64	3.49	4.72
Return After Taxes on Distributions and Sale of Fund Shares	-0.67	3.55	4.64
<b>Barclays Capital U.S. 5-10 Year Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	-4.78%	5.18%	6.65%
			Since Inception (Feb. 12, 2001)
<b>Vanguard Intermediate-Term Treasury Fund Admiral Shares</b>			
Return Before Taxes	-1.56%	5.43%	5.99%
<b>Barclays Capital U.S. 5-10 Year Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	-4.78%	5.18%	5.81%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

The Vanguard Group, Inc.

### Portfolio Manager

David R. Glocke, Principal of Vanguard. He has managed the Fund since 2001.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Intermediate-Term Investment-Grade Fund

## Investment Objective

The Fund seeks to provide a moderate and sustainable level of current income.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.21%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.03%	0.02%
Total Annual Fund Operating Expenses	0.24%	0.11%

## Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$25	\$77	\$135	\$306
Admiral Shares	\$11	\$35	\$62	\$141

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 69% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody’s Investors Service, Inc., or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody’s or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor. (Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody’s.) The Fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years.

## Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund’s performance could be hurt by:

- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors should expect the Fund’s monthly income to fluctuate accordingly.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests mainly in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to

make such payments will cause the price of that bond to decline. Although the Fund invests a limited portion of its assets in low-quality bonds, credit risk should be low for the Fund because it invests mainly in bonds that are considered high-quality and, to a lesser extent, in bonds that are considered medium-quality.

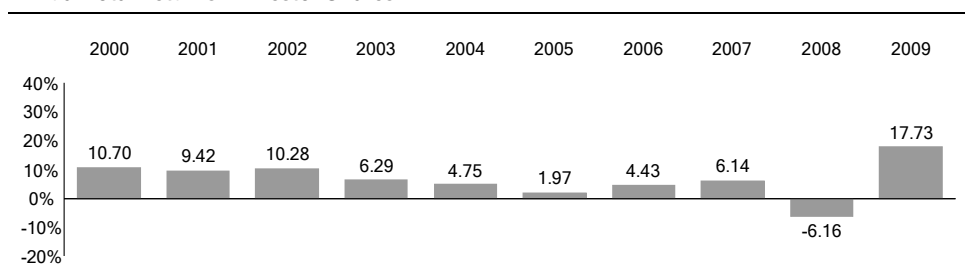
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

**Annual Total Returns—Investor Shares<sup>1</sup>**



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 3.37%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 8.16% (quarter ended June 30, 2009), and the lowest return for a quarter was -6.06% (quarter ended September 30, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Intermediate-Term Investment-Grade Fund Investor Shares</b>			
Return Before Taxes	17.73%	4.54%	6.39%
Return After Taxes on Distributions	15.46	2.64	4.23
Return After Taxes on Distributions and Sale of Fund Shares	11.45	2.75	4.18
<b>Barclays Capital U.S. 5-10 Year Credit Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	18.96%	4.74%	7.03%
	1 Year	5 Years	Since Inception (Feb. 12, 2001)
<b>Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares</b>			
Return Before Taxes	17.88%	4.66%	5.87%
<b>Barclays Capital U.S. 5-10 Year Credit Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	18.96%	4.74%	6.43%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

The Vanguard Group, Inc.

### Portfolio Manager

Gregory S. Nassour, CFA, Principal of Vanguard. He has managed the Fund since 2008.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard GNMA Fund

## Investment Objective

The Fund seeks to provide a moderate level of current income.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.20%	0.10%
12b-1 Distribution Fee	None	None
Other Expenses	0.03%	0.03%
Total Annual Fund Operating Expenses	0.23%	0.13%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$24	\$74	\$130	\$293
Admiral Shares	\$13	\$42	\$73	\$166

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 272% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests at least 80% of its assets in Government National Mortgage Association (GNMA) pass-through certificates, which are fixed income securities representing part ownership in a pool of mortgage loans supported by the full faith and credit of the U.S. government. The balance of the Fund’s assets may be invested in other types of securities such as U.S. Treasury or other U.S. government agency securities, as well as in repurchase agreements collateralized by such securities. Securities issued by most U.S. government agencies, other than the U.S. Treasury and GNMA, are neither guaranteed by the U.S. Treasury nor supported by the full faith and credit of the U.S. government. The Fund’s dollar-weighted average maturity depends on homeowner prepayments of the underlying mortgages. Although the Fund does not observe specific maturity guidelines, the Fund’s dollar-weighted average maturity will normally fall within an intermediate-term range (3 to 10 years).

## Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund’s performance could be hurt by:

- *Prepayment risk*, which is the chance that during periods of falling interest rates, homeowners will refinance their mortgages before their maturity dates, resulting in prepayment of mortgage-backed securities held by the Fund. The Fund would then lose any price appreciation above the mortgage’s principal and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund’s income. Prepayment risk, which is a type of call risk, is high for the Fund.

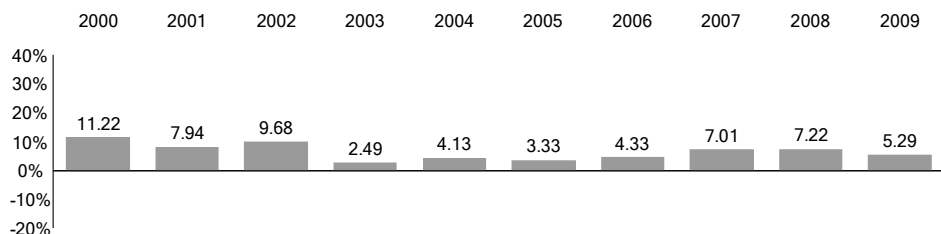
- *Income risk*, which is the chance that the Fund’s income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors should expect the Fund’s monthly income to fluctuate accordingly.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. In addition, when interest rates decline, GNMA prices typically do not rise as much as the prices of comparable bonds. This is because the market tends to discount GNMA prices for prepayment risk when interest rates decline. Interest rate risk should be moderate for the Fund.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

#### Annual Total Returns—Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 1.94%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 4.03% (quarter ended September 30, 2001), and the lowest return for a quarter was -1.24% (quarter ended June 30, 2004).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard GNMA Fund Investor Shares</b>			
Return Before Taxes	5.29%	5.42%	6.23%
Return After Taxes on Distributions	3.65	3.64	4.21
Return After Taxes on Distributions and Sale of Fund Shares	3.46	3.58	4.12
<b>Barclays Capital U.S. GNMA Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	5.37%	5.59%	6.30%
	1 Year	5 Years	Since Inception (Feb. 12, 2001)
<b>Vanguard GNMA Fund Admiral Shares</b>			
Return Before Taxes	5.40%	5.53%	5.67%
<b>Barclays Capital U.S. GNMA Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	5.37%	5.59%	5.67%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

Wellington Management Company, LLP

### Portfolio Managers

Thomas L. Pappas, CFA, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He has assisted in managing the GNMA Fund since 1994 and has managed or co-managed the GNMA Fund since 2005.

Michael F. Garrett, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He assisted in managing the GNMA Fund from 1999 to 2009 and has co-managed the GNMA Fund since 2010.

### **Purchase and Sale of Fund Shares**

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

### **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain.

### **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Long-Term Treasury Fund

## Investment Objective

The Fund seeks to provide a high and sustainable level of current income.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.21%	0.09%
12b-1 Distribution Fee	None	None
Other Expenses	0.04%	0.03%
Total Annual Fund Operating Expenses	0.25%	0.12%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$26	\$80	\$141	\$318
Admiral Shares	\$12	\$39	\$68	\$154

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 77% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests at least 80% of its assets in U.S. Treasury securities, which include bills, bonds, and notes issued by the U.S. Treasury. The Fund is expected to maintain a dollar-weighted average maturity of 15 to 30 years.

## Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund’s performance could be hurt by:

- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be high for the Fund because it invests mainly in long-term bonds, whose prices are much more sensitive to interest rate changes than are the prices of short-term bonds.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

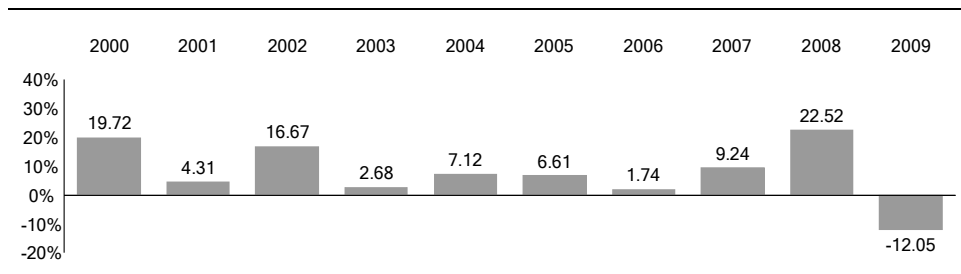
**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund’s Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund’s past

performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

#### Annual Total Returns—Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 0.90%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 17.58% (quarter ended December 31, 2008), and the lowest return for a quarter was -6.88% (quarter ended June 30, 2009).

#### Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Long-Term Treasury Fund Investor Shares</b>			
Return Before Taxes	-12.05%	5.01%	7.42%
Return After Taxes on Distributions	-14.01	3.04	5.29
Return After Taxes on Distributions and Sale of Fund Shares	-7.40	3.23	5.19
<b>Barclays Capital U.S. Long Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	-12.92%	5.17%	7.59%
			Since Inception (Feb. 12, 2001)
	1 Year	5 Years	
<b>Vanguard Long-Term Treasury Fund Admiral Shares</b>			
Return Before Taxes	-11.93%	5.16%	6.28%
<b>Barclays Capital U.S. Long Treasury Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	-12.92%	5.17%	6.29%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

The Vanguard Group, Inc.

#### Portfolio Manager

David R. Glocke, Principal of Vanguard. He has managed the Fund since 2001.

### Purchase and Sale of Fund Shares

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Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

### Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

### Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

# Vanguard Long-Term Investment-Grade Fund

## Investment Objective

The Fund seeks to provide a high and sustainable level of current income.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold Investor Shares or Admiral Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

	Investor Shares	Admiral Shares
Sales Charge (Load) Imposed on Purchases	None	None
Purchase Fee	None	None
Sales Charge (Load) Imposed on Reinvested Dividends	None	None
Redemption Fee	None	None
Account Service Fee (for fund account balances below \$10,000)	\$20/year	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

	Investor Shares	Admiral Shares
Management Expenses	0.23%	0.10%
12b-1 Distribution Fee	None	None
Other Expenses	0.03%	0.03%
Total Annual Fund Operating Expenses	0.26%	0.13%

### Examples

The following examples are intended to help you compare the cost of investing in the Fund's Investor Shares or Admiral Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in the Fund's shares. These examples assume that the Shares provide 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 the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Investor Shares	\$27	\$84	\$146	\$331
Admiral Shares	\$13	\$42	\$73	\$166

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 21% of the average value of its portfolio.

## Primary Investment Strategies

The Fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be intermediate- and long-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody’s Investors Service, Inc., or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody’s or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor. (Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody’s.) The Fund is expected to maintain a dollar-weighted average maturity of 15 to 25 years.

## Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund’s performance could be hurt by:

- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be high for the Fund because it invests mainly in long-term bonds, whose prices are much more sensitive to interest rate changes than are the prices of short-term bonds.
- *Call Risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund’s income. Call risk is generally moderate for this Fund.

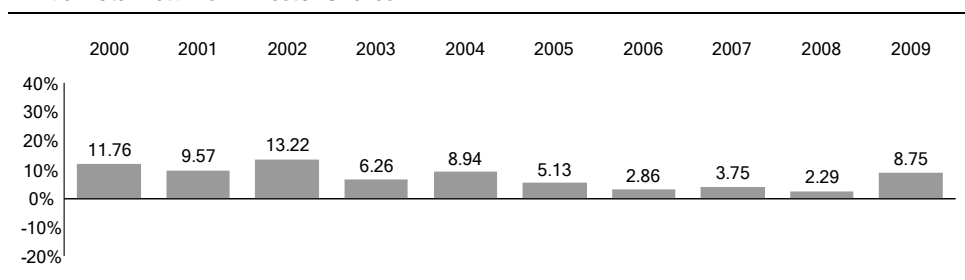
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Although the Fund invests a limited portion of its assets in low-quality bonds, credit risk should be low for the Fund because it invests mainly in bonds that are considered high-quality and, to a lesser extent, in bonds that are considered medium-quality.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Investor Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the share classes presented compare with those of a relevant market index. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [www.vanguard.com/performance](http://www.vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

**Annual Total Returns—Investor Shares<sup>1</sup>**



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2010, was 1.57%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 11.33% (quarter ended September 30, 2009), and the lowest return for a quarter was -8.28% (quarter ended March 31, 2009).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	10 Years
<b>Vanguard Long-Term Investment-Grade Fund Investor Shares</b>			
Return Before Taxes	8.75%	4.53%	7.19%
Return After Taxes on Distributions	6.45	2.44	4.89
Return After Taxes on Distributions and Sale of Fund Shares	5.59	2.62	4.78
<b>Barclays Capital U.S. Long Credit A or Better Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	9.53%	4.02%	7.14%
	1 Year	5 Years	Since Inception (Feb. 12, 2001)
<b>Vanguard Long-Term Investment-Grade Fund Admiral Shares</b>			
Return Before Taxes	8.89%	4.66%	6.60%
<b>Barclays Capital U.S. Long Credit A or Better Bond Index</b> (reflects no deduction for fees, expenses, or taxes)			
	9.53%	4.02%	6.47%

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are shown only for the Investor Shares and may differ for each share class. After-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

### Investment Advisor

Wellington Management Company, LLP

### Portfolio Manager

Lucius T. Hill, III, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He has managed or co-managed the Fund since 2008.

