

**INDEX FUND PIONEER VANGUARD TO ADOPT
NEW BENCHMARKS FOR SEVEN FUNDS**

VALLEY FORGE, PA, April 3, 2003 – The Board of Trustees of seven Vanguard stock index funds has approved Vanguard’s recommendation to adopt new target benchmarks developed by Morgan Stanley Capital International Inc. (MSCI), a leading provider of equity, fixed income and hedge fund indexes. The benchmark changes will affect all classes of shares of the following funds:

Vanguard Fund (assets as of 3/31/2003)	Current Index	New Index
Vanguard® Mid-Cap Index Fund (\$3.3 billion)	S&P 400 MidCap Index	MSCI® US Mid Cap 450 Index
Vanguard® Value Index Fund (\$3.0 billion)	S&P 500/ Barra Value Index	MSCI® US Prime Market Value Index
Vanguard® Growth Index Fund (\$7.4 billion)	S&P 500/Barra Growth Index	MSCI® US Prime Market Growth Index
Vanguard® Small-Cap Index Fund (\$4.0 billion)	Russell 2000 Index	MSCI® US Small Cap 1750 Index
Vanguard® Small-Cap Value Index Fund (\$1.3 billion)	S&P SmallCap 600/Barra Value Index	MSCI® US Small Cap Value Index
Vanguard® Small-Cap Growth Index Fund (\$487 million)	S&P SmallCap 600/Barra Growth Index	MSCI® US Small Cap Growth Index
Vanguard® Variable Insurance Fund-- Mid-Cap Index Portfolio (\$253 million)	S&P 400 MidCap Index	MSCI® US Mid Cap 450 Index

Each new index tracks the same market segment as the corresponding current index, consistent with the funds’ existing investment objectives and policies.

“As the leading manager of index mutual funds for more than 25 years, we have formulated certain views of what makes for optimal index construction,” said Gus Sauter—Managing Director, Vanguard Quantitative Equity Group. “The MSCI indexes

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incorporate most of the best practices we seek in market benchmarks, and we expect them to reflect the performance of the funds' targeted market segments more accurately than any other available indexes."

Mr. Sauter also noted that the new indexes should experience lower turnover than the current indexes, resulting in modestly lower transaction costs.

With approximately \$200 billion in indexed assets under management and more than two decades of experience, Vanguard is the mutual fund industry's index leader with 40 index funds tracking 22 benchmarks from 7 index providers. The new MSCI U.S. stock indexes include segmentation, style, and construction methods that incorporate the best practices Vanguard seeks in market benchmarks, including:

- Objective, not subjective rules for index construction.
- Market weightings that reflect only "floating" shares that are available and freely traded in the open market.
- Market capitalization definitions that slightly overlap.
- Identification of a stock as "growth" or "value" using a variety of factors.

The adoption of these new benchmarks will expand the number of Vanguard index funds tracking MSCI benchmarks from six to thirteen. Morgan Stanley Capital International has provided benchmarks for Vanguard's international index funds since 1990 (More information on the new indexes and their construction is available on MSCI's website at www.msci.com).

"We are very pleased that Vanguard has adopted our new US stock indexes," said Henry Fernandez, President and CEO of MSCI. "This vote of confidence from the leader in index mutual funds is a major step towards broad recognition of the superiority of our new index methodology resulting in a more accurate representation of the US stock market."

Vanguard periodically evaluates the target benchmarks of its 40 stock, bond, and balanced index funds to ensure that they are constructed appropriately to reflect the performance of the targeted market segment, using the best available index methodologies. At this time, Vanguard has recommended and the board has approved changes for seven funds.

The transition to the new MSCI benchmarks is expected to occur between April 20 and September 30, 2003, and Vanguard will notify shareholders as soon as the changes take effect. Until then, the funds will continue to track their current target indexes.

Vanguard analysis indicates that the transition to the new benchmarks should not result in significant capital gains for shareholders. In fact, each of these index funds currently possess realized capital losses, which can be used to offset any realized gains. The transition does require some turnover

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of holdings, and may generate higher transaction costs during the transition. However, Vanguard Quantitative Equity Group will attempt to minimize trading impact through the use of efficient portfolio trading and crossing (in which one Vanguard index fund swaps shares with another).

The Vanguard Group, headquartered in Valley Forge, Pennsylvania, is the nation's second largest mutual fund firm and a leading provider of company sponsored retirement plan services. Vanguard serves some 17 million shareholder accounts and manages nearly \$560 billion in U.S. assets, including more than \$180 billion in employer-sponsored retirement plans. Vanguard offers 112 funds to U.S. investors and 36 additional funds in foreign markets.

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