



# Vanguard LifeStrategy® Income Fund

Balanced fund (stocks and bonds)

## Investment objective

Vanguard LifeStrategy Income Fund seeks to provide current income and some capital appreciation.

## Investment strategy

The fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds, 20% to short-term reserves, and 20% to common stocks. The percentages of the fund's assets allocated to each of the underlying funds are: 50% Vanguard Total Bond Market II Index Fund, 25% Vanguard Asset Allocation Fund, 20% Vanguard Short-Term Investment-Grade Fund, and 5% Vanguard Total Stock Market Index Fund.

The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks.

See reverse side for Fund Profile.

## Who should invest

- Investors seeking a high level of income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and fixed income investments.
- Investors with an intermediate-term investment horizon (at least three to five years).

## Who should not invest

- Investors seeking significant growth of capital.
- Investors unwilling to accept fluctuations in share price.

**Total net assets:** \$1,834 million

**Expense ratio:** 0.22%\* as of October 31, 2008

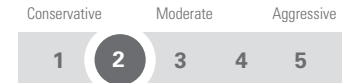
**Ticker symbol:** VASIX

**Newspaper listing:** LifeInc

**Inception date:** September 30, 1994

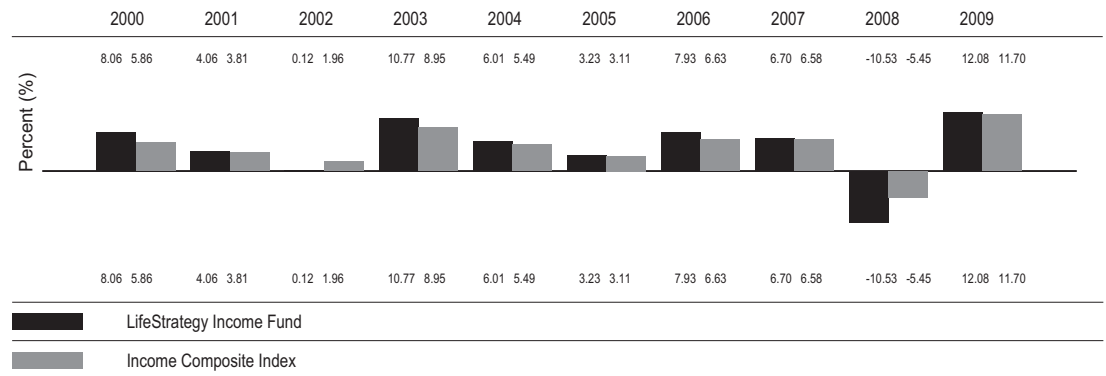
**Fund number:** 0723

**Overall risk level:**



## Performance

Annual returns 2000–2009



## Total returns

	Periods Ended December 31, 2009					
	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
LifeStrategy Income Fund	1.39%	12.08%	12.08%	2.28%	3.58%	4.66%
Income Composite Index	1.57%	11.70%	11.70%	4.03%	4.36%	4.77%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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. Income Composite Index: Weighted 60% Lehman U.S. Aggregate Bond Index, 20% Dow Jones Wilshire 5000 Index, and 20% Citigroup 3-Month Treasury Index through August 31, 2003; 60% Lehman U.S. Aggregate Bond Index, 20% Dow Jones Wilshire 5000 Index, and 20% Lehman 1-3 Year U.S. Credit Index through April 22, 2005; and 60% Barclays Capital U.S. Aggregate Float Adjusted Bond Index, 20% MSCI US Broad Market Index, and 20% Barclays Capital U.S. 1-3 Year Credit Bond Index thereafter.

\*The acquired fund fees and expenses of the underlying funds.

# Vanguard LifeStrategy Income Fund

## Plain talk about risk

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, based on the fund's current allocation between stocks and the less volatile asset class of bonds, the fund's overall level of risk should be higher than those funds that invest the majority of their assets in bonds, but lower than those investing entirely in stocks. In addition to the risks inherent in the asset classes of the underlying funds, the fund also is subject to *asset allocation risk*, which is the chance that the selection of underlying funds and the allocation of fund assets will cause the fund to underperform other funds with a similar investment objective. For further details on all risks, please refer to the fund's prospectus.

## Investment terms

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

**Dividends:** A payment of cash or stock from a company's earnings to each stockholder as declared by the company's board of directors.

**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.

**Interest:** Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

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

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

## Fund profile

as of December 31, 2009

### Allocation of underlying Vanguard funds<sup>†</sup>

Vanguard Total Bond Market II Index Fund	50.1%
Vanguard Asset Allocation Fund	24.9
Vanguard Short-Term Investment-Grade Fund	20.0
Vanguard Total Stock Market Index Fund	5.0

<sup>†</sup>Fund holdings are subject to change.

For more information about Vanguard funds, visit [www.vanguard.com](http://www.vanguard.com), or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

**Financial advisor clients:** For more information about Vanguard funds, contact your financial advisor to obtain a prospectus.

Investment Products: <ul style="list-style-type: none"><li>• Not FDIC Insured</li><li>• No Bank Guarantee</li><li>• May Lose Value</li></ul>
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