## Purchase and Sale of Fund Shares

You may purchase or redeem shares online through our website at [www.vanguard.com](http://www.vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The following table provides the Fund's minimum initial and subsequent investment requirements.

Account Minimums	Investor Shares	Admiral Shares
To open and maintain an account	\$3,000	\$100,000
To add to an existing account	\$100 (other than by Automatic Investment Plan, which has no established minimum)	\$100 (other than by Automatic Investment Plan, which has no established minimum)

## Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain.

## Payments to Financial Intermediaries


The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares or related services.

## Investing in Vanguard Bond Funds

The Vanguard Bond Funds are nine separate mutual funds, eight of which are offered through this prospectus (Vanguard High-Yield Corporate Fund is offered through a separate prospectus). Each Fund offered in this prospectus seeks to provide current income by investing in fixed income securities that meet defined standards for credit quality and maturity. These standards vary among the Funds, as shown in the following table. As a result, the levels of income provided by the Funds will vary, with the Short-Term Treasury Fund generally providing the least income and the Long-Term Investment-Grade Fund generally providing the most income.

<b>Fund</b>	<b>Primary Investments</b>	<b>Dollar-Weighted Average Maturity</b>
Short-Term Treasury	U.S. Treasury bonds	1–4 years
Short-Term Federal	U.S. government agency bonds	1–4 years
Short-Term Investment-Grade	Investment-grade bonds	1–4 years
Intermediate-Term Treasury	U.S. Treasury bonds	5–10 years
Intermediate-Term Investment-Grade	Investment-grade bonds	5–10 years
GNMA	GNMA mortgage certificates	Generally 3–10 years
Long-Term Treasury	U.S. Treasury bonds	15–30 years
Long-Term Investment-Grade	Investment-grade bonds	15–25 years

## More on the Funds

This prospectus describes the primary risks you would face as a Fund shareholder. 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 any mutual fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this  symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk® explanations along the way. Reading the prospectus will help you decide whether a Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

### Share Class Overview

This prospectus offers the Funds' Investor Shares and Admiral Shares. A separate prospectus offers Institutional Shares of Vanguard Short-Term Investment-Grade Fund. Institutional Shares are generally for investors who do not require special employee benefit plan services and who invest a minimum of \$50 million.

All share classes offered by a Fund have the same investment objective, strategies, and policies. However, different share classes have different expenses; as a result, their investment performances will differ.

### Plain Talk About 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 incurred when the fund buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund's performance.

The following sections explain the primary investment strategies and policies that each Fund uses in pursuit of its objective. The Fund's board of trustees, which oversees the Fund's management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that each Fund's investment objective is not fundamental and may be changed without a shareholder vote. However, each Fund's 80% investment policy may be changed only upon 60 days' notice to shareholders.

## Market Exposure



*Each Fund is subject to interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low for short-term bond funds, moderate for intermediate-term bond funds, and high for long-term bond funds.*

Although bonds are often thought to be less risky than stocks, there have been periods when bond prices have fallen significantly because of rising interest rates. For instance, prices of long-term bonds fell by almost 48% between December 1976 and September 1981.

To illustrate the relationship between bond prices and interest rates, the following table shows the effect of a 1% and a 2% change (both up and down) in interest rates on the values of three noncallable bonds of different maturities, each with a face value of \$1,000.

### How Interest Rate Changes Affect the Value of a \$1,000 Bond<sup>1</sup>

Type of Bond (Maturity)	After a 1% Increase	After a 1% Decrease	After a 2% Increase	After a 2% Decrease
Short-Term (2.5 years)	\$977	\$1,024	\$954	\$1,049
Intermediate-Term (10 years)	922	1,086	851	1,180
Long-Term (20 years)	874	1,150	769	1,328

<sup>1</sup> Assuming a 4% coupon.

These figures are for illustration only; you should not regard them as an indication of future performance of the bond market as a whole or the Funds in particular.

## Plain Talk About Bonds and Interest Rates

As a rule, when interest rates rise, bond prices fall. The opposite is also true: Bond prices go up when interest rates fall. Why do bond prices and interest rates move in opposite directions? Let's assume that you hold a bond offering a 5% yield. A year later, interest rates are on the rise and bonds of comparable quality and maturity are offered with a 6% yield. With higher-yielding bonds available, you would have trouble selling your 5% bond for the price you paid—you would probably have to lower your asking price. On the other hand, if interest rates were falling and 4% bonds were being offered, you should be able to sell your 5% bond for more than you paid.

*How mortgage-backed securities are different:* In general, declining interest rates will not lift the prices of mortgage-backed securities—such as GNMMAs—as much as the prices of comparable bonds. Why? Because when interest rates fall, the bond market tends to discount the prices of mortgage-backed securities for prepayment risk—the possibility that homeowners will refinance their mortgages at lower rates and cause the bonds to be paid off prior to maturity. In part to compensate for this prepayment possibility, mortgage-backed securities tend to offer higher yields than other bonds of comparable credit quality and maturity.

Changes in interest rates can affect bond *income* as well as bond *prices*.



***Each Fund is subject to income risk, which is the chance that the Fund's income will decline because of falling interest rates. A fund's income declines when interest rates fall because the fund then must invest in lower-yielding bonds. Income risk is generally higher for short-term bond funds and lower for long-term bond funds.***

## Plain Talk About Bond Maturities

A bond is issued with a specific maturity date—the date when the issuer must pay back the bond's principal (face value). Bond maturities range from less than 1 year to more than 30 years. Typically, the longer a bond's maturity, the more price risk you, as a bond investor, face as interest rates rise—but also the higher yield you could receive. Longer-term bonds are more suitable for investors willing to take a greater risk of price fluctuations to get higher and more stable interest income. Shorter-term bond investors should be willing to accept lower yields and greater income variability in return for less fluctuation in the value of their investment.

Although falling interest rates tend to strengthen bond prices, they can cause other sorts of problems for bond fund investors—bond calls and prepayments.



*Each Fund (other than the GNMA Fund) is subject to call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income. The GNMA Fund is subject to prepayment risk, which is a type of call risk. Call risk should be low for the Intermediate-Term Investment-Grade Fund and the various Short-Term and Treasury Funds, and moderate for the Long-Term Investment-Grade Fund.*

### Plain Talk About Callable Bonds

Although bonds are issued with clearly defined maturities, in some cases the bond issuer has a right to call in (redeem) the bond earlier than its maturity date. When a bond is called, the bondholder must replace it with another bond that may have a lower yield than the original. One way for bond investors to protect themselves against call risk is to purchase a bond early in its lifetime, long before its call date. Another way is to buy bonds with lower coupons or interest rates, which make them less likely to be called.



*Each Fund is subject to prepayment risk, which is the chance that during periods of falling interest rates, homeowners will refinance their mortgages before their maturity dates, resulting in prepayment of mortgage-backed securities held by the Fund. The Fund would then lose any price appreciation above the mortgage's principal and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income. Prepayment risk is high for the GNMA Fund, and low for the other Funds.*



*Each Fund (other than the Short-, Intermediate-, and Long-Term Treasury Funds and the GNMA Fund) is subject to credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.*

## Plain Talk About Credit Quality

A bond's credit-quality rating is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to repay the principal. Credit quality is evaluated by one of the nationally recognized statistical rating organizations (for example, Moody's or Standard & Poor's) or through independent analysis conducted by a fund's advisor. The lower the rating, the greater the chance—in the rating agency's or advisor's opinion—that the bond issuer will default, or fail to meet its payment obligations. All things being equal, the lower a bond's credit rating, the higher its yield should be to compensate investors for assuming additional risk. Investment-grade bonds are those rated in one of the four highest ratings categories. A fund may treat an unrated bond as investment-grade if warranted by the advisor's analysis.

In absolute terms, the credit quality of each Fund is high or upper-medium, and, therefore, credit risk should be low. In relative terms, the Short-Term Treasury, Intermediate-Term Treasury, GNMA, and Long-Term Treasury Funds (which invest primarily in U.S. Treasury-issued or Treasury-backed securities) have the lowest credit risk—and generally the lowest yields—among the Funds. By contrast, the Short-Term Investment-Grade, Intermediate-Term Investment-Grade, and Long-Term Investment-Grade Funds generally have the highest credit risk—and generally the highest yields—among the Funds. The following table shows the dollar-weighted average credit quality of each Fund's holdings, as rated by Moody's Investors Service, Inc., as of January 31, 2010.

<b>Fund</b>	<b>Average Quality</b>
Short-Term Treasury	Aaa
Short-Term Federal	Aaa
Short-Term Investment-Grade	A1
Intermediate-Term Treasury	Aaa
Intermediate-Term Investment-Grade	A1
GNMA	Aaa
Long-Term Treasury	Aaa
Long-Term Investment-Grade	A1

The following table details the Funds' credit quality policies, which generally apply at the time of investment, and illustrates the comparative credit risk encountered by an investor in each Fund. The Funds may hold on to bonds that are downgraded after purchase, even if they would no longer be eligible as new investments for a Fund.

### Credit Ratings of the Funds' Investments (Percentage of Fund Assets Under Normal Circumstances)

Fund	Issued or Backed by U.S. Gov't., Its Agencies, and Instrumentalities	High or Highest Quality (Non-Gov't.)	Upper Medium Quality	Medium Quality	Non- Investment- Grade or Unrated
Short-Term Treasury	100%	0%	0%	0%	0%
Short-Term Federal	100%	0%	0%	0%	0%
Short-Term Investment-Grade	-----	At least 65%	-----	No more than 30%	No more than 5%
Intermediate-Term Treasury	100%	0%	0%	0%	0%
Intermediate-Term Investment-Grade	-----	At least 65%	-----	No more than 30%	No more than 5%
GNMA	100%	0%	0%	0%	0%
Long-Term Treasury	100%	0%	0%	0%	0%
Long-Term Investment-Grade	-----	At least 65%	-----	No more than 30%	No more than 5%

Each of the Investment-Grade Funds may invest no more than 30% of its assets in medium-quality fixed income securities, preferred stocks, and convertible securities and no more than 5% of its assets in non-investment-grade and unrated fixed income securities, preferred stocks, and convertible securities. Non-investment-grade bonds are those rated the equivalent of Moody's Ba1 or below, and unrated bonds are those that are not rated by any independent rating agency.

To a limited extent, the Investment-Grade Funds are also exposed to event risk, which is the chance that corporate fixed income securities held by these Funds may suffer a substantial decline in credit quality and market value because of a restructuring of the companies that issued the securities, or because of other factors negatively affecting issuers.

#### Plain Talk About Types of Bonds

Bonds are issued (sold) by many sources: Corporations issue corporate bonds; the federal government issues U.S. Treasury bonds; agencies of the federal government issue agency bonds; financial institutions issue asset-backed bonds; and mortgage holders issue "mortgage-backed" pass-through certificates. Each issuer is responsible for paying back the bond's initial value as well as for making periodic interest payments. Many bonds issued by government agencies and entities are neither guaranteed nor insured by the U.S. government.

The following summary table is provided to help you distinguish among the Funds and their various risks.

### Risks of the Funds

Fund	Income Risk	Interest Rate Risk	Call/ Prepayment Risk	Credit Risk
Short-Term Treasury	High	Low	Low	Very Low
Short-Term Federal	High	Low	Low	Very Low
Short-Term Investment-Grade	High	Low	Low	Low
Intermediate-Term Treasury	Moderate	Moderate	Low	Very Low
Intermediate-Term Investment-Grade	Moderate	Moderate	Low	Low
GNMA	Moderate	Moderate	High	Very Low
Long-Term Treasury	Low	High	Low	Very Low
Long-Term Investment-Grade	Low	High	Moderate	Low

### Security Selection

The grid that follows shows, at a glance, the types of financial instruments that may be purchased by each Fund. Explanations of each type of financial instrument follow the grid.

	Short-, Intermediate-, and Long-Term Treasury Funds	Short-Term Federal Fund	Short-, Intermediate-, and Long-Term Investment- Grade Funds	GNMA Fund
Corporate Debt Obligations			•	
U.S. Government & Agency Bonds	•	•	•	•
State & Municipal Bonds			•	
Mortgage-Backed Securities	•	•	•	•
Mortgage Dollar Rolls	•	•	•	•

	Short-, Intermediate-, and Long-Term Treasury Funds	Short-Term Federal Fund	Short-, Intermediate-, and Long-Term Investment- Grade Funds	GNMA Fund
Cash Investments Including Repurchase Agreements	• <sup>1</sup>	• <sup>1</sup>	•	• <sup>1</sup>
Futures, Options, and Other Derivatives	•	•	•	•
Asset-Backed Securities		•	•	
International Dollar-Denominated Bonds			•	
Preferred Stocks			•	
Convertible Securities			•	
Collateralized Mortgage Obligations (CMOs)	•	•	•	•

<sup>1</sup> Only repurchase agreements that are collateralized by U.S. Treasury or U.S. government agency securities.

- *Corporate debt obligations*—usually called bonds—represent loans by an investor to a corporation.
- *U.S. government and agency bonds* represent loans by investors to the U.S. Treasury Department or a wide variety of government agencies and instrumentalities. Securities issued by most U.S. government entities are neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government. These entities include, among others, the Federal Home Loan Banks (FHLBs), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). Securities issued by the U.S. Treasury and a small number of U.S. government agencies, such as the Government National Mortgage Association (GNMA), are backed by the full faith and credit of the U.S. government.

