

# Vanguard® Investment Series plc

**SUPPLEMENT** *Dated 22 July 2008 to  
Prospectus Dated 22 July 2008*

## **Vanguard® Prime Liquidity Money Market Fund**

(a sub fund of Vanguard Investment Series plc, an umbrella fund with segregated liability between sub-funds)

**Manager • Vanguard Group (Ireland) Limited**  
(ultimately a wholly owned subsidiary of The Vanguard Group, Inc.)

# Vanguard Prime Liquidity Money Market Fund (the “Fund”)

Investor Shares and Institutional Shares  
Supplement  
22 July 2008

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The Board of Directors (the “Directors”) of Vanguard Investment Series plc (the “Company”) listed in the Prospectus in the section **The Company** accept responsibility for the information in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information in the Prospectus and this Supplement accords with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**This Supplement forms part of, and should be read in conjunction with, the Prospectus dated 22 July 2008 (the “Prospectus”) in relation to the Company and contains information relating to Vanguard Prime Liquidity Money Market Fund which is a separate sub-fund of the Company, represented by the Vanguard Prime Liquidity Money Market Fund series of Shares (the “Shares”).** At the date of this Supplement, the Company has 29 other sub-funds, namely Vanguard 20+Year Euro Treasury Index Fund, Vanguard 30-40 Year Duration Euro Index Fund, Vanguard Emerging Markets Stock Index Fund, Vanguard Euro Government Bond Index Fund, Vanguard Euro Investment Grade Bond Index Fund, Vanguard European Enhanced Equity Fund, Vanguard European Stock Index Fund, Vanguard Eurozone Inflation-Linked Bond Index Fund, Vanguard Eurozone Stock Index Fund, Vanguard Global Bond Index Fund, Vanguard Global Enhanced Equity Fund, Vanguard Global Stock Index Fund, Vanguard Japan Enhanced Equity Fund, Vanguard Japan Government Bond Index Fund, Vanguard Japan Stock Index Fund, Vanguard Pacific ex-Japan Stock Index Fund, Vanguard Switzerland Stock Index Fund, Vanguard U.K. Government Bond Index Fund, Vanguard U.K. Investment Grade Bond Index Fund, Vanguard U.K. Stock Index Fund, Vanguard U.S. Discoveries Fund, Vanguard U.S. Enhanced Equity Fund, Vanguard U.S. Fundamental Value Fund, Vanguard U.S. Futures Fund, Vanguard U.S. Government Bond Index Fund, Vanguard U.S. Investment Grade Credit Index Fund, Vanguard U.S. Mortgage Backed Securities Bond Index Fund, Vanguard U.S. Opportunities Fund and Vanguard U.S. 500 Stock Index Fund.

Save as disclosed in this Supplement, there has been no significant change and no significant new matter has arisen since publication of the Prospectus.

## Why Reading This Supplement Is Important

This Supplement explains the investment objective, policies, strategies and risks associated with the Fund. To highlight terms and concepts important to fund investors, we have provided Plain Talk™ explanations along the way. Reading the Supplement will help you decide whether the Fund is the right investment for you. We suggest that you keep this Supplement for future reference.

## Share Class Overview

The Company offers two classes of Shares in the Fund—Investor and Institutional “U.S. Dollar” Shares. The Fund’s separate Share classes have different expenses; as a result their investment performances will differ.

## Fund Profile

### INVESTMENT OBJECTIVE

The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

### PRIMARY INVESTMENT POLICIES

The Fund invests principally in high-quality, short-term money market instruments traded primarily in the United States, including securities backed by the full faith and credit of the U.S. Government, securities issued by U.S. Government agencies, and securities issued by corporations and financial institutions. The Fund maintains a dollar-weighted average maturity of 60 days or less. For more information on the Fund’s investment strategies, please see **More on the Fund**.

### PRIMARY RISKS

The Fund is designed for investors with a low tolerance for risk; however, 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. Because the Fund’s income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.
- *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.
- *Credit risk*, which is the chance that the issuer of a security 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 security to decline. Credit risk should be very low for the Fund because it invests only in securities that are considered to be of high quality.
- *Industry concentration risk*, which is the chance that there will be overall problems affecting a particular industry. Because the Fund will invest more than 25% of its assets in securities of companies in the financial services industry, the Fund’s performance will depend to a greater extent on the overall condition of that industry.

