

# Vanguard® Retirement Savings Trust

Stable value fund

## Investment objective

Vanguard Retirement Savings Trust seeks to provide current and stable income, while maintaining a stable share value of \$1.

## Investment strategy

The fund invests primarily in investment contracts issued by insurance companies, banks or other financial institutions, including investment contracts backed by high-quality fixed income securities.

The fund seeks to achieve its objective by diversifying among high credit-quality investments and investment contracts which are structured to smooth market gains and losses over time. The two broad categories of investment contracts, traditional and synthetic, are discussed in the glossary of investment terms.

See reverse side for Fund Profile.

### Fees:

The Expense Ratio of Stable Value Accounts includes fees paid to Vanguard for management of the fund, but does not include fees paid to issuers of synthetic investment contracts. These fees equate to an additional annual expense of 0.05%. Fund performance results are net of synthetic investment contract fees.

## Who should invest

- Investors seeking interest income and a stable share price.
- Investors with a short-term investment horizon (less than five years).
- Long-term investors seeking a fixed income investment to balance the risks of a portfolio containing stocks.

## Who should not invest

- Investors seeking long-term growth of capital.

**Total net assets:** \$9,725 million

**Net spot yield:** 4.54%

**Expense ratio:** 0.30%  
as of September 30, 2007

**Inception date:** January 2, 1989

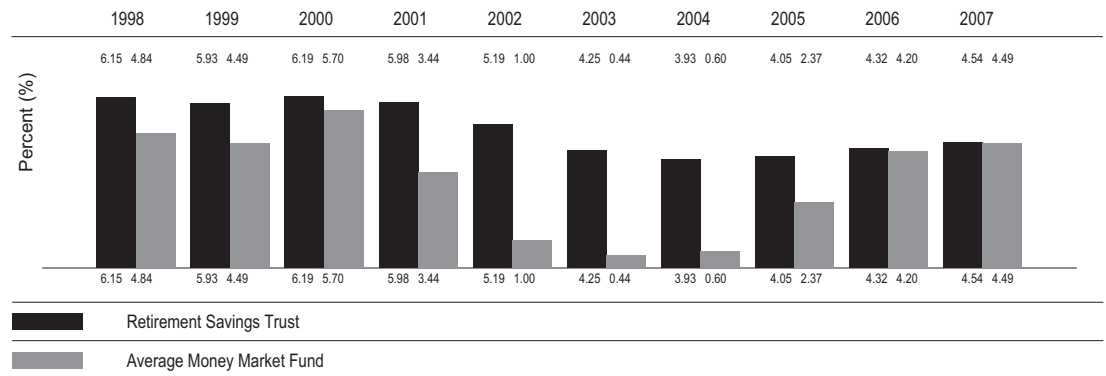
**Fund number:** 0034

**Overall risk level:**



## Performance

### Annual returns 1998–2007



## Total returns

	Periods Ended December 31, 2007					
	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Retirement Savings Trust	1.13%	4.54%	4.54%	4.30%	4.22%	5.05%
Average Money Market Fund	1.06%	4.49%	4.49%	3.68%	2.41%	3.14%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns will fluctuate. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [www.vanguard.com/performance](http://www.vanguard.com/performance).

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Average Money Market Fund: Derived from data provided by Lipper Inc.

The weighted average contract yields as of the report date, net of fees paid to Vanguard for management of the fund, and of fees paid to issuers of synthetic investment contracts.

# Vanguard Retirement Savings Trust

## Plain talk about risk

A stable value fund investment does not constitute a balanced investment program. The fund will seek to invest with a diversified selection of investment contract issuers, however the number of qualifying institutions may fluctuate over time. Although Vanguard selects only highly rated investments for the fund, the contracts held by the fund are not guaranteed by the U.S. government, Vanguard, the trustee, or your retirement plan. A stable value fund is designed as a low-risk investment, but you could still lose money by investing in it. The primary risks of investing in the fund are:

**Credit risk:** The chance that an issuer will fail to pay interest and principal in a timely manner. Credit risk should be low for the fund because it invests mainly in investments that are considered high-quality.