## Plain Talk About U.S. Government-Sponsored Entities

A variety of U.S. government-sponsored entities (GSEs), such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Banks (FHLBs), issue debt and mortgage-backed securities. Although GSEs may be chartered or sponsored by acts of Congress, they are not funded by congressional appropriations. In September of 2008, the U.S. Treasury placed FNMA and FHLMC under conservatorship and appointed the Federal Housing Finance Agency (FHFA) to manage their daily operations. In addition, the U.S. Treasury entered into purchase agreements with FNMA and FHLMC to provide them with capital in exchange for senior preferred stock. Generally, their securities are neither issued nor guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. government. In most cases, these securities are supported only by the credit of the GSE, standing alone. In some cases, a GSE's securities may be supported by the ability of the GSE to borrow from the Treasury, or may be supported by the U.S. government in some other way. Securities issued by the Government National Mortgage Association (GNMA), however, are backed by the full faith and credit of the U.S. government.

- *State and municipal bonds* represent loans by an investor to a state or municipal government, or to one of its agencies or instrumentalities.
- *Mortgage-backed securities* represent an ownership interest in mortgage loans made by financial institutions to finance a borrower's real estate purchase. These loans are packaged by issuers for sale to investors. As the underlying mortgage loans are paid by borrowers, the investors receive payments of interest and principal.
- *Mortgage dollar rolls* are transactions in which the Fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. These transactions simulate an investment in mortgage-backed securities and have the potential to enhance the Fund's returns and reduce its administrative burdens, compared with holding mortgage-backed securities directly. These transactions may increase the Fund's portfolio turnover rate. Mortgage dollar rolls will be used only if consistent with the Fund's investment objective and risk profile.
- *Cash investments* is a blanket term that describes a variety of short-term fixed income investments, including money market instruments, commercial paper, bank certificates of deposit, banker's acceptances, and repurchase agreements. Repurchase agreements represent short-term (normally overnight) loans by a Fund to commercial banks or large securities dealers. The Treasury Funds, the GNMA Fund, and the Short-Term Federal Fund may invest only in repurchase agreements that are collateralized by U.S. Treasury or U.S. government agency securities. Repurchase agreements can carry several risks. For instance, if the seller is unable to repurchase

the securities as promised, the Fund may experience a loss when trying to sell the securities to another buyer. Also, if the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be used to pay off the seller's debts. The Funds' advisors believe that these risks can be controlled through careful security selection and monitoring.

- *Futures, Options, and Other Derivatives* are described in detail under *Other Investment Policies and Risks*.
- *Asset-backed securities* are bonds that represent partial ownership in pools of consumer or commercial loans—most often credit card, automobile, or trade receivables. Asset-backed securities, which can be types of corporate fixed income obligations, are issued by entities formed solely for that purpose, but their value ultimately depends on repayments by underlying borrowers. A primary risk of asset-backed securities is that their maturity is difficult to predict, being driven by borrowers' prepayments.
- *International dollar-denominated bonds* are bonds denominated in U.S. dollars and issued by foreign governments and companies. To the extent that a Fund owns foreign bonds, it is subject to country risk, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries. In addition, the prices of foreign bonds and the prices of U.S. bonds have, at times, moved in opposite directions. Because the bond's value is designated in dollars rather than in the currency of the issuer's country, the investor is not exposed to currency risk; rather, the issuer assumes the risk, usually to attract U.S. investors.
- *Preferred stocks* distribute set dividends from the issuer. The preferred-stock holder's claim on the issuer's income and assets ranks before that of common-stock holders, but after that of bondholders.
- *Convertible securities* are bonds or preferred stocks that are convertible into, or exchangeable for, common stocks.
- *Collateralized mortgage obligations (CMOs)* are special bonds that are collateralized by mortgages or mortgage pass-through securities. Cash flow rights on underlying mortgages—the rights to receive principal and interest payments—are divided up and prioritized to create short-, intermediate-, and long-term bonds. CMOs rely on assumptions about the timing of cash flows on the underlying mortgages, including expected prepayment rates. The primary risk of a CMO is that these assumptions are wrong, which would either shorten or lengthen the bond's maturity. Each Fund will invest only in CMOs that are believed to be consistent with its maturity and credit-quality standards.



***Each Fund is subject to manager risk, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.***

The Funds are generally managed without regard to tax ramifications.

### **Other Investment Policies and Risks**

Besides investing in bonds and other fixed income securities, each Fund may make other kinds of investments to achieve its objective.

Each Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities are securities that a Fund may not be able to sell in the ordinary course of business. Restricted securities are a special type of illiquid security; these securities have not been publicly issued and legally can be resold only to qualified buyers. From time to time, the board of trustees may determine that particular restricted securities are not illiquid, and those securities may then be purchased by a Fund without limit.

Vanguard may invest assets of the Short-Term, Intermediate-Term, and Long-Term Investment Grade Funds' in shares of bond exchange-traded funds (ETFs). ETFs provide returns similar to those of the bonds listed in the index or a subset of the index. Vanguard may purchase ETFs when doing so will facilitate cash management or potentially add value because the instruments are favorably priced. Vanguard receives no additional revenue from investing Fund assets in ETF Shares of other Vanguard funds. Fund assets invested in ETF Shares are excluded when allocating to the Fund its share of the costs of Vanguard operations.



***Each Fund may invest in derivatives. In general, derivatives may involve risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.***

Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency), a physical asset (such as gold), or a market index (such as the S&P 500 Index). The Funds may invest in derivatives only if the expected risks and rewards of the derivatives are consistent with the investment objective, policies, strategies, and risks of the Fund as disclosed in this prospectus. The advisor will not use derivatives to change the risk exposure of the Fund. In particular, derivatives will be used only when they may help the advisor:

- Invest in eligible asset classes with greater efficiency and lower cost than is possible through direct investment;
- Add value when these instruments are attractively priced;
- Adjust sensitivity to changes in interest rates; or
- Adjust the overall credit risk of the portfolio or to actively overweight or underweight credit risk to specific bond issuers.

The Funds' derivative investments may include fixed income futures contracts, fixed income options, interest rate swaps, total return swaps, credit default swaps, or other derivatives. Losses (or gains) involving futures contracts can sometimes be

substantial—in part because a relatively small price movement in a futures contract may result in an immediate and substantial loss (or gain) for a fund. Similar risks exist for other types of derivatives.

### Plain Talk About Derivatives

Derivatives can take many forms. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and sold, and whose market values are determined and published daily. Nonstandardized derivatives (such as swap agreements), on the other hand, tend to be more specialized or complex, and may be harder to value.

### Cash Management

Each Fund's daily cash balance may be invested in one or more Vanguard CMT Funds, which are very low-cost money market funds. When investing in a Vanguard CMT Fund, each Fund bears its proportionate share of the at-cost expenses of the CMT Fund in which it invests.

### Temporary Investment Measures

Each Fund may temporarily depart from its normal investment policies and strategies when doing so is believed to be in the Fund's best interest, so long as the alternative is consistent with the Fund's investment objective. For instance, the Fund may invest beyond the normal limits in derivatives or ETFs that are consistent with the Fund's objective when those instruments are more favorably priced or provide needed liquidity, as might be the case when the Fund is transitioning assets from one advisor to another or receives large cash flows that it cannot prudently invest immediately.

In addition, each Fund may take temporary defensive positions that are inconsistent with its normal investment policies and strategies—for instance, by allocating substantial assets to cash, commercial paper, or other less volatile instruments—in response to adverse or unusual market, economic, political, or other conditions. In doing so, the Fund may succeed in avoiding losses but may otherwise fail to achieve its investment objective.

### Frequent Trading or Market-Timing

**Background.** Some investors try to profit from strategies involving frequent trading of mutual fund shares, such as market-timing. For funds holding foreign securities, investors may try to take advantage of an anticipated difference between the price of the fund's shares and price movements in overseas markets, a practice also known as

time-zone arbitrage. Investors also may try to engage in frequent trading of funds holding investments such as small-cap stocks and high-yield bonds. As money is shifted into and out of a fund by a shareholder engaging in frequent trading, a fund incurs costs for buying and selling securities, resulting in increased brokerage and administrative costs. These costs are borne by *all* fund shareholders, including the long-term investors who do not generate the costs. In addition, frequent trading may interfere with an advisor's ability to efficiently manage the fund.

**Policies to Address Frequent Trading.** The Vanguard funds (other than money market funds and short-term bond funds) do not knowingly accommodate frequent trading. Vanguard ETF® Shares are not subject to these frequent-trading policies. The board of trustees of each Vanguard fund has adopted policies and procedures reasonably designed to detect and discourage frequent trading and, in some cases, to compensate the fund for the costs associated with it. Although there is no assurance that Vanguard will be able to detect or prevent frequent trading or market-timing in all circumstances, the following policies have been adopted to address these issues:

- Each Vanguard fund reserves the right to reject any purchase request—including exchanges from other Vanguard funds—without notice and regardless of size. For example, a purchase request could be rejected if Vanguard determines that such purchase may negatively affect a fund's operation or performance or because of a history of frequent trading by the investor.
- Each Vanguard fund (other than money market funds and short-term bond funds) generally prohibits, except as otherwise noted in the **Investing With Vanguard** section, an investor's purchases or exchanges into a fund account for 60 calendar days after the investor has redeemed or exchanged out of that fund account.
- Certain Vanguard funds charge shareholders purchase and/or redemption fees on transactions.

See the **Investing With Vanguard** section of this prospectus for further details on Vanguard's transaction policies.

Each fund (other than money market funds), in determining its net asset value, will, when appropriate, use fair-value pricing, as described in the **Share Price** section. Fair-value pricing may reduce or eliminate the profitability of certain frequent-trading strategies.

**Do not invest with Vanguard if you are a market-timer.**

### **Turnover Rate**

Although the Funds normally seek to invest for the long term, each Fund may sell securities regardless of how long they have been held. The **Financial Highlights** section of this prospectus shows historical turnover rates for the Funds. A turnover rate of 100%, for example, would mean that a Fund had sold and replaced securities valued at 100% of its net assets within a one-year period. Shorter-term bonds will

mature or be sold—and need to be replaced—more frequently than longer-term bonds. As a result, shorter-term bond funds tend to have higher turnover rates than longer-term bond funds. The Short-Term Treasury, Short-Term Federal, and GNMA Funds, in particular, experienced high turnover rates in the past year. The average turnover rate for bond funds was approximately 126%, as reported by Morningstar, Inc., on January 31, 2010.

### 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, which are not included in the fund's expense ratio, 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 dealer markups 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 taxable income.

## The Funds and Vanguard

Each Fund is a member of The Vanguard Group, a family of 37 investment companies with more than 160 funds holding assets of approximately \$1.3 trillion. All of the funds that are members of The Vanguard Group (other than funds of funds) share in the expenses associated with administrative services and 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 (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) 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 management companies that may be owned by one person, by a private group of individuals, or by public investors who own the management company's stock. The management fees charged by these companies include a profit component over and above the companies' cost of providing services. By contrast, Vanguard provides services to its member funds on an at-cost basis, with no profit component, which helps to keep the funds' expenses low.

## Investment Advisors

Two investment advisors manage the Funds, subject to the supervision and oversight of the trustees and officers of the Funds. Wellington Management Company, LLP, serves as the advisor to the GNMA and Long-Term Investment-Grade Funds. The Vanguard Group, Inc., through its Fixed Income Group, serves as the advisor to the remaining Funds.

- *Wellington Management Company, LLP* (Wellington Management), 75 State Street, Boston, MA 02109, is a Massachusetts limited liability partnership and an investment counseling firm that provides investment services to investment companies, employee benefit plans, endowments, foundations, and other institutions. Wellington Management and its predecessor organizations have provided investment advisory services for over 70 years. As of January 31, 2010, Wellington Management had investment management authority with respect to approximately \$537 billion in assets. The firm receives a base fee that is based on certain annual percentage rates applied to the Funds' average daily net assets during the most recent fiscal quarter. The firm-wide asset totals do not include agency mortgage-backed security pass-through accounts managed for the Federal Reserve.
- *The Vanguard Group, Inc.* (Vanguard), P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975. As of January 31, 2010, Vanguard served as advisor for approximately \$1.1 trillion in assets.

For the fiscal year ended January 31, 2010, the advisory expenses or fees for each Fund (other than the Long-Term Investment-Grade Fund) represented an effective annual rate of 0.01% of each Fund's average net assets. For the Long-Term Investment-Grade Fund, the advisory fee represented an effective annual rate of 0.02% of its average net assets.

Under the terms of an SEC exemption, the Funds' board of trustees may, without prior approval from shareholders, change the terms of the GNMA and/or Long-Term Investment-Grade Funds' advisory agreements or hire a new investment advisor for these Funds—either as a replacement for the existing advisor or as an additional advisor. Any significant change in the Funds' advisory arrangements will be communicated to shareholders in writing. In addition, as the Funds' sponsor and overall manager, Vanguard may provide investment advisory services to the GNMA and/or Long-Term Investment-Grade Funds, on an at-cost basis, at any time. Vanguard may also recommend to the board of trustees that an advisor be hired, terminated, or replaced, or that terms of an existing advisory agreement be revised.

For a discussion of why the board of trustees approved each Fund's investment advisory agreement, see the most recent semiannual report to shareholders covering the fiscal period ended July 31.