**An investment in the Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. The principal amount invested in this Fund may fluctuate in value.**

**An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. Government agency. Although the Fund seeks to preserve the value of your investment at \$1 per Share, it is possible to lose money by investing in it. For an explanation of investment risk, see the Investment Risks section of the Prospectus.**

### TEMPORARY INVESTMENT MEASURES

The Fund may temporarily depart from its normal investment policies in response to the Investment Manager’s perception of extraordinary market, political or similar conditions. During these periods and for as long as the Investment Manager deems it necessary, the Fund may increase its holdings of ancillary liquid assets. In doing so, the Fund may succeed in avoiding losses, but may otherwise fail to achieve its investment objective.

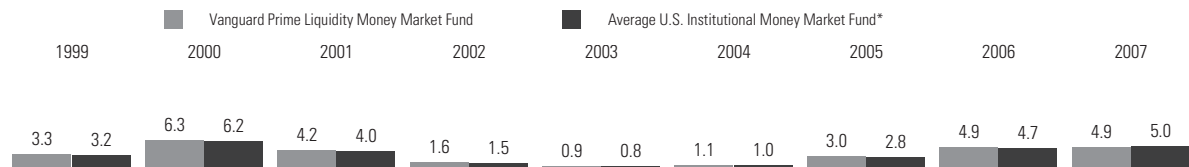
### INVESTMENT RESTRICTIONS

The Fund’s assets are invested in accordance with the investment restrictions imposed under the UCITS Regulations and summarised in the **Investment Objective and Policies** section of the Prospectus.

## PERFORMANCE/RISK INFORMATION

The following bar chart is intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's U.S.-dollar-denominated Institutional Shares has varied from one calendar year to another over the periods shown as well as the performance of an average money market fund over the same periods. Keep in mind that the Fund's past performance does not indicate how the Fund will perform in the future and that the performance of each Share class will be affected by the charges of each such Share classes.

Total Investment Returns (%) 6 May 1999—31 December 2007 (U.S. Dollar-Denominated)



\* Derived from data provided by Lipper, Inc

This chart is for illustrative purposes only; you should not regard past performance as an indication of future performance.

The data shown excludes redemption and subscription fees and is calculated net of tax and Fund charges.

## FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Investor Shares or Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* may vary over time, but will not exceed, on an annual basis, 1.00% of the average net assets of the Institutional Shares and 1.50% of the average net assets of the Investor Shares. The Manager will absorb (directly or by way of refund to the Fund) any difference that may arise between the actual cost of the operations of the Fund and this fixed fee.

As is the case with all mutual funds, transaction costs incurred by the Fund for buying and selling securities are not reflected in the table, although such costs are reflected in the investment performance figures included in this Supplement. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended 31 December 2007.

	<b>Investor Shares</b>	<b>Institutional Shares</b>
<b>SHAREHOLDER FEES</b> ( <i>fees paid directly from your investment</i> )		
Sales Charge (Load) Imposed on Purchases:	None	None
Purchase Fee (maximum):	None	None
Sales Load Imposed on Reinvested Dividends:	None	None
Exchange Fee:	None	None
Redemption Fee:	None	None
<b>ANNUAL FUND OPERATING EXPENSES</b> <sup>1</sup>		
Investment Management Expenses:	0.23%	0.23%
Administrative and Other Expenses:	0.15%	0.07%
<b>Total Annual Fund Operating Expenses (Total Expense Ratio):</b>	<b>0.38%</b>	<b>0.30%</b>

<sup>1</sup> All percentages are expressed as a percentage of the average net Asset Value of the Fund. All annual operating expenses are paid by the Fund.

The Fund is bearing its proportion of the Company's organisational expenses (including those relating to the preparation and printing of this Supplement, the listing of the Shares on the Official List and trading on the Main Market of the Irish Stock Exchange and professional advisor fees), which will initially be borne by the Manager. However, the Company may reimburse the Manager for these organisational expenses over such period as may be determined by the Directors in consultation with the Manager. It is estimated that such organisational expenses will amount to \$18,200.

The difference at any time between the sale and repurchase price of Shares (taking into account any portfolio transaction charges payable) means that the investor should view his or her investment in the Fund as long term

A more detailed description of how the fees and expenses have been calculated is set out in the **Fees and Expenses** section of the Prospectus.