**Event risk:** The chance that a synthetic or traditional contract issuer will pay participant benefits at a value less than book value because of the occurrence of an event or condition which is outside the normal operation of the plan (for example, layoffs, plan amendments, sale of a division, participant withdrawals due to the plan sponsor's insolvency or bankruptcy). Due to the diversification of plans participating in the fund, event risk is low.

**Income risk:** The possibility that a fund's income will decline as a result of falling interest rates. Investments are generally made for terms of at least two to five years, on average, producing a rate of fund income that will be higher than that earned on shorter-maturity money market funds. But because it is influenced by average interest rates over a period of several years, the fund's income yield may remain above or stay below current market yields during some time periods. Income risk will be moderately high for the fund.

**Inflation risk:** The chance that fund returns will not keep pace with the cost of living. Inflation risk will be moderate for the fund.

**Market risk:** The chance that the fund's price per share will change as a result of movements in market interest rates, resulting in gains or losses on investments made in the fund. The risk is minimized by investing primarily in investment contracts that enable the fund, under present accounting standards, to value its assets at book value. Most often associated with stock mutual funds, short-term market risk is low.

## Investment terms

**Average quality:** An indicator of credit risk, this figure is the average of the credit ratings assigned to the fund holdings by credit rating agencies. Agencies assign credit ratings after appraising an issuer's ability to meet its obligations. Quality is graded on a scale, with AAA/Aaa indicating the most creditworthy issuers.

**Book value:** The value of deposits, plus accumulated interest, minus withdrawals. May also be referred to as contract value.

**Expenses:** The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

**Synthetic investment contracts:** Individually negotiated investments, these contracts are supported by a portfolio of high-quality fixed income assets and mutual funds as well as the financial strength of the issuing financial institution. Returns earned on the contracts vary with the performance of the underlying fixed income assets and mutual funds. These assets back the contract and are owned by the trustee (for example, Vanguard Fiduciary Trust Company) on behalf of the plan. These contracts are also called "alternative investment contracts."

**Total return:** The change in the net asset value of an investment, assuming reinvestment of all dividend and capital gain distributions.

**Traditional investment contracts:** Individually negotiated investments, the terms of which specify liquidity, yield, interest payments, and maturity (return of principal). These contracts are direct obligations of the issuing financial institutions and are backed only by the financial strength of the issuer.

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**Note: An investment in the fund is neither insured nor guaranteed by the U.S. government. There is no assurance that the fund will be able to maintain a stable net asset value of \$1 a share, and it is possible to lose money by investing in the fund.**

**The fund is not a mutual fund. It is a separately managed investment fund available only to tax-qualified plans and their eligible participants. For information on the fund's operations, expenses, fees and investment policies, contact The Vanguard Group, P.O. Box 2900, Valley Forge, PA 19482-2900; call 800-523-1188; or visit [www.vanguard.com](http://www.vanguard.com).**

## Fund profile

as of December 31, 2007

### Largest traditional credit exposures

ING USA Annuity and Life	2.9%
Principal Life Insurance	1.9
MetLife Ins of CT	1.8
New York Life	1.8
Massachusetts Mutual	1.1
<b>Total</b>	<b>9.5%</b>

### Guidelines for investment

*Please note: The guidelines apply only if your plan has additional short-term bond and/or money market investment options.*

**Investing in the Trust:** By investing in the trust, you are agreeing to limitations imposed by issuers of investment contracts. Shifts from the trust into short-term bond and money market funds are not generally permitted. The limitations are detailed below.

**Shifts Into Stock, Balanced, and Longer-Term Bond Funds:** The money you have in the Retirement Savings Trust can be transferred into a stock fund, a balanced fund, or a bond fund with an average duration of more than 4 years as often as your plan allows. However, once the money is transferred into such a fund, it must remain there for 90 days before you can transfer it into a shorter-term bond or money market fund. You can always transfer the money back into Vanguard Retirement Savings Trust, even if you transferred money out within the last 90 days.

**Shift Into Short-Term Bond and Money Market Funds:** During January you can transfer \$500 or 25% (whichever is greater) of your Retirement Savings Trust balance directly into a short-term bond or money market fund. If you have less than \$500 in the trust, you can transfer your entire balance into any fund once a year in January. Direct shifts from the Retirement Savings Trust into short-term bond (those with average durations of less than 4 years) or money market funds are not permitted from February 1 through December 31 in any year.