Vanguard's Fixed Income Group is overseen by:

**George U. Sauter**, Chief Investment Officer and Managing Director of Vanguard. As Chief Investment Officer, he is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups. The investments managed by these two groups include active quantitative equity funds, equity index funds, active bond funds, index bond funds, stable value portfolios, and money market funds. Since joining Vanguard in 1987, Mr. Sauter has been a key contributor to the development of Vanguard's stock indexing and active quantitative equity investment strategies. He received his A.B. in Economics from Dartmouth College and an M.B.A. in Finance from the University of Chicago.

**Robert F. Auwaerter**, Principal of Vanguard and head of Vanguard's Fixed Income Group. He has direct oversight responsibility for all money market funds, bond funds, and stable value portfolios managed by the Fixed Income Group. He has managed investment portfolios since 1978 and has been with Vanguard since 1981. He received his B.S. in Finance from The Wharton School of the University of Pennsylvania and an M.B.A. from Northwestern University.

**Kenneth E. Volpert**, CFA, Principal of Vanguard and head of Vanguard's Taxable Bond Group. He has direct oversight responsibility for all taxable bond funds managed by the Fixed Income Group. He has managed investment portfolios since 1982 and has been with Vanguard since 1992. He received his B.S. from the University of Illinois and an M.B.A. from the University of Chicago.

The managers primarily responsible for the day-to-day management of the Funds are:

**Michael F. Garrett**, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He has worked in investment management since 1991; has been with Wellington Management since 1999; assisted in managing the GNMA Fund from 1999 to 2009; and has co-managed the GNMA Fund since 2010. Education: B.A., Yale University.

**Lucius T. Hill, III**, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He has worked in investment management since 1983; has worked in investment management with Wellington Management since 1993; and has managed or co-managed the Long-Term Investment-Grade Fund since February 2008. Education: B.A., Yale University; M.B.A., Columbia University.

**Thomas L. Pappas**, CFA, Senior Vice President and Fixed Income Portfolio Manager of Wellington Management. He has worked in investment management with Wellington Management since 1987; has assisted in managing the GNMA Fund since 1994; and has managed or co-managed the GNMA Fund since 2005. Education: B.S., Tufts University; M.S., Sloan School of Management, Massachusetts Institute of Technology.

**David R. Glocke**, Principal of Vanguard. He has worked in investment management since 1991; has managed investment portfolios for Vanguard since 1997; and has managed the Short-Term Treasury Fund since 2000 and the Intermediate-Term Treasury and Long-Term Treasury Funds since 2001. Education: B.S., University of Wisconsin.

**Gregory S. Nassour**, CFA, Principal of Vanguard. He has been with Vanguard since 1992; worked in investment management since 1994; and has managed the Short-Term Investment-Grade and Intermediate-Term Investment-Grade Funds since 2008. Education: B.S., West Chester University; M.B.A., St. Joseph's University.

**Ronald M. Reardon**, Principal of Vanguard. He has worked in investment management for Vanguard since 2001 and has managed investment portfolios, including the Short-Term Federal Fund, since 2005. Education: B.S., The College of New Jersey; M.B.A., University of Rochester.

The *Statement of Additional Information* provides information about each portfolio manager's compensation, other accounts under management, and ownership of shares of the Funds.

## Dividends, Capital Gains, and Taxes

### Fund Distributions

Each Fund distributes to shareholders virtually all of its net income (interest less expenses) as well as any net capital gains realized from the sale of its holdings. The Fund's income dividends accrue daily and are distributed monthly; capital gains distributions generally occur annually in December. In addition, the Funds may occasionally make supplemental 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 reinvested in more shares of the Fund.

#### Plain Talk About Distributions

As a shareholder, you are entitled to your portion of a fund's income from interest as well as capital gains from the fund's sale of investments. Income consists of interest the fund earns 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 one year or less or for more than one year.

## Basic Tax Points

Vanguard will send you a statement each year showing the tax status of all your distributions. In addition, investors in taxable accounts should be aware of the following basic federal income tax points:

- Distributions are taxable to you whether or not you reinvest these amounts in additional Fund shares.
- Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
- Any dividend and short-term capital gains distributions that you receive are taxable to you as ordinary income.
- Any distributions of net long-term capital gains are taxable to you as long-term capital gains, no matter how long you've owned shares in the Fund.
- Capital gains distributions may vary considerably from year to year as a result of the Funds' normal investment activities and cash flows.
- A sale or exchange of Fund shares 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 tax return.
- Any conversion between classes of shares of the *same* fund is a nontaxable event. By contrast, an exchange between classes of shares of *different* funds *is* a taxable event.

Dividend and capital gains distributions that you receive, as well as your gains or losses from any sale or exchange of Fund shares, may be subject to state and local income taxes. Depending on your state's rules, however, any dividends attributable to interest earned on *direct* obligations of the U.S. government may be exempt from state and local taxes. Vanguard will notify you each year how much, if any, of your dividends may qualify for this exemption.

This prospectus provides general tax information only. If you are investing through a tax-deferred retirement account, such as an IRA, special tax rules apply. Please consult your tax advisor for detailed information about any tax consequences for you.

## General Information

**Backup withholding.** By law, Vanguard must withhold 28% of any taxable distributions or redemptions from your account if you do not:

- Provide us with your correct taxpayer identification number;
- Certify that the taxpayer identification number is correct; and
- Confirm that you are not subject to backup withholding.

Similarly, Vanguard must withhold taxes from your account if the IRS instructs us to do so.

**Foreign investors.** Vanguard funds generally are not sold outside the United States, except to certain qualified investors. If you reside outside the United States, please consult our website at [www.vanguard.com](http://www.vanguard.com) and review “Non-U.S. investors.” Foreign investors should be aware that U.S. withholding and estate taxes may apply to any investments in Vanguard funds.

**Invalid addresses.** If a dividend or capital gains distribution check mailed to your address of record is returned as undeliverable, Vanguard will automatically reinvest all future distributions until you provide us with a valid mailing address.

## Share Price

Share price, also known as *net asset value* (NAV), is calculated each business day as of the close of regular trading on the New York Stock Exchange, generally 4 p.m., Eastern time. Each share class has its own NAV, which is computed by dividing the total assets, minus liabilities, allocated to each share class by the number of Fund shares outstanding for that class. On holidays or other days when the Exchange is closed, the NAV is not calculated, and the Fund does not transact purchase or redemption requests. However, on those days the value of the Fund’s assets may be affected to the extent that the Fund holds foreign securities that trade on foreign markets that are open.

Debt securities held by a Vanguard fund are valued based on information furnished by an independent pricing service or market quotations. Certain short-term debt instruments used to manage a fund’s cash are valued on the basis of amortized cost. The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party. The values of any mutual fund shares held by a fund are based on the NAVs of the shares. The values of any ETF or closed-end fund shares held by a fund are based on the market value of the shares.

When a fund determines that pricing-service information or market quotations either are not readily available or do not accurately reflect the value of a security, the security is priced at its *fair value* (the amount that the owner might reasonably expect to receive upon the current sale of the security). A fund also may use fair-value pricing on bond market holidays when the fund is open for business (such as Columbus Day and Veterans Day).

Fair-value prices are determined by Vanguard according to procedures adopted by the board of trustees. When fair-value pricing is employed, the prices of securities used by a fund to calculate the NAV may differ from quoted or published prices for the same securities.

Vanguard fund share prices are published daily on our website at [www.vanguard.com/prices](http://www.vanguard.com/prices).

## Financial Highlights

The following financial highlights tables are intended to help you understand each Fund's financial performance for the periods shown, and certain information reflects financial results for a single Fund share. The total returns in each table represent the rate that an investor would have earned or lost each period on an investment in the Fund (assuming reinvestment of all distributions). This information has been derived from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose reports—along with each Fund's financial statements—is included in the Funds' most recent annual report to shareholders. You may obtain a free copy of the latest annual or semiannual report online at [www.vanguard.com](http://www.vanguard.com) or by contacting Vanguard by telephone or mail.

### Plain Talk About How to Read the Financial Highlights Tables

This explanation uses the Short-Term Treasury Fund's Investor Shares as an example. The Investor Shares began fiscal year 2010 with a net asset value (price) of \$10.89 per share. During the year, each Investor Share earned \$0.175 from investment income (interest) and \$0.092 from investments that had appreciated in value or that were sold for higher prices than the Fund paid for them.

Shareholders received \$0.347 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 share price at the end of the year was \$10.81, reflecting earnings of \$0.267 per share and distributions of \$0.347 per share. This was a decrease of \$0.08 per share (from \$10.89 at the beginning of the year to \$10.81 at the end of the year). For a shareholder who reinvested the distributions in the purchase of more shares, the total return was 2.50% for the year.

As of January 31, 2010, the Investor Shares had approximately \$2.3 billion in net assets. For the year, the expense ratio was 0.22% (\$2.20 per \$1,000 of net assets), and the net investment income amounted to 1.62% of average net assets. The Fund sold and replaced securities valued at 130% of its net assets.

## Short-Term Treasury Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.89</b>	<b>\$10.80</b>	<b>\$10.26</b>	<b>\$10.31</b>	<b>\$10.45</b>
<b>Investment Operations</b>					
Net Investment Income	.175	.251	.444	.436	.331
Net Realized and Unrealized Gain (Loss) on Investments	.092	.225	.540	(.050)	(.140)
Total from Investment Operations	.267	.476	.984	.386	.191
<b>Distributions</b>					
Dividends from Net Investment Income	(.170)	(.283)	(.444)	(.436)	(.331)
Distributions from Realized Capital Gains	(.177)	(.103)	—	—	—
Total Distributions	(.347)	(.386)	(.444)	(.436)	(.331)
<b>Net Asset Value, End of Period</b>	<b>\$10.81</b>	<b>\$10.89</b>	<b>\$10.80</b>	<b>\$10.26</b>	<b>\$10.31</b>
<b>Total Return<sup>1</sup></b>	<b>2.50%</b>	<b>4.49%</b>	<b>9.84%</b>	<b>3.82%</b>	<b>1.86%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$2,343	\$2,812	\$1,707	\$1,328	\$1,369
Ratio of Total Expenses to Average Net Assets	0.22%	0.21%	0.22%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	1.62%	2.15%	4.26%	4.24%	3.19%
Turnover Rate	130%	156%	120%	114%	93%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Short-Term Treasury Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.89</b>	<b>\$10.80</b>	<b>\$10.26</b>	<b>\$10.31</b>	<b>\$10.45</b>
<b>Investment Operations</b>					
Net Investment Income	.187	.262	.457	.452	.348
Net Realized and Unrealized Gain (Loss) on Investments	.092	.225	.540	(.050)	(.140)
Total from Investment Operations	.279	.487	.997	.402	.208
<b>Distributions</b>					
Dividends from Net Investment Income	(.182)	(.294)	(.457)	(.452)	(.348)
Distributions from Realized Capital Gains	(.177)	(.103)	—	—	—
Total Distributions	(.359)	(.397)	(.457)	(.452)	(.348)
<b>Net Asset Value, End of Period</b>	<b>\$10.81</b>	<b>\$10.89</b>	<b>\$10.80</b>	<b>\$10.26</b>	<b>\$10.31</b>
<b>Total Return</b>	<b>2.60%</b>	<b>4.60%</b>	<b>9.98%</b>	<b>3.98%</b>	<b>2.02%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$4,031	\$3,945	\$2,667	\$2,179	\$1,964
Ratio of Total Expenses to Average Net Assets	0.12%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	1.72%	2.25%	4.38%	4.40%	3.35%
Turnover Rate	130%	156%	120%	114%	93%

## Short-Term Federal Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.81</b>	<b>\$10.72</b>	<b>\$10.26</b>	<b>\$10.25</b>	<b>\$10.39</b>
<b>Investment Operations</b>					
Net Investment Income	.253	.409	.465	.420	.340
Net Realized and Unrealized Gain (Loss) on Investments	.174	.090	.460	.010	(.140)
Total from Investment Operations	.427	.499	.925	.430	.200
<b>Distributions</b>					
Dividends from Net Investment Income	(.253)	(.409)	(.465)	(.420)	(.340)
Distributions from Realized Capital Gains	(.174)	—	—	—	—
Total Distributions	(.427)	(.409)	(.465)	(.420)	(.340)
<b>Net Asset Value, End of Period</b>	<b>\$10.81</b>	<b>\$10.81</b>	<b>\$10.72</b>	<b>\$10.26</b>	<b>\$10.25</b>
<b>Total Return<sup>1</sup></b>	<b>4.01%</b>	<b>4.78%</b>	<b>9.25%</b>	<b>4.29%</b>	<b>1.96%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$2,542	\$2,142	\$1,650	\$1,514	\$1,686
Ratio of Total Expenses to Average Net Assets	0.22%	0.21%	0.20%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.29%	3.83%	4.48%	4.10%	3.29%
Turnover Rate	370%	109%	70%	89%	51%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Short-Term Federal Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.81</b>	<b>\$10.72</b>	<b>\$10.26</b>	<b>\$10.25</b>	<b>\$10.39</b>
<b>Investment Operations</b>					
Net Investment Income	.264	.420	.475	.431	.350
Net Realized and Unrealized Gain (Loss) on Investments	.174	.090	.460	.010	(.140)
Total from Investment Operations	.438	.510	.935	.441	.210
<b>Distributions</b>					
Dividends from Net Investment Income	(.264)	(.420)	(.475)	(.431)	(.350)
Distributions from Realized Capital Gains	(.174)	—	—	—	—
Total Distributions	(.438)	(.420)	(.475)	(.431)	(.350)
<b>Net Asset Value, End of Period</b>	<b>\$10.81</b>	<b>\$10.81</b>	<b>\$10.72</b>	<b>\$10.26</b>	<b>\$10.25</b>
<b>Total Return</b>	<b>4.12%</b>	<b>4.89%</b>	<b>9.36%</b>	<b>4.39%</b>	<b>2.06%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$2,751	\$1,467	\$1,325	\$1,063	\$993
Ratio of Total Expenses to Average Net Assets	0.12%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	2.39%	3.93%	4.58%	4.20%	3.39%
Turnover Rate	370%	109%	70%	89%	51%

