

Fund Facts

Tier III:
**Actively
Managed Fund¹**

Fund Type:
Inflation-Protected Bond

Inception Date:²
6/29/2000

Total Net Assets:³
\$31.5 billion

Expense Ratio:
0.09%

Number of Holdings:
34

Average Quality:
Aaa

Average Maturity:
9.1 years

Duration:
3.9 years

Interest Rate Risk:
Average

Yield:
0.88%

Trading Restriction:

A transfer of \$5,000 or more into the Active Inflation-Protected Bond Fund will not be permitted if a prior transfer of \$5,000 or more was made out of the Fund in the last 60 days.

[View](#) prospectus

Investment Objective

The Fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. There is no assurance that the Fund will achieve its objective. Refer to “Risks” section.

Manager

The Fund is a Vanguard mutual fund managed by a team of Vanguard professionals.

Investor Profile

Bond investments may be most appropriate for someone seeking a higher potential income than with a money market instrument. Inflation-linked bond investments may be most appropriate for someone wanting to maintain a hedge against inflation. The Fund may be suitable for an investor who may desire to balance more aggressive investments with one providing potentially steady income.

Strategy

The Active Inflation-Protected Bond Fund invests in units/shares of the Vanguard Inflation-Protected Securities Fund – Institutional Shares. The Fund invests primarily in inflation-indexed bonds issued by the U.S. government, government agencies, and corporations. The Fund may invest in bonds of any maturity; however, its dollar weighted average maturity is expected to be 7-20 years. All bonds at the time of purchase will be investment-grade. Up to 20% of the Fund’s assets may be invested in holdings that are not inflation-indexed. Non-inflation-indexed holdings may include, but are not limited to, corporate debt, U.S. government and agency bonds, cash, derivatives and illiquid securities. Although the Fund does not currently participate in securities lending activities, the Fund does have the ability to do so.

Risks

There are risks involved with investing, including loss of money over short or long periods of time. Fund risks include, but are not limited to:

Interest rate risk: The risk that if interest rates rise bonds will decline in value.

Income risk: The risk that a fund’s income will decline because of falling interest rates.

Deflation risk: The risk that in periods of deflation (general prices of goods and services continually decline to where the annual inflation rate falls below zero percent) the principal value of the inflation protected securities may decrease resulting in lower interest payments.

Market risk: The risk that the price of securities in a fund will rise or fall sometimes rapidly or unpredictably due to factors such as real or perceived adverse economic conditions, political developments, and/or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Stocks generally have greater price volatility than bonds.

Manager risk: The risk that manager decisions can adversely affect the ability of a fund to meet its investment objectives and/or cause a fund to underperform relevant benchmarks.

Active Inflation-Protected Bond Fund

as of June 30, 2010

Performance

Current performance may be lower or higher than performance data shown. Performance data shown represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit the Web site at www.varetire.org and select a Plan under the *Defined Contribution Plans* tab. Choose "Plan Investments" and then "Investment Performance." The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost. Investors should consider the investment objectives, risk, fees and expenses carefully before investing.

	1 Year	3 Years*	5 Years*	10 Years*
Active Inflation-Protected Bond Fund ⁴	9.67%	7.37%	4.86%	7.21% ⁵
Barclays Capital Treasury Inflation Notes Index ⁶	9.52%	7.62%	4.98%	7.46%

Top Holdings

U.S. Treasury Infl-Ind Bond 1/15/14	6.1%
U.S. Treasury Infl-Ind Bond 1/15/25	5.9
U.S. Treasury Infl-Ind Bond 7/15/12	5.7
U.S. Treasury Infl-Ind Bond 1/15/20	5.4
U.S. Treasury Infl-Ind Bond 7/15/13	5.2
U.S. Treasury Infl-Ind Bond 1/15/15	5.1
U.S. Treasury Infl-Ind Bond 7/15/15	4.9
U.S. Treasury Infl-Ind Bond 1/15/27	4.7
U.S. Treasury Infl-Ind Bond 4/15/29	4.7
U.S. Treasury Infl-Ind Bond 1/15/26	4.5

Allocation

Bonds	98.8%
Short-Term Reserves	1.2

Quality Distribution[†]

Aaa	100.0%
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Sector Weightings[†]

Treasury/Agency	99.0%
Other	1.0

Glossary

Quality Ratings: Represents bond issuers' ability to make interest payments and repay principal over time. Rating organizations such as Moody's and Standard & Poor's evaluate the credit worthiness of bonds and assign ratings accordingly. Because the financial condition of an issuer can change, rating organizations may downgrade or upgrade ratings over time. The chart to the right serves as a reference.

Duration: Measures a bond or bond portfolio's price sensitivity to changes in interest rates. The higher the duration number (expressed in years) the greater the interest rate risk.

Yield: The standardized SEC yield based on the most recent 30-day period. It approximates the annual percent returned on a bond investment if held to maturity.

Investment Grade	Moody's**	Standard & Poor's ^{††}
Highest Quality	Aaa	AAA
High Quality (very strong)	Aa	AA
Upper-Medium Grade Quality (strong)	A	A
Medium Grade Quality	Baa	BBB
Not Investment Grade		
Lower Medium Grade Quality (somewhat speculative)	Ba	BB
Low Grade Quality (speculative)	B	B
Poor Quality	Caa	CCC
Most Speculative	Ca	CC
Imminent Default or Default	C	C, D

**The ratings from Aa to Ca by Moody's may be modified by the addition of 1, 2 or 3 to show relative standing within the category with 1 ranking in the higher end and 3 ranking in the lower end of the category.

^{††}The ratings from AA to CC by Standard & Poor's may be modified by the addition of a plus or minus sign to show relative standing within the category.

*Annualized

[†]May not equal 100% due to rounding.

1 An actively-managed fund tries to produce higher returns than the benchmark index. A professional portfolio manager, typically with one or more analysts, engages in regular in-depth research on the individual securities within a particular area of focus. Actively-managed investment options tend to have higher fees than those that are passively-managed because you are paying the investment manager for his or her expertise and research in deciding which securities to buy or sell and for the potential of achieving higher returns. Actively-managed investment options may also have higher fees due to more frequent trading of securities within the investment option than with a passively-managed one.

2 The inception date shown reflects the inception date of the Fund. The inception date for the Institutional share class was 12/12/03.

3 Total net assets shown reflect all types of shares for the Fund. Net assets as of June 30, 2010 for the Institutional Shares equal \$7.2 billion.

4 The performance returns shown reflect all fund management fees and expenses, but does not reflect the Plan administrative fee, which would further reduce the returns shown. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by Vanguard.

5 Since historical performance for Institutional Shares is limited, returns are presented for the Fund's Investor Shares to provide a longer-term perspective. Performance for the Institutional Shares may be slightly different because of the lower expense ratio.

6 You cannot invest directly in an Index. The Barclays Capital U.S. Treasury Inflation Notes Index is an unmanaged index considered indicative of the inflation-indexed bond market in general.

Plan Administrative Fee - ING Institutional Plan Services ("ING"), the Plans' record keeper, will deduct an annual record keeping and communication services fee of 19 basis points (0.19%) capped at \$130,000 from your combined account balance on a quarterly basis (0.0475% per quarter).

NOT FDIC INSURED - MAY LOSE VALUE - NO BANK GUARANTEE