## PLAIN TALK ABOUT

**Fund Expenses**

All funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Vanguard Prime Liquidity Money Market Fund's expense ratios in fiscal year 2007 were as follows: for Investor Shares, 0.38%; for Institutional Shares, 0.30%. Management expenses, which are one part of operating expenses, include investment advisory fees as well as other costs of managing a fund—such as account maintenance, reporting, accounting, legal and other administrative expenses.

## PLAIN TALK™ ABOUT

**Costs of Investing**

Costs are an important consideration in choosing a fund. That is because you, as a Shareholder, pay the costs of operating a fund, plus any transaction costs incurred when the fund buys and 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.

**Additional Information****Dividends**

Declared daily and distributed on or about the end of the month in the form of additional full and fractional Shares, or if the Shareholder elects, they can be paid in cash to the account of record.

**Investment Manager**

The Vanguard Group, Valley Forge, Pennsylvania, U.S.A., since inception

**Supervisory Authority**

Irish Financial Services Regulatory Authority (the "Financial Regulator")

**Inception Date**

(See also "Purchase Price" under **Buying Shares**)

*Investor Shares*—6 May 1999

*Institutional Shares*—6 May 1999

**Net Assets (all Share classes) as of 31 December 2007**

\$156.7 million

**Minimum Initial Subscription**

*Investor Shares*—\$100,000

*Institutional Shares*—\$5 million

**Minimum Subsequent Subscriptions**

*Investor Shares*—\$5,000

*Institutional Shares*—\$5,000

**Conversions**

*Investor Shares*—If your holdings reach or surpass \$5 million, you will have the option of converting them to Institutional Shares.


*Institutional Shares*—If your holdings fall below \$5 million, the Company may mandatorily convert your Shares to Investor Shares.

**ISIN Number**

*Investor Shares*—IE000264280

*Institutional Shares*—IE0002642597

**More on the Fund**

This Supplement describes the primary risks you would face as a Fund Shareholder. A more detailed description of investment risks is set out in the Investment Risks section of the Prospectus. 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 fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this  symbol throughout the Supplement. It is used to mark detailed information about the more significant risks that you would confront as a Fund Shareholder.


The following sections explain the primary investment strategies and policies that the Fund uses in pursuit of its objective. The Fund's objective and investment policies will be adhered to and, in the absence of exceptional circumstances, will not be altered for at least three years following the admission of the Shares to the Official List and trading on the Main Market of the Irish Stock Exchange. There cannot, in any event, be any change in investment objective or any material change in investment policies without the approval of a majority of Shareholder votes cast at a general meeting. Shareholders will be given reasonable notice prior to any change in the Fund's investment objective or policies.

**MARKET EXPOSURE**

The Fund's primary policy is to invest in very high-quality money market instruments. Also known as cash investments, these instruments are considered short-term (that is, they usually mature in 397 days or less). The Fund maintains a dollar-weighted average maturity of 60 days or less. The Fund invests more than 25% of its assets in money market instruments issued by financial services companies.

## PLAIN TALK ABOUT Money Market Instruments

The term “money market instruments” refers to a variety of short-term, liquid investments, usually with a maturity of 397 days or less. Some common types are: *Treasury bills* and *notes*, which are securities issued by the U.S. government; *commercial paper*, which are promissory notes issued by large companies or financial firms; *banker's acceptances*, which are credit instruments guaranteed by banks; and *negotiable certificates of deposit*, which are issued by banks in large denominations. Money market securities can pay fixed, variable or floating rates of interest.

 **The 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 instruments. Because the Fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.**

### SECURITY SELECTION

The Vanguard Group, the Investment Manager of the Fund, selects high-quality money market instruments. The Fund focuses on securities of a particular class of issuer (the U.S. Government, U.S. Government agencies, or non-government issuers).

## PLAIN TALK ABOUT Credit Quality

A money market instrument's credit-quality rating is an assessment of the issuer's ability to pay interest and, ultimately, to repay the principal. The lower the rating by one of the independent bond-rating agencies (for example, Moody's or S&P), the greater the chance—in the rating agency's opinion—that the issuer will default, or fail to meet its payment obligations. Direct U.S. Treasury obligations, along with other securities backed by the “full faith and credit” of the U.S. government, carry the highest credit ratings. All things being equal, money market instruments with greater credit risk offer higher yields.