## Short-Term Investment-Grade Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$9.81</b>	<b>\$10.76</b>	<b>\$10.54</b>	<b>\$10.50</b>	<b>\$10.63</b>
<b>Investment Operations</b>					
Net Investment Income	.387	.477	.520	.479	.389
Net Realized and Unrealized Gain (Loss) on Investments	.907	(.936)	.216	.031	(.135)
Total from Investment Operations	1.294	(.459)	.736	.510	.254
<b>Distributions</b>					
Dividends from Net Investment Income	(.404)	(.491)	(.516)	(.470)	(.384)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.404)	(.491)	(.516)	(.470)	(.384)
<b>Net Asset Value, End of Period</b>	<b>\$10.70</b>	<b>\$9.81</b>	<b>\$10.76</b>	<b>\$10.54</b>	<b>\$10.50</b>
<b>Total Return<sup>1</sup></b>	<b>13.44%</b>	<b>-4.35%</b>	<b>7.17%</b>	<b>4.96%</b>	<b>2.44%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$15,115	\$9,557	\$11,201	\$10,364	\$10,414
Ratio of Total Expenses to Average Net Assets	0.24%	0.21%	0.21%	0.21%	0.21%
Ratio of Net Investment Income to Average Net Assets	3.66%	4.65%	4.91%	4.55%	3.68%
Turnover Rate	59% <sup>2</sup>	49%	48%	43%	31%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

<sup>2</sup> Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

## Short-Term Investment-Grade Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$9.81</b>	<b>\$10.76</b>	<b>\$10.54</b>	<b>\$10.50</b>	<b>\$10.63</b>
<b>Investment Operations</b>					
Net Investment Income	.400	.487	.532	.490	.400
Net Realized and Unrealized Gain (Loss) on Investments	.907	(.936)	.216	.031	(.135)
Total from Investment Operations	1.307	(.449)	.748	.521	.265
<b>Distributions</b>					
Dividends from Net Investment Income	(.417)	(.501)	(.528)	(.481)	(.395)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.417)	(.501)	(.528)	(.481)	(.395)
<b>Net Asset Value, End of Period</b>	<b>\$10.70</b>	<b>\$9.81</b>	<b>\$10.76</b>	<b>\$10.54</b>	<b>\$10.50</b>
<b>Total Return</b>	<b>13.58%</b>	<b>-4.26%</b>	<b>7.29%</b>	<b>5.07%</b>	<b>2.55%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$16,973	\$8,225	\$8,403	\$6,993	\$6,733
Ratio of Total Expenses to Average Net Assets	0.12%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.78%	4.75%	5.02%	4.66%	3.79%
Turnover Rate	59% <sup>1</sup>	49%	48%	43%	31%

<sup>1</sup> Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

## Intermediate-Term Treasury Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$11.78</b>	<b>\$11.62</b>	<b>\$10.69</b>	<b>\$10.85</b>	<b>\$11.28</b>
<b>Investment Operations</b>					
Net Investment Income	.356	.413	.491	.499	.509
Net Realized and Unrealized Gain (Loss) on Investments	(.050)	.419	.930	(.160)	(.354)
<b>Total from Investment Operations</b>	<b>.306</b>	<b>.832</b>	<b>1.421</b>	<b>.339</b>	<b>.155</b>
<b>Distributions</b>					
Dividends from Net Investment Income	(.354)	(.428)	(.491)	(.499)	(.509)
Distributions from Realized Capital Gains	(.452)	(.244)	—	—	(.076)
<b>Total Distributions</b>	<b>(.806)</b>	<b>(.672)</b>	<b>(.491)</b>	<b>(.499)</b>	<b>(.585)</b>
<b>Net Asset Value, End of Period</b>	<b>\$11.28</b>	<b>\$11.78</b>	<b>\$11.62</b>	<b>\$10.69</b>	<b>\$10.85</b>
<b>Total Return<sup>1</sup></b>	<b>2.71%</b>	<b>7.29%</b>	<b>13.68%</b>	<b>3.22%</b>	<b>1.41%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$2,420	\$2,999	\$2,263	\$1,676	\$1,735
Ratio of Total Expenses to Average Net Assets	0.25%	0.25%	0.26%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	3.08%	3.47%	4.48%	4.66%	4.59%
Turnover Rate	109%	88%	52%	87%	66%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Intermediate-Term Treasury Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$11.78</b>	<b>\$11.62</b>	<b>\$10.69</b>	<b>\$10.85</b>	<b>\$11.28</b>
<b>Investment Operations</b>					
Net Investment Income	.371	.429	.509	.516	.526
Net Realized and Unrealized Gain (Loss) on Investments	(.050)	.419	.930	(.160)	(.354)
Total from Investment Operations	.321	.848	1.439	.356	.172
<b>Distributions</b>					
Dividends from Net Investment Income	(.369)	(.444)	(.509)	(.516)	(.526)
Distributions from Realized Capital Gains	(.452)	(.244)	—	—	(.076)
Total Distributions	(.821)	(.688)	(.509)	(.516)	(.602)
<b>Net Asset Value, End of Period</b>	<b>\$11.28</b>	<b>\$11.78</b>	<b>\$11.62</b>	<b>\$10.69</b>	<b>\$10.85</b>
<b>Total Return</b>	<b>2.84%</b>	<b>7.44%</b>	<b>13.86%</b>	<b>3.38%</b>	<b>1.56%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$3,556	\$4,267	\$3,243	\$2,274	\$2,093
Ratio of Total Expenses to Average Net Assets	0.12%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.21%	3.61%	4.64%	4.82%	4.75%
Turnover Rate	109%	88%	52%	87%	66%

## Intermediate-Term Investment-Grade Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.64</b>	<b>\$9.93</b>	<b>\$9.66</b>	<b>\$9.73</b>	<b>\$10.08</b>
<b>Investment Operations</b>					
Net Investment Income	.468	.505	.501	.490	.466
Net Realized and Unrealized Gain (Loss) on Investments	1.220	(1.239)	.270	(.071)	(.332)
Total from Investment Operations	1.688	(.734)	.771	.419	.134
<b>Distributions</b>					
Dividends from Net Investment Income	(.478)	(.506)	(.501)	(.489)	(.466)
Distributions from Realized Capital Gains	(.040)	(.050)	—	—	(.018)
Total Distributions	(.518)	(.556)	(.501)	(.489)	(.484)
<b>Net Asset Value, End of Period</b>	<b>\$9.81</b>	<b>\$8.64</b>	<b>\$9.93</b>	<b>\$9.66</b>	<b>\$9.73</b>
<b>Total Return<sup>1</sup></b>	<b>20.11%</b>	<b>-7.56%</b>	<b>8.21%</b>	<b>4.45%</b>	<b>1.36%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$5,489	\$3,577	\$2,650	\$2,418	\$2,447
Ratio of Total Expenses to Average Net Assets	0.24%	0.21%	0.21%	0.21%	0.21%
Ratio of Net Investment Income to Average Net Assets	5.05%	5.50%	5.16%	5.10%	4.71%
Turnover Rate	69%	48%	48%	43%	51%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Intermediate-Term Investment-Grade Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.64</b>	<b>\$9.93</b>	<b>\$9.66</b>	<b>\$9.73</b>	<b>\$10.08</b>
<b>Investment Operations</b>					
Net Investment Income	.480	.514	.511	.501	.477
Net Realized and Unrealized Gain (Loss) on Investments	1.220	(1.239)	.270	(.071)	(.332)
Total from Investment Operations	1.700	(.725)	.781	.430	.145
<b>Distributions</b>					
Dividends from Net Investment Income	(.490)	(.515)	(.511)	(.500)	(.477)
Distributions from Realized Capital Gains	(.040)	(.050)	—	—	(.018)
Total Distributions	(.530)	(.565)	(.511)	(.500)	(.495)
<b>Net Asset Value, End of Period</b>	<b>\$9.81</b>	<b>\$8.64</b>	<b>\$9.93</b>	<b>\$9.66</b>	<b>\$9.73</b>
<b>Total Return</b>	<b>20.26%</b>	<b>-7.47%</b>	<b>8.33%</b>	<b>4.57%</b>	<b>1.47%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$8,601	\$4,765	\$3,455	\$2,794	\$2,550
Ratio of Total Expenses to Average Net Assets	0.11%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	5.18%	5.60%	5.27%	5.21%	4.82%
Turnover Rate	69%	48%	48%	43%	51%

## GNMA Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.53</b>	<b>\$10.47</b>	<b>\$10.16</b>	<b>\$10.29</b>	<b>\$10.48</b>
<b>Investment Operations</b>					
Net Investment Income	.402	.511	.533	.522	.483
Net Realized and Unrealized Gain (Loss) on Investments	.302	.060	.310	(.130)	(.190)
Total from Investment Operations	.704	.571	.843	.392	.293
<b>Distributions</b>					
Dividends from Net Investment Income	(.402)	(.511)	(.533)	(.522)	(.483)
Distributions from Realized Capital Gains	(.072)	—	—	—	—
Total Distributions	(.474)	(.511)	(.533)	(.522)	(.483)
<b>Net Asset Value, End of Period</b>	<b>\$10.76</b>	<b>\$10.53</b>	<b>\$10.47</b>	<b>\$10.16</b>	<b>\$10.29</b>
<b>Total Return<sup>1</sup></b>	<b>6.81%</b>	<b>5.65%</b>	<b>8.56%</b>	<b>3.94%</b>	<b>2.88%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$17,800	\$15,007	\$12,916	\$12,835	\$13,905
Ratio of Total Expenses to Average Net Assets	0.23%	0.22%	0.21%	0.21%	0.21%
Ratio of Net Investment Income to Average Net Assets	3.71%	4.92%	5.22%	5.14%	4.67%
Turnover Rate	272%	63%	21%	18%	38%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## GNMA Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.53</b>	<b>\$10.47</b>	<b>\$10.16</b>	<b>\$10.29</b>	<b>\$10.48</b>
<b>Investment Operations</b>					
Net Investment Income	.413	.522	.543	.532	.492
Net Realized and Unrealized Gain (Loss) on Investments	.302	.060	.310	(.130)	(.190)
Total from Investment Operations	.715	.582	.853	.402	.302
<b>Distributions</b>					
Dividends from Net Investment Income	(.413)	(.522)	(.543)	(.532)	(.492)
Distributions from Realized Capital Gains	(.072)	—	—	—	—
Total Distributions	(.485)	(.522)	(.543)	(.532)	(.492)
<b>Net Asset Value, End of Period</b>	<b>\$10.76</b>	<b>\$10.53</b>	<b>\$10.47</b>	<b>\$10.16</b>	<b>\$10.29</b>
<b>Total Return</b>	<b>6.92%</b>	<b>5.76%</b>	<b>8.67%</b>	<b>4.04%</b>	<b>2.97%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$18,457	\$14,734	\$10,978	\$10,159	\$10,281
Ratio of Total Expenses to Average Net Assets	0.13%	0.12%	0.11%	0.11%	0.11%
Ratio of Net Investment Income to Average Net Assets	3.81%	5.02%	5.32%	5.24%	4.77%
Turnover Rate	272%	63%	21%	18%	38%

## Long-Term Treasury Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$12.21</b>	<b>\$11.76</b>	<b>\$10.99</b>	<b>\$11.40</b>	<b>\$11.76</b>
<b>Investment Operations</b>					
Net Investment Income	.475	.499	.533	.547	.563
Net Realized and Unrealized Gain (Loss) on Investments	(.623)	.563	.855	(.356)	(.218)
<b>Total from Investment Operations</b>	<b>(.148)</b>	<b>1.062</b>	<b>1.388</b>	<b>.191</b>	<b>.345</b>
<b>Distributions</b>					
Dividends from Net Investment Income	(.474)	(.502)	(.533)	(.547)	(.563)
Distributions from Realized Capital Gains	(.438)	(.110)	(.085)	(.054)	(.142)
<b>Total Distributions</b>	<b>(.912)</b>	<b>(.612)</b>	<b>(.618)</b>	<b>(.601)</b>	<b>(.705)</b>
<b>Net Asset Value, End of Period</b>	<b>\$11.15</b>	<b>\$12.21</b>	<b>\$11.76</b>	<b>\$10.99</b>	<b>\$11.40</b>
<b>Total Return<sup>1</sup></b>	<b>-1.35%</b>	<b>9.25%</b>	<b>13.09%</b>	<b>1.80%</b>	<b>2.98%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,446	\$1,897	\$1,518	\$1,262	\$1,419
Ratio of Total Expenses to Average Net Assets	0.25%	0.25%	0.26%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	4.12%	4.19%	4.78%	4.96%	4.82%
Turnover Rate	77%	80%	37%	68%	25%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Long-Term Treasury Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$12.21</b>	<b>\$11.76</b>	<b>\$10.99</b>	<b>\$11.40</b>	<b>\$11.76</b>
<b>Investment Operations</b>					
Net Investment Income	.490	.516	.551	.564	.581
Net Realized and Unrealized Gain (Loss) on Investments	(.623)	.563	.855	(.356)	(.218)
Total from Investment Operations	(.133)	1.079	1.406	.208	.363
<b>Distributions</b>					
Dividends from Net Investment Income	(.489)	(.519)	(.551)	(.564)	(.581)
Distributions from Realized Capital Gains	(.438)	(.110)	(.085)	(.054)	(.142)
Total Distributions	(.927)	(.629)	(.636)	(.618)	(.723)
<b>Net Asset Value, End of Period</b>	<b>\$11.15</b>	<b>\$12.21</b>	<b>\$11.76</b>	<b>\$10.99</b>	<b>\$11.40</b>
<b>Total Return</b>	<b>-1.23%</b>	<b>9.41%</b>	<b>13.27%</b>	<b>1.96%</b>	<b>3.14%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,245	\$1,499	\$1,190	\$863	\$809
Ratio of Total Expenses to Average Net Assets	0.12%	0.11%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	4.25%	4.33%	4.94%	5.12%	4.99%
Turnover Rate	77%	80%	37%	68%	25%

## Long-Term Investment-Grade Fund Investor Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.19</b>	<b>\$9.02</b>	<b>\$9.15</b>	<b>\$9.37</b>	<b>\$9.76</b>
<b>Investment Operations</b>					
Net Investment Income	.517	.514	.523	.521	.515
Net Realized and Unrealized Gain (Loss) on Investments	.857	(.829)	(.130)	(.220)	(.390)
Total from Investment Operations	1.374	(.315)	.393	.301	.125
<b>Distributions</b>					
Dividends from Net Investment Income	(.524)	(.515)	(.523)	(.521)	(.515)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.524)	(.515)	(.523)	(.521)	(.515)
<b>Net Asset Value, End of Period</b>	<b>\$9.04</b>	<b>\$8.19</b>	<b>\$9.02</b>	<b>\$9.15</b>	<b>\$9.37</b>
<b>Total Return<sup>1</sup></b>	<b>17.29%</b>	<b>-3.45%</b>	<b>4.43%</b>	<b>3.39%</b>	<b>1.27%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$4,082	\$3,471	\$4,112	\$4,196	\$4,219
Ratio of Total Expenses to Average Net Assets	0.26%	0.23%	0.22%	0.25%	0.25%
Ratio of Net Investment Income to Average Net Assets	6.01%	6.09%	5.78%	5.73%	5.35%
Turnover Rate	21%	24%	15%	15%	9%

<sup>1</sup> Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

## Long-Term Investment-Grade Fund Admiral Shares

	Year Ended January 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.19</b>	<b>\$9.02</b>	<b>\$9.15</b>	<b>\$9.37</b>	<b>\$9.76</b>
<b>Investment Operations</b>					
Net Investment Income	.528	.522	.532	.533	.527
Net Realized and Unrealized Gain (Loss) on Investments	.857	(.829)	(.130)	(.220)	(.390)
Total from Investment Operations	1.385	(.307)	.402	.313	.137
<b>Distributions</b>					
Dividends from Net Investment Income	(.535)	(.523)	(.532)	(.533)	(.527)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.535)	(.523)	(.532)	(.533)	(.527)
<b>Net Asset Value, End of Period</b>	<b>\$9.04</b>	<b>\$8.19</b>	<b>\$9.02</b>	<b>\$9.15</b>	<b>\$9.37</b>
<b>Total Return</b>	<b>17.44%</b>	<b>-3.35%</b>	<b>4.53%</b>	<b>3.53%</b>	<b>1.40%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$4,155	\$2,413	\$1,627	\$1,535	\$1,430
Ratio of Total Expenses to Average Net Assets	0.13%	0.13%	0.12%	0.12%	0.12%
Ratio of Net Investment Income to Average Net Assets	6.14%	6.19%	5.88%	5.86%	5.48%
Turnover Rate	21%	24%	15%	15%	9%

## Investing With Vanguard

This section of the prospectus explains the basics of doing business with Vanguard. Be sure to carefully read each topic that pertains to your relationship with Vanguard. Vanguard reserves the right to change the following policies, without notice to shareholders. Please call or check online for current information.

Each fund you hold in an account is a separate “fund account.” For example, if you hold three funds in a nonretirement account titled in your own name, two funds in a nonretirement account titled jointly with your spouse, and one fund in an individual retirement account, you have six fund accounts—and this is true even if you hold the same fund in multiple accounts.

### Purchasing Shares

Vanguard reserves the right, without notice, to increase or decrease the minimum amount required to open, convert shares to, or maintain a fund account, or to add to an existing fund account.

Investment minimums may differ for certain categories of investors.

#### **Account Minimums for Investor Shares**

**To open and maintain an account.** \$3,000.

**Add to an existing account.** \$100 by check, exchange, wire, or electronic bank transfer (other than Automatic Investment Plan, which has no established minimum).

#### **Account Minimums for Admiral Shares**

**To open and maintain an account.** \$100,000 for new investors. If you request Admiral Shares when you open a new account, but the investment amount does not meet the account minimum for Admiral Shares, your investment will be placed in Investor Shares of the Fund. Shareholders who are registered on *Vanguard.com*, have held shares of the Fund for ten years, and have \$50,000 or more in the same Fund account are eligible to convert their Investor Shares to Admiral Shares. See *Converting Shares*. Institutional clients should contact Vanguard for information on special rules that may apply to them.

**Add to an existing account.** \$100 by check, exchange, wire, or electronic bank transfer (other than Automatic Investment Plan, which has no established minimum).

#### **How to Initiate a Purchase Request**

Be sure to check *Exchanging Shares*, *Frequent-Trading Limits*, and *Other Rules You Should Know* before placing your purchase request.

**Online.** You may open certain types of accounts, request a purchase of shares, and request an exchange (the purchase of shares of one Vanguard fund using the proceeds of a simultaneous redemption of shares of another Vanguard fund) through our website at [www.vanguard.com](http://www.vanguard.com) if you are a registered user.

**By telephone.** You may call Vanguard to begin the account registration process or request that the account-opening forms be sent to you. You may also call Vanguard to request a purchase of shares. See *Contacting Vanguard*.

**By mail.** You may send Vanguard your account registration form and check to open a new fund account. To add to an existing fund account, you may send your check with an Invest-by-Mail form (from your account statement), with a deposit slip (available online), or with a written request. You may also send a written request to Vanguard to make an exchange. For a list of Vanguard addresses, see *Contacting Vanguard*.

### **How to Pay for a Purchase**

**By electronic bank transfer.** You may purchase shares of a Vanguard fund through an electronic transfer of money from a bank account. To establish the electronic bank transfer option on an account, you must designate the bank account online, complete a special form, or fill out the appropriate section of your account registration form. After the option is set up on your account, you can purchase shares by electronic bank transfer on a regular schedule (Automatic Investment Plan) or from time to time. Your purchase request can be initiated online (if you are a registered user of *Vanguard.com*), by telephone, or by mail.

**By wire.** Wiring instructions vary for different types of purchases. Please call Vanguard for instructions and policies on purchasing shares by wire. See *Contacting Vanguard*.

**By check.** You may send a check to make initial or additional purchases to your fund account. Also see *How to Initiate a Purchase Request: By mail*. Make your check payable to Vanguard and include the appropriate fund number (e.g., Vanguard—xx). For a list of Fund numbers (for Funds and share classes in this prospectus), see *Additional Information*.

**By exchange.** You may purchase shares of a Vanguard fund using the proceeds from the simultaneous redemption of shares of another Vanguard fund. You may initiate an exchange online (if you are a registered user of *Vanguard.com*), by telephone, or by mail. See *Exchanging Shares*.

### **Trade Date**

The trade date for any purchase request received in good order will depend on the day and time Vanguard receives your request, the manner in which you are paying, and the type of fund you are purchasing. Your purchase will be executed using the NAV as

calculated on the trade date. NAVs are calculated only on days that the New York Stock Exchange (NYSE) is open for trading (a business day).

For purchases by **check** into all funds other than money market funds, and for purchases by **exchange** or **wire** into all funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

For purchases by **check** into money market funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the next business day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the second business day following the day Vanguard receives the purchase request. Because money market instruments must be purchased with federal funds and it takes a money market mutual fund one business day to convert check proceeds into federal funds, the trade date will be one business day later than for other funds.

For purchases by electronic bank transfer using an **Automatic Investment Plan**: Your trade date generally will be one business day before the date you designated for withdrawal from your bank account.

For purchases by **electronic bank transfer** not using an Automatic Investment Plan: If the purchase request is received by Vanguard on a business day before 10 p.m., Eastern time, the trade date generally will be the next business day. If the purchase request is received on a business day after 10 p.m., Eastern time, or on a nonbusiness day, the trade date will be the second business day following the day Vanguard receives the request.

If your purchase request is not accurate and complete, it may be rejected. See *Other Rules You Should Know—Good Order*.

For further information about purchase transactions, consult our website at [www.vanguard.com](http://www.vanguard.com) or see *Contacting Vanguard*.

## Earning Dividends

You generally begin earning dividends on the business day following your trade date. When buying money market fund shares through a federal funds wire, however, you can begin earning dividends immediately by making a purchase request by telephone to Vanguard before 10:45 a.m., Eastern time (2 p.m., Eastern time, for Vanguard Prime Money Market Fund).

## Other Purchase Rules You Should Know

**Admiral Shares.** Please note that Admiral Shares are *not* available for:

- SIMPLE IRAs and Section 403(b)(7) custodial accounts;
- Other retirement plan accounts receiving special administrative services from Vanguard; or
- Accounts maintained by financial intermediaries, except in limited circumstances.

**Check purchases.** All purchase checks must be written in U.S. dollars and must be drawn on a U.S. bank. Vanguard does not accept cash, traveler's checks, or money orders. In addition, Vanguard may refuse "starter checks" and checks that are not made payable to Vanguard.

**New accounts.** We are required by law to obtain from you certain personal information that we will use to verify your identity. If you do not provide the information, we may not be able to open your account. If we are unable to verify your identity, Vanguard reserves the right, without notice, to close your account or take such other steps as we deem reasonable.

**Refused or rejected purchase requests.** Vanguard reserves the right to stop selling fund shares or to reject any purchase request at any time and without notice, including, but not limited to, purchases requested by exchange from another Vanguard fund. This also includes the right to reject any purchase request because of a history of frequent trading by the investor or because the purchase may negatively affect a fund's operation or performance.

**Large purchases.** Please call Vanguard before attempting to invest a large dollar amount.

**No cancellations.** Vanguard will not accept your request to cancel any purchase request once processing has begun. Please be careful when placing a purchase request.

## Converting Shares

When a conversion occurs, you receive shares of one class in place of shares of another class of the same fund. At the time of conversion, the dollar value of the "new" shares you receive equals the dollar value of the "old" shares that were converted. In other words, the conversion has no effect on the value of your investment in the fund at the time of the conversion. However, the number of shares you own after the conversion may be greater than or less than the number of shares you owned before the conversion, depending on the net asset values of the two share classes.

A conversion between share classes of the same fund is a *nontaxable* event.

## Trade Date

The trade date for any conversion request received in good order will depend on the day and time Vanguard receives your request. Your conversion will be executed using the NAVs of the different share classes on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For a conversion request received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. For a conversion request received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day. See *Other Rules You Should Know*.

## Conversions From Investor Shares to Admiral Shares

**Self-directed conversions.** If your account balance in the Fund is at least \$100,000, you may ask Vanguard to convert your Investor Shares to Admiral Shares. You can request a conversion online (if you are a registered user of *Vanguard.com*), by telephone, or by mail. See *Contacting Vanguard*.

**Automatic conversions.** Vanguard conducts periodic reviews of account balances and may, if your account balance in the Fund exceeds \$100,000, automatically convert your Investor Shares to Admiral Shares. You will be notified before an automatic conversion occurs and will have an opportunity to instruct Vanguard not to effect the conversion.

**Tenure conversions.** You are eligible for a tenure conversion from Investor Shares to Admiral Shares if you have had an account in the Fund for ten years, that Fund account balance is at least \$50,000, and you are registered with *Vanguard.com*. You can request a tenure conversion online, by telephone, or by mail.

## Conversions to Institutional Shares

You are eligible for a self-directed conversion from another share class to Institutional Shares of the same Fund (if available), provided that your account meets all Institutional Shares' eligibility requirements. Registered users of our website, *www.vanguard.com*, may request a conversion online, or you may contact Vanguard by telephone or by mail to request this transaction. Accounts that qualify for Institutional Shares will not be automatically converted.

## Mandatory Conversions to Another Share Class

If an account no longer meets the balance requirements for a share class, Vanguard may automatically convert the shares in the account to another share class, as appropriate. A decline in the account balance because of market movement may result in such a conversion. Vanguard will notify the investor in writing before any mandatory conversion occurs.

## Redeeming Shares

### How to Initiate a Redemption Request

Be sure to check *Exchanging Shares*, *Frequent-Trading Limits*, and *Other Rules You Should Know* before placing your redemption request.

**Online.** You may request a redemption of shares and request an exchange (using the proceeds from the redemption of shares of one Vanguard fund to simultaneously purchase shares of a different Vanguard fund) through our website at [www.vanguard.com](http://www.vanguard.com) if you are a registered user.

**By telephone.** You may call Vanguard to request a redemption of shares. See *Contacting Vanguard*.

**By mail.** You may send a written request to Vanguard to redeem from a fund account or to make an exchange. See *Contacting Vanguard*.

**By writing a check.** If you've established the checkwriting service on your account, you can redeem shares by writing a check for \$250 or more.