The general categories of short-term securities or instruments in which the Fund invests are described below.

**U.S. government debt securities.** The Fund may invest in securities issued or guaranteed by the U.S. government, by various agencies of the U.S. government, and by various instrumentalities that have been established or sponsored by the U.S. government and in repurchase agreements collateralised by such securities. *U.S. Treasury securities* are backed by the “full faith and credit” of the United States. Securities issued or guaranteed by federal agencies and the U.S. government-sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. Some of the U.S. government agencies that issue or guarantee securities include the Export-Import Bank of the United States, USDA Rural Administration (formerly Farmers Home Administration), Federal Housing Administration, Maritime Administration, Small Business Administration and Tennessee Valley Authority. An instrumentality of the U.S. government is a government agency organised under federal charter with government supervision. Instrumentalities issuing or guaranteeing securities include, among others, the Federal Home Loan Banks, Federal Land Banks, Central Bank for Cooperatives, Federal Intermediate Credit Banks, and Federal National Mortgage Association. The Fund may invest in *zero-coupon Treasury securities*, issued by the U.S. government or its agencies or instrumentalities, which are purchased at a substantial discount from their face value. Zero-coupon Treasury securities generally are U.S. Treasury notes and bonds that have been “stripped” of their interest coupons, U.S. Treasury bills without interest coupons or certificates representing interests in the stripped securities. They are subject to greater fluctuations in market value when interest rates change than debt securities that pay interest periodically. The Fund accrues interest on zero-coupon bonds even though cash is not actually received.

**Bank obligations.** The Fund may invest in *negotiable certificates of deposit* (issued by banks in large denominations) and *banker's acceptances* (credit instruments guaranteed by a bank) rated Prime-1 by Moody's or A-1 by S&P. In addition, the Fund may hold time deposits rated Prime-1 by Moody's or A-1 by S&P as ancillary liquid assets. Securities that are unrated must be issued by a corporation with a debt rating of Aa3 or better by Moody's or AA– or better by S&P. The Fund may also invest in *Eurodollar* and *Yankee obligations*, which are certificates of deposits issued in U.S. dollars by non-U.S. banks and non-U.S. branches of U.S. banks.

**Commercial paper.** The Fund may purchase *commercial paper*, which ~~is~~ are short-term, unsecured promissory notes issued by corporations. The Fund may invest in commercial paper rated Prime-1 by Moody's or A-1 by S&P or, if unrated, issued by a corporation with a debt rating of Aa3 or better by Moody's or AA– or better by S&P. The Company may purchase commercial paper that is not registered under the Securities Act of 1933, as amended (the “1933 Act”), but which can be sold to qualified institutional buyers in accordance with Rule 144A under that Act. The Company may also purchase commercial paper issued in reliance on the “private placement” exemption from registration afforded by Section 4(2) of the 1933 Act (“Section 4(2) paper”). Section 4(2) paper must be resold in an exempt transaction and is

generally sold to institutional investors such as the Company who agree that they are purchasing the paper for investment and not with a view to public distribution. Section 4(2) paper normally is resold to other institutional investors like the Company through or with the assistance of the issuer or investment dealers who make a market in the Section 4(2) paper.

**Floating rate/variable rate notes.** The Fund may purchase notes with floating or variable interest rates. Variable rates are adjusted at stated periodic intervals. Floating rates are adjusted automatically according to a specified market index for such investments, such as the prime rate of a bank.

**Other short-term debt securities.** The Fund may also invest in other short-term debt securities (including zero-coupon securities and asset-backed securities) rated Prime-1 by Moody's or A-1 by S&P or, if unrated, issued by a corporation with a debt rating of Aa3 or better by Moody's or AA- or better by S&P.

**Other short-term government, municipal and corporate debt obligations.** The Fund may also invest in short-term government, municipal and corporate obligations rated Aa3 or better by Moody's or AA- or better by S&P whether issued as bonds, notes or other debt securities.



**The Fund is subject to industry concentration risk, which is the chance that the Fund's performance will be significantly affected, for better or for worse, by developments in the financial services industry.**

More than 25% of the Fund's assets are invested in instruments issued by financial services companies, such as banks, insurance companies, real estate-related companies, securities firms, leasing companies and other companies principally engaged in providing financial services to consumers and industry. Changes in economic, regulatory, and political conditions that affect financial services companies could have a significant effect on the Fund. These conditions include changes in interest rates and defaults in payments by borrowers.

The Fund may also invest in Eurodollar and Yankee obligations, which include certificates of deposit issued in U.S. dollars by non-U.S. banks and foreign branches of U.S. banks. Eurodollar and Yankee obligations have the same risks, such as income risk and credit risk, as those of U.S. money market instruments. Other risks of Eurodollar and Yankee obligations include the chance that a foreign government will not let U.S. dollar-denominated assets leave the country, the chance that the banks that issue Eurodollar obligations will not be subject to the same regulations as U.S. banks and the chance that adverse political or economic developments will affect investments in a foreign country. Before the Fund's Investment Manager selects a Eurodollar or Yankee obligation, however, any non-U.S. issuer undergoes the same credit-quality analysis and tests of financial strength as those for the issuers of domestic securities.

#### 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 ("Freddie Mac"), the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Banks ("FHLBs"), issue debt and mortgage-backed securities. Although GSEs may be chartered or sponsored by acts of the U.S. Congress, they are not funded by congressional appropriations. Generally, their securities are neither issued by 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 ("Ginnie Mae"), however, are backed by the full faith and credit of the U.S. government.



**The Fund is subject, to a limited extent, to credit risk, which is the chance that the issuer of a security 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 security to decline.**

While the credit quality of the Fund's securities is high, the Fund faces risk because it invests in money market securities issued by private companies. It is possible that one or more of these companies may experience financial difficulties and, as a result, may fail to pay interest to the Fund or to return the Fund's principal when repayment is due.

Bear in mind that, while the Fund invests in high-quality money market instruments, the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency of the U.S. government.



**The Fund may also enter into repurchase, reverse repurchase agreements and security lending arrangements for the purposes of the efficient portfolio management in**



**accordance with the limits and conditions specified under Portfolio Investment Techniques in the Prospectus.**

#### PLAIN TALK ABOUT

##### **Repurchase Agreements**


Repurchase agreements are contracts in which a U.S. commercial bank or securities dealer sells government securities and agrees to repurchase the securities on a specific date (normally the next business day) at a specific price.

Repurchase agreements 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 Fund's Investment Manager believes that these risks can be controlled through careful security and counterparty selection and monitoring.

#### **OTHER INVESTMENT POLICIES AND RISKS**

The Fund reserves the right to substitute a different index for the Index it currently tracks if the Index is discontinued, if the Fund's agreement with the sponsor of the Index is terminated, or for any other reason determined in good faith by the Fund's Board of Directors and with the prior approval of Shareholders. In any such instance, the substitute index would measure the same market segment as the Index.

#### **EFFICIENT PORTFOLIO MANAGEMENT**

 **The Fund may invest, to a limited extent, in financial derivative instruments ("FDI") for the purpose of efficient portfolio management with the specific aim of the reduction of risk and cost and generating additional capital and/or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund as described herein and in the Prospectus. Such techniques must be used under the conditions and within the limits stipulated by the Financial Regulator under the UCITS Regulations, as described in the Portfolio Investment Techniques section of the Prospectus. FDI may involve risks different from, and possibly greater than, those of traditional investments.**

The Company employs a risk management process which enables it to accurately measure, monitor and manage the various risks associated with the use of FDI. The Company will only use FDI which are specified in the risk management process cleared by the Financial Regulator.

For more information see Financial Derivative Instruments Risk in the **Investment Risks** section of the Prospectus.

#### PLAIN TALK ABOUT

##### **Financial Derivative Instruments**

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

An adjustable-rate security's interest rate, as the name implies, is not set; instead, it fluctuates periodically. Generally, the security's yield is based on a U.S. dollar-based interest-rate benchmark such as the federal funds rate, the 90-day Treasury bill rate, or the London Interbank Offered Rate (LIBOR). These securities reset their yields on a periodic basis (for example, daily, weekly or quarterly) or upon the change in the benchmark interest rate. These yields are closely correlated to changes in money market interest rates.

The Fund will not use derivatives for speculative purposes or as leveraged investments that magnify the risks of an investment. In addition, the Fund may invest up to 10% of its net assets in illiquid securities. These are securities that the Fund may not be able to sell in the ordinary course of business.

The Fund may hold variable-amount master-demand notes for efficient portfolio management. These are demand obligations that permit the investment of fluctuating amounts at varying market rates of interest pursuant to an arrangement between the issuer and a commercial bank acting as agent for the payees of such notes, whereby both parties have the right to vary the amount of the outstanding indebtedness on the notes. Because variable-amount master-demand notes are direct lending arrangements between a lender and a borrower, it is not generally contemplated that such instruments will be traded, and there is no secondary market for these notes, although they are redeemable (and thus immediately repayable by the borrower) at face value, plus accrued interest, at any time. The



Investment Manager staff will monitor on an ongoing basis the earning power, cash flow and other liquidity ratios of the issuer, and the borrower's ability to pay principal and interest on demand for the Fund's investment in variable-amount master-demand notes.

## FREQUENT TRADING OR MARKET-TIMING

### *Background*

The Fund is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term market or currency movements. Some investors try to profit from a strategy called market-timing—switching money into funds when they expect prices to rise and taking money out when they expect prices to fall. As money is shifted in and out, the Fund incurs expenses for buying and selling securities. To the extent that these expenses are not offset by the Fund's purchase fee and/or redemption fee, these costs are borne by *all* the Shareholders in the Fund, including the long-term investors who do not generate the costs. Frequent trading may also interfere with an investment manager's ability to efficiently manage the Fund.

### *Policies to address frequent trading*

- The Directors reserve the right to reject any subscription order—including exchanges from other Company funds—without notice and regardless of size. For example, a subscription order could be rejected if the Company determines that such purchase may disrupt a fund's operation or performance or because of a history of frequent trading by the investor.
- The Directors may limit the number of times an investor can exchange into or out of the Fund.
- The Directors may stop offering Shares at any time.

See the **Conversions and Exchanges** and **Costs and Market-Timing** sections of the Prospectus for further details on the Company's transaction policies.

## The Company

Vanguard Investment Series plc has been established as an umbrella fund with segregated liability between its sub-funds and it may, with the prior approval of the Financial Regulator, issue different series of Shares representing separate portfolios of assets. The Company also may offer different classes of Shares for each series, subject to prior notification to the Financial Regulator.

## Investment Manager

The Investment Manager of the Fund is The Vanguard Group, Inc. ("Vanguard"), based in Valley Forge, Pennsylvania. Vanguard is made up of 37 U.S. investment companies with more than 150 funds holding assets in excess of \$1.3 trillion. Vanguard's Fixed Income Group is responsible for the investment of the Fund's assets and provides investment advisory services to a number of Vanguard-sponsored investment funds. As of 31 December 2007, the Investment Manager served as advisor for approximately \$1 trillion in assets.

**George U. Sauter** is 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 the Vanguard in 1987, Mr. Sauter has been a key contributor to the development of the company'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** is head of Fixed Income Portfolio Management and principal of Vanguard. 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.

### PLAIN TALK ABOUT The Fund's Investment Manager

The manager primarily responsible for the day-to-day management of the Fund is:

**John C. Lanius**, Portfolio Manager. He has worked in investment management since 1997 and has managed investment portfolios since 2004. Education: B.A., Middlebury University.

## Distribution Policy

All or substantially all of the Fund's net investment income will be calculated at the Valuation Point and declared daily as a dividend to Shareholders. Dividends will be distributed to such Shareholders as of the end of the relevant calendar month in the form of additional full and fractional Shares, unless a Shareholder has elected to have dividends paid in cash, in which case the distribution will be made by wire transfer to the account designated by the Shareholder in the subscription agreement and will be paid on or about the first Business Day of the next calendar month.

The Fund's net investment income consists of the aggregate of (i) accrued interest or discount (including both the original issue and market discount on taxable securities) on portfolio securities and (ii) any income of the Fund from sources other than capital gains, less (iii) the amortisation of market premium on all portfolio securities and (iv) the estimated expenses of the Fund, including a proportionate share of the general expense of the Company.

The Directors may declare dividends in respect of any Shares out of net income (including interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Although realised gains and losses on the assets of the Fund are reflected in the Net Asset Value, they are not expected to be of an amount that would affect the Fund's Net Asset Value of \$1 per Share.

The Company will adhere to the policies of the Irish Stock Exchange relating to distributions for so long as the Shares are listed on the Official List and trading on its Main Market.

Shares issued pursuant to a subscription order effected prior to the Dealing Deadline on a Business Day shall accrue dividends from such Business Day until the Business Day immediately preceding the Business Day on which the relevant Shares are redeemed.

## Calculation of Yield

The current yield of the Fund is calculated on each Business Day on a base period return of a hypothetical account having a beginning balance of one Share for a particular period of time (generally seven days). The return is determined by dividing the net change (exclusive of any capital changes) in such account by its average Net Asset Value for the period, and then multiplying it by 365/7 to get the annualised current yield. The calculation of net change reflects the value of additional Shares purchased with the dividends of the Fund, including dividends on both the original Share and on such additional Shares. An effective yield, which reflects the effects of compounding and represents an annualisation of the current yield with all dividends reinvested, may also be calculated for the Fund by adding 1 to the net change, raising the sum to the 365/7 power, and subtracting 1 from the result.

## Net Asset Value

The base currency of the Fund is the U.S. dollar. The Net Asset Value per Share is calculated to four decimal places and published in the manner described in the **Determination of Net Asset Value** section of the Prospectus, and quoted in the currency of each Share class.

### Investing With the Company

This section of the Supplement explains the basics of doing business with the Company. Contact information can be found at the end of this section.

**Buying Shares**  
**Redeeming Shares**  
**Exchanging and Converting Shares**  
**Other Rules**  
**Fund and Account Updates**  
**Contacting the Company**

The Company offers two classes of Shares in the Fund—Investor “U.S. Dollar” Shares and Institutional “U.S. Dollar” Shares— which differ in terms of their minimum subscription requirements and expense ratios.

The Net Asset Value per Share will be calculated separately for each class of Shares to reflect the different expense ratios to which the classes are subject.

## Buying Shares

### *How to Buy Shares*

**To open an account:** Mail, fax or, where applicable, send by approved electronic transmission the subscription agreement to the Administrator (with the original subscription agreement and all documentation required for anti-money laundering procedures mailed immediately thereafter). The Company will mail a confirmation of ownership by the close of the second Business Day after the relevant Dealing Day, provided that for the purposes of this Fund each Business Day shall be a Dealing Day.

**To add to an existing account:** Mail, fax or, where applicable, send by approved electronic transmission to the Administrator a signed letter or other authorisation acceptable to the Administrator, specifying the Shareholder's full name, address, account number and subscription amount. If the Shareholder has elected in the subscription agreement to place subsequent deals by telephone or, where applicable, by approved electronic transmission, the Shareholder must contact the Administrator prior to the daily Dealing Deadline.

**Subscriptions for Investor "U.S. Dollar" Shares and Institutional "U.S. Dollar" Shares must be in U.S. dollars (USD).**

**The Company reserves the right not to accept any subscriptions until the Administrator receives the original subscription agreement and all of the necessary anti-money-laundering checks are completed.**

For a list of addresses and phone numbers, see **Contacting the Company**.

### *Account Minimums*

**To open and maintain an account:** \$100,000 (Investor Shares); \$5 million (Institutional Shares).

**To add to an existing account:** \$5,000 (Investor and Institutional Shares).  
The Directors may waive the minimum subscription levels.

### *Purchase Price*

Investor and Institutional "U.S. Dollar" Shares are available at the Net Asset Value per Share on the relevant Dealing Day.

There is no portfolio transaction fee or any sales charge or commission imposed by the Company or its agents on any subscription for Shares.

### *Subscription In Kind*

The Company may agree to accept subscription in kind of assets of a type in which the Fund may invest, in accordance with the requirements described in the **Buying Shares** section of the Prospectus.

### *Cutoff Time for Subscriptions*

**To open an account or add to an existing account:** The Administrator must receive a properly completed subscription agreement by 2.00 p.m. (Irish time) or 3.00 p.m. (Central European Time) (the "Dealing Deadline") on the relevant Dealing Day. Subscription agreements received after these times will usually be treated as if received on the next Business Day.

The Custodian must receive subscription monies in immediately available funds prior to the relevant Custodian's cut-off time for each currency on the second Business Day ("Value Date") after the relevant Dealing Day. The Custodian's currency cut-off times are confirmed on the Dealing & Wire Instruction Form attached to the Subscription Agreement and are as follows:

USD 4.30 pm (United States Eastern Standard Time) on Value Date

The