### How to Receive Redemption Proceeds

**By electronic bank transfer.** You may have the proceeds of a fund redemption sent directly to a designated bank account. To establish the electronic bank transfer option on an account, you must designate a bank account online, complete a special form, or fill out the appropriate section of your account registration form. After the option is set up on your account, you can redeem shares by electronic bank transfer on a regular schedule (Automatic Withdrawal Plan) or from time to time. Your redemption request can be initiated online, by telephone, or by mail.

**By wire.** When redeeming from a money market fund or a bond fund, you may instruct Vanguard to wire your redemption proceeds (\$1,000 minimum) to a previously designated bank account. Wire redemptions generally are not available for Vanguard's balanced or stock funds. The wire redemption option is *not automatic*; you must designate a bank account online, complete a special form, or fill out the appropriate section of your account registration form.

**By exchange.** You may have the proceeds of a Vanguard fund redemption invested directly in shares of another Vanguard fund. You may initiate an exchange online (if you are a registered user of *Vanguard.com*), by telephone, or by mail.

**By check.** If you have not chosen another redemption method, Vanguard will mail you a redemption check, generally payable to all registered account owners, normally within two business days of your trade date.

## Trade Date

The trade date for any redemption request received in good order will depend on the day and time Vanguard receives your request and the manner in which you are redeeming. Your redemption will be executed using the NAV as calculated on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For redemptions by **check**, **exchange**, or **wire**: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

- Note on timing of wire redemptions from money market funds: For telephone requests received by Vanguard on a business day before 10:45 a.m., Eastern time (2 p.m., Eastern time, for Vanguard Prime Money Market Fund), the redemption proceeds generally will leave Vanguard by the close of business the same day. For telephone requests received by Vanguard on a business day after those cut-off times, or on a nonbusiness day, and for all requests other than by telephone, the redemption proceeds generally will leave Vanguard by the close of business on the next business day.
- Note on timing of wire redemptions from bond funds: For requests received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the redemption proceeds generally will leave Vanguard by the close of business on the next business day. For requests received by Vanguard on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the redemption proceeds generally will leave Vanguard by the close of business on the second business day after Vanguard receives the request.

For redemptions by electronic bank transfer using an **Automatic Withdrawal Plan**: Your trade date generally will be the date you designated for withdrawal of funds (redemption of shares) from your Vanguard account. Proceeds of redeemed shares generally will be credited to your designated bank account two business days after your trade date. If the date you designated for withdrawal of funds from your Vanguard account falls on a weekend, holiday, or other nonbusiness day, your trade date will be the previous business day.

For redemptions by **electronic bank transfer** not using an Automatic Withdrawal Plan: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

If your redemption request is not accurate and complete, it may be rejected. If we are unable to send your redemption proceeds by wire or electronic bank transfer because the receiving institution rejects the transfer, Vanguard will make additional efforts to complete your transaction. If Vanguard is still unable to complete the transaction, we may use your proceeds to purchase new shares of the Fund from which you sold shares for the purpose of the wire or electronic bank transfer transaction. See *Other Rules You Should Know—Good Order*.

For further information about redemption transactions, consult our website at [www.vanguard.com](http://www.vanguard.com) or see *Contacting Vanguard*.

## Earning Dividends

You generally will continue earning dividends until the first business day following your trade date. Generally, there are two exceptions to this rule: (1) If you redeem shares by writing a check against your account, the shares will stop earning dividends on the day that your check posts to your account; and (2) For money market funds, if you redeem shares with a same-day wire request before 10:45 a.m., Eastern time (2 p.m., Eastern time for Vanguard Prime Money Market Fund), the shares will stop earning dividends that same day.

## Other Redemption Rules You Should Know

**Documentation for certain accounts.** Special documentation may be required to redeem from certain types of accounts, such as trust, corporate, nonprofit, or retirement accounts. Please call us *before* attempting to redeem from these types of accounts.

**Potentially disruptive redemptions.** Vanguard reserves the right to pay all or part of a redemption in kind—that is, in the form of securities—if we reasonably believe that a cash redemption would negatively affect the fund's operation or performance or that the shareholder may be engaged in market-timing or frequent trading. Under these circumstances, Vanguard also reserves the right to delay payment of the redemption proceeds for up to seven calendar days. By calling us *before* you attempt to redeem a large dollar amount, you may avoid in-kind or delayed payment of your redemption. Please see *Frequent-Trading Limits* for information about Vanguard's policies to limit frequent trading.

**Recently purchased shares.** Although you can redeem shares at any time, proceeds may not be made available to you until the fund collects payment for your purchase. This may take up to ten calendar days for shares purchased by check or by electronic bank transfer. If you have written a check on a fund with checkwriting privileges, that check may be rejected if your fund account does not have a sufficient available balance.

**Share certificates.** If you hold shares in certificates, those shares cannot be redeemed, exchanged, or converted until you return the certificates (unsigned) to Vanguard by registered mail. For the correct address, see *Contacting Vanguard*.

**Address change.** If you change your address online or by telephone, there may be a 15-day restriction on your ability to request redemptions online and by telephone. You can request a redemption in writing at any time. Confirmations of address changes are sent to both the old and new addresses.

**Payment to a different person or address.** At your request, we can make your redemption check payable, or wire your redemption proceeds, to a different person or send it to a different address. However, this generally requires the written consent of all registered account owners and may require a signature guarantee. You may obtain a signature guarantee from some commercial or savings banks, credit unions, trust companies, or member firms of a U.S. stock exchange. A notary public cannot provide a signature guarantee.

**No cancellations.** Vanguard will not accept your request to cancel any redemption request once processing has begun. Please be careful when placing a redemption request.

**Emergency circumstances.** Vanguard funds can postpone payment of redemption proceeds for up to seven calendar days. In addition, Vanguard funds can suspend redemptions and/or postpone payments of redemption proceeds beyond seven calendar days at times when the NYSE is closed or during emergency circumstances, as determined by the SEC.

## Exchanging Shares

An exchange occurs when you use the proceeds from the redemption of shares of one Vanguard fund to simultaneously purchase shares of a different Vanguard fund. You can make exchange requests online (if you are a registered user of *Vanguard.com*), by telephone, or by mail. See *Purchasing Shares* and *Redeeming Shares*.

If the NYSE is open for regular trading (generally until 4 p.m., Eastern time, on a business day) at the time an exchange request is received in good order, the trade date generally will be the same day. See *Other Rules You Should Know—Good Order* for additional information on all transaction requests.

Vanguard will not accept your request to cancel any exchange request once processing has begun. Please be careful when placing an exchange request.

Please note that Vanguard reserves the right, without notice, to revise or terminate the exchange privilege, limit the amount of any exchange, or reject an exchange, at any time, for any reason.

## Frequent-Trading Limits

Because excessive transactions can disrupt management of a fund and increase the fund's costs for all shareholders, the board of trustees of each Vanguard fund places certain limits on frequent trading in the funds. Each Vanguard fund (other than money market funds and short-term bond funds) limits an investor's purchases or exchanges into a fund account for 60 calendar days after the investor has redeemed or exchanged out of that fund account. ETF Shares are not subject to these frequent-trading limits. The broker through which you hold your ETF Shares, however, may place certain limits on your ability to purchase and/or sell ETF Shares over any given period.

For Vanguard Retirement Investment Program pooled plans, the policy applies to exchanges made online or by phone.

The frequent-trading policy *does not* apply to the following:

- Purchases of shares with reinvested dividend or capital gains distributions.
- Transactions through Vanguard's Automatic Investment Plan, Automatic Exchange Service, Direct Deposit Service, Automatic Withdrawal Plan, Required Minimum Distribution Service, and Vanguard Small Business Online®.
- Redemptions of shares to pay fund or account fees.
- Transaction requests submitted by mail to Vanguard from shareholders who hold their accounts directly with Vanguard. (Transaction requests submitted by fax, if otherwise permitted, are not mail transactions and *are* subject to the policy.)
- Transfers and reregistrations of shares within the same fund.
- Purchases of shares by asset transfer or direct rollover.
- Conversions of shares from one share class to another in the same fund.
- Checkwriting redemptions.
- Section 529 college savings plans.
- Certain approved institutional portfolios and asset allocation programs, as well as trades made by Vanguard funds that invest in other Vanguard funds. (Please note that *shareholders* of Vanguard's funds of funds *are* subject to the policy.)

For participants in employer-sponsored defined contribution plans,\* the frequent-trading policy *does not* apply to:

- Purchases of shares with participant payroll or employer contributions or loan repayments.
- Purchases of shares with reinvested dividend or capital gains distributions.
- Distributions, loans, and in-service withdrawals from a plan.
- Redemptions of shares as part of a plan termination or at the direction of the plan.

- Automated transactions executed during the first six months of a participant's enrollment in the Vanguard Managed Account Program.
- Redemptions of shares to pay fund or account fees.
- Share or asset transfers or rollovers.
- Reregistrations of shares.
- Conversions of shares from one share class to another in the same fund.
- Exchange requests submitted by mail to Vanguard. (Exchange requests submitted by fax, if otherwise permitted, are not mail requests and *are* subject to the policy.)

\* The following Vanguard fund accounts are subject to the frequent-trading policy: SEP-IRAs, SIMPLE IRAs, certain Section 403(b)(7) accounts, and Vanguard Retirement Plans for which Vanguard Fiduciary Trust Company serves as trustee.

### **Accounts Held by Institutions (Other Than Defined Contribution Plans)**

Vanguard will systematically monitor for frequent trading in institutional clients' accounts. If we detect suspicious trading activity, we will investigate and take appropriate action, which may include applying to a client's accounts the 60-day policy previously described, prohibiting a client's purchases of fund shares, and/or revoking the client's exchange privilege.

### **Accounts Held by Intermediaries**

When intermediaries establish accounts in Vanguard funds for the benefit of their clients, we cannot always monitor the trading activity of the individual clients. However, we review trading activity at the intermediary (omnibus) level, and if we detect suspicious activity, we will investigate and take appropriate action. If necessary, Vanguard may prohibit additional purchases of fund shares by an intermediary, including for the benefit of certain of the intermediary's clients. Intermediaries also may monitor their clients' trading activities with respect to Vanguard funds.

For those Vanguard funds that charge purchase or redemption fees, intermediaries will be asked to assess purchase and redemption fees on client accounts and remit these fees to the funds. The application of purchase and redemption fees and frequent-trading policies may vary among intermediaries. There are no assurances that Vanguard will successfully identify all intermediaries or that intermediaries will properly assess purchase and redemption fees or administer frequent-trading policies. If you invest with Vanguard through an intermediary, please read that firm's materials carefully to learn of any other rules or fees that may apply.

## Other Rules You Should Know

### Prospectus and Shareholder Report Mailings

Vanguard attempts to eliminate the unnecessary expense of duplicate mailings by sending just one prospectus and/or report when two or more shareholders have the same last name and address. You may request individual prospectuses and reports by contacting our Client Services Department in writing, by telephone, or by e-mail.

### Vanguard.com

**Registration.** If you are a registered user of *Vanguard.com*, you can use your personal computer to review your account holdings; to buy, sell, or exchange shares of most Vanguard funds; and to perform most other transactions. You must register for this service online.

**Electronic delivery.** Vanguard can deliver your account statements, transaction confirmations, and fund financial reports electronically. If you are a registered user of *Vanguard.com*, you can consent to the electronic delivery of these documents by logging on and changing your mailing preference under "Account Profile." You can revoke your electronic consent at any time online, and we will begin to send paper copies of these documents within 30 days of receiving your revocation.

### Telephone Transactions

**Automatic.** When we set up your account, we'll automatically enable you to do business with us by telephone, *unless you instruct us otherwise in writing.*

**Tele-Account<sup>®</sup>.** To conduct account transactions through Vanguard's automated telephone service, you must first obtain a Personal Identification Number (PIN). Call Tele-Account at 800-662-6273 to obtain a PIN.

**Proof of a caller's authority.** We reserve the right to refuse a telephone request if the caller is unable to provide the requested information or if we reasonably believe that the caller is not an individual authorized to act on the account. Before we allow a caller to act on an account, we may request the following information:

- Authorization to act on the account (as the account owner or by legal documentation or other means).
- Account registration and address.
- Fund name and account number, if applicable.
- Other information relating to the caller, the account owner, or the account.

## **Good Order**

We reserve the right to reject any transaction instructions that are not in “good order.” Good order generally means that your instructions include:

- The fund name and account number.
- The amount of the transaction (stated in dollars, shares, or percentage).

Written instructions also must include:

- Signatures of all registered owners.
- Signature guarantees, if required for the type of transaction. (Call Vanguard for specific signature-guarantee requirements.)
- Any supporting documentation that may be required.

The requirements vary among types of accounts and transactions.

Vanguard reserves the right, without notice, to revise the requirements for good order.

## **Future Trade-Date Requests**

Vanguard does not accept requests to hold a purchase, conversion, redemption, or exchange transaction for a future date. All such requests will receive trade dates as previously described in *Purchasing Shares*, *Converting Shares*, and *Redeeming Shares*. Vanguard reserves the right to return future-dated purchase checks.

## **Accounts With More Than One Owner**

If an account has more than one owner or authorized person, Vanguard will accept telephone or online instructions from any one owner or authorized person.

## **Responsibility for Fraud**

Vanguard will not be responsible for any account losses because of fraud if we reasonably believe that the person transacting business on an account is authorized to do so. Please take precautions to protect yourself from fraud. Keep your account information private, and immediately review any account statements that we provide to you. It is important that you contact Vanguard immediately about any transactions or changes to your account that you believe to be unauthorized.

## **Uncashed Checks**

Please cash your distribution or redemption checks promptly. Vanguard will not pay interest on uncashed checks.

## Unusual Circumstances

If you experience difficulty contacting Vanguard online, by telephone, or by Tele-Account, you can send us your transaction request by regular or express mail. See *Contacting Vanguard* for addresses.

## Investing With Vanguard Through Other Firms

You may purchase or sell shares of most Vanguard funds through a financial intermediary, such as a bank, broker, or investment advisor. Please consult your financial intermediary to determine which, if any, shares are available through that firm and to learn about other rules that may apply.

Please see *Frequent-Trading Limits—Accounts Held by Intermediaries* for information about the assessment of redemption fees and monitoring of frequent trading for accounts held by intermediaries.

## Account Service Fee

For most shareholders, Vanguard charges a \$20 account service fee on all fund accounts that have a balance below \$10,000 for any reason, including market fluctuation. The account service fee applies to both retirement *and* nonretirement fund accounts and will be assessed on fund accounts in all Vanguard funds, regardless of a fund's minimum investment amount. The fee, which will be collected by redeeming fund shares in the amount of \$20, will be deducted from a fund account only once per calendar year.

If you register on *Vanguard.com* and elect to receive electronic delivery of statements, reports, and other materials for all of your fund accounts, the account service fee for balances below \$10,000 will not be charged, so long as that election remains in effect.

The account service fee also *does not* apply to the following:

- Money market sweep accounts owned in connection with a Vanguard Brokerage Services® account.
- Accounts held through intermediaries.
- Accounts held by Voyager, Voyager Select, and Flagship members. Membership is based on total household assets held at Vanguard, with a minimum of \$100,000 to qualify for Vanguard Voyager Services®, \$500,000 for Vanguard Voyager Select Services®, and \$1 million for Vanguard Flagship Services®. Vanguard determines membership by aggregating assets of all eligible accounts held by the investor and immediate family members who reside at the same address. Aggregate assets include investments in Vanguard mutual funds, Vanguard ETFs®, annuities through Vanguard, the Vanguard 529 Plan, certain small-business accounts, and employer-sponsored retirement plans for which Vanguard provides recordkeeping services.

- Participant accounts in employer-sponsored defined contribution plans.\* Please consult your enrollment materials for the rules that apply to your account.
- Section 529 college savings plans.

\* The following Vanguard fund accounts have alternative fee structures: SIMPLE IRAs, certain Section 403(b)(7) accounts, Vanguard Retirement Investment Program pooled plans, and Vanguard Retirement Plans for which Vanguard Fiduciary Trust Company serves as trustee.

### **Low-Balance Accounts**

Each Fund reserves the right to liquidate a fund account whose balance falls below the minimum initial investment for any reason, including market fluctuation. This policy applies to nonretirement fund accounts and accounts that are held through intermediaries.

### **Right to Change Policies**

In addition to the rights expressly stated elsewhere in this prospectus, Vanguard reserves the right, without notice, to (1) alter, add, or discontinue any conditions of purchase (including eligibility requirements), redemption, exchange, conversion, service, or privilege at any time; (2) accept initial purchases by telephone; (3) freeze any account and/or suspend account services if Vanguard has received reasonable notice of a dispute regarding the assets in an account, including notice of a dispute between the registered or beneficial account owners, or if we reasonably believe a fraudulent transaction may occur or has occurred; (4) temporarily freeze any account and/or suspend account services upon initial notification to Vanguard of the death of the shareholder until Vanguard receives required documentation in good order; (5) alter, impose, discontinue, or waive any redemption fee, account service fee, or other fees charged to a group of shareholders; and (6) redeem an account or suspend account privileges, without the owner's permission to do so, in cases of threatening conduct or activity Vanguard believes to be suspicious, fraudulent, or illegal. Changes may affect any or all investors. These actions will be taken when, at the sole discretion of Vanguard management, we reasonably believe they are deemed to be in the best interest of a fund.

### **Share Classes**

Vanguard reserves the right, without notice, to change the eligibility requirements of its share classes, including the types of clients who are eligible to purchase each share class.

## Fund and Account Updates

### Confirmation Statements

We will send (or provide online, whichever you prefer) a confirmation of your trade date and the amount of your transaction when you buy, sell, exchange, or convert shares. However, we will not send confirmations reflecting only checkwriting redemptions or the reinvestment of dividend or capital gains distributions. For any month in which you had a checkwriting redemption, a Checkwriting Activity Statement will be sent to you itemizing the checkwriting redemptions for that month. Promptly review each confirmation statement that we provide to you by mail or online. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on a confirmation statement, or Vanguard will consider the transaction properly processed.

### Portfolio Summaries

We will send (or provide online, whichever you prefer) quarterly portfolio summaries to help you keep track of your accounts throughout the year. Each summary shows the market value of your account at the close of the statement period, as well as all distributions, purchases, redemptions, exchanges, transfers, and conversions for the current calendar year. Promptly review each summary that we provide to you by mail or online. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on the summary, or Vanguard will consider the transaction properly processed.

### Tax Statements

For most accounts, we will send annual tax statements to assist you in preparing your income tax returns. These statements, which are generally mailed in January, will report the previous year's dividends, capital gains distributions, proceeds from the sale of shares from taxable accounts, and distributions from IRAs and other retirement plans. Registered users of *Vanguard.com* can view these statements online.

### Average-Cost Review Statements

For most taxable accounts, an average-cost review statement will accompany the annual Form 1099-B. This statement shows the average cost of shares that you redeemed during the previous calendar year, using the average-cost single-category method, one of the methods established by the IRS and the only method used by Vanguard. You may want to consult a tax professional to determine if a different method is best for you.

## Annual and Semiannual Reports

We will send (or provide online, whichever you prefer) comprehensive reports about Vanguard Bond Funds twice a year, in March and September. These reports include overviews of the financial markets and provide the following specific Fund information:

- Performance assessments and comparisons with industry benchmarks.
- Reports from the advisor.
- Financial statements with listings of Fund holdings.

## Portfolio Holdings

We generally post on our website at [www.vanguard.com](http://www.vanguard.com), in the **Portfolio** section of each Fund's Portfolio & Management page, a detailed list of the securities held by the Fund, as of the end of the most recent calendar quarter. This list is generally updated within 30 days after the end of each calendar quarter. Vanguard may exclude any portion of these portfolio holdings from publication when deemed in the best interest of the Fund. Please consult the Fund's *Statement of Additional Information* or our website for a description of the policies and procedures that govern disclosure of the Fund's portfolio holdings.

## Contacting Vanguard

### Web

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Vanguard.com 24 hours a day, 7 days a week	For the most complete source of Vanguard news For fund, account, and service information For most account transactions For literature requests
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### Phone

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Vanguard Tele-Account® 800-662-6273 (ON-BOARD)	For automated fund and account information For exchange transactions (subject to limitations) Toll-free, 24 hours a day, 7 days a week
Investor Information 800-662-7447 (SHIP) (Text telephone for people with hearing impairment at 800-749-7273)	For fund and service information For literature requests Business hours only: Monday–Friday, 8 a.m. to 10 p.m., Eastern time; Saturday, 9 a.m. to 4 p.m., Eastern time
Client Services 800-662-2739 (CREW) (Text telephone for people with hearing impairment at 800-749-7273)	For account information For most account transactions Business hours only: Monday–Friday, 8 a.m. to 10 p.m., Eastern time; Saturday, 9 a.m. to 4 p.m., Eastern time
Admiral Services 888-237-9949	For Admiral account information For most Admiral transactions Business hours only: Monday–Friday, 8 a.m. to 10 p.m., Eastern time; Saturday, 9 a.m. to 4 p.m., Eastern time
Institutional Division 888-809-8102	For information and services for large institutional investors Business hours only: Monday–Friday, 8:30 a.m. to 9 p.m., Eastern time
Intermediary Sales Support 800-997-2798	For information and services for financial intermediaries including broker-dealers, trust institutions, insurance companies, and financial advisors Business hours only: Monday–Friday, 8:30 a.m. to 7 p.m., Eastern time

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## Vanguard Addresses

Please be sure to use the correct address, depending on your method of delivery. Use of an incorrect address could delay the processing of your transaction.

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<b>Regular Mail (Individuals)</b>	The Vanguard Group P.O. Box 1110 Valley Forge, PA 19482-1110
<b>Regular Mail (Institutions)</b>	The Vanguard Group P.O. Box 2900 Valley Forge, PA 19482-2900
<b>Registered, Express, or Overnight</b>	The Vanguard Group 455 Devon Park Drive Wayne, PA 19087-1815

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## Additional Information

	Inception Date	Suitable for IRAs	Newspaper Abbreviation	Vanguard Fund Number	CUSIP Number
<b>Short-Term Treasury Fund</b>					
Investor Shares	10/28/1991	Yes	STTsry	32	922031703
Admiral Shares	2/13/2001	Yes	STsryAdml	532	922031851
<b>Short-Term Federal Fund</b>					
Investor Shares	12/31/1987	Yes	STFed	49	922031604
Admiral Shares	2/12/2001	Yes	STFedAdml	549	922031844
<b>Short-Term Investment-Grade Fund</b>					
Investor Shares	10/29/1982	Yes	STIGrade	39	922031406
Admiral Shares	2/12/2001	Yes	STIGradeAdml	539	922031836
<b>Intermediate-Term Treasury Fund</b>					
Investor Shares	10/28/1991	Yes	ITTsry	35	922031802
Admiral Shares	2/12/2001	Yes	ITsryAdml	535	922031828
<b>Intermediate-Term Investment-Grade Fund</b>					
Investor Shares	11/1/1993	Yes	ITIGrade	71	922031885
Admiral Shares	2/12/2001	Yes	ITIGradeAdml	571	922031810
<b>GNMA Fund</b>					
Investor Shares	6/27/1980	Yes	GNMA	36	922031307
Admiral Shares	2/12/2001	Yes	GNMAAdml	536	922031794
<b>Long-Term Treasury Fund</b>					
Investor Shares	5/19/1986	Yes	LTTsry	83	922031505
Admiral Shares	2/12/2001	Yes	LTsryAdml	583	922031786
<b>Long-Term Investment-Grade Fund</b>					
Investor Shares	7/9/1973	Yes	LTIGrade	28	922031109
Admiral Shares	2/12/2001	Yes	LTIGradeAdml	568	922031778

# Glossary of Investment Terms

**Average Maturity.** The average length of time until bonds held by a fund reach maturity and are repaid. In general, the longer the average maturity, the more a fund's share price fluctuates in response to changes in market interest rates. In calculating average maturity, a fund uses a bond's maturity or, if applicable, an earlier date on which the advisor believes it is likely that a maturity-shortening device (such as a call, put, refunding, prepayment or redemption provision, or an adjustable coupon) will cause the bond to be repaid.

**Bond.** A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money you lend it. In most instances, the issuer agrees to pay back the loan by a specific date and generally to make regular interest payments until that date.

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

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

**Coupon.** The interest rate paid by the issuer of a debt security until its maturity. It is expressed as an annual percentage of the face value of the security.

**Dividend Distribution.** Payment to mutual fund 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 during a fiscal year. The expense ratio includes management expenses—such as advisory fees, account maintenance, reporting, accounting, legal, and other administrative expenses—and any 12b-1 distribution fees. It does not include the transaction costs of buying and selling portfolio securities.

**Face Value.** The amount to be paid at a bond's maturity; also known as the par value or principal.

**Fixed Income Security.** An investment, such as a bond, representing a debt that must be repaid by a specified date, and on which the borrower must pay a fixed, variable, or floating rate of interest.

**Inception Date.** The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

**Investment-Grade Bond.** A debt security whose credit quality is considered by independent bond-rating agencies, or through independent analysis conducted by a fund's advisor, to be sufficient to ensure timely payment of principal and interest under current economic circumstances. Debt securities rated in one of the four highest rating categories are considered "investment-grade." Other debt securities may be considered by an advisor to be investment-grade.

**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.

**Principal.** The face value of a debt instrument or the amount of money put into an investment.

**Securities.** Stocks, bonds, money market instruments, and other investment vehicles.

**Total Return.** A percentage change, over a specified time period, in a mutual fund's net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

**Volatility.** The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations in its returns.

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



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#### **For More Information**

If you would like more information about Vanguard Bond Funds, the following documents are available free upon request:

#### **Annual/Semiannual Reports to Shareholders**

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

#### **Statement of Additional Information (SAI)**

The SAI provides more detailed information about the Funds.

The SAI and portions of the current annual and semiannual reports 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 reports or the SAI, or to request additional information about the Funds or other Vanguard funds, please visit [www.vanguard.com](http://www.vanguard.com) or contact us as follows:

The Vanguard Group  
Investor Information Department  
P.O. Box 2600  
Valley Forge, PA 19482-2600  
Telephone: 800-662-7447 (SHIP)  
Text telephone for people with hearing impairment:  
800-749-7273

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

Client Services Department  
Telephone: 800-662-2739 (CREW)  
Text telephone for people with hearing impairment:  
800-749-7273

#### **Information Provided by the Securities and Exchange Commission (SEC)**

You can review and copy information about the Funds (including the SAI) at the SEC's Public Reference Room in Washington, DC. To find out more about this public service, call the SEC at 202-551-8090. Reports and other information about the Funds are also available in the EDGAR database on the SEC's Internet site at [www.sec.gov](http://www.sec.gov), or you can receive copies of this information, for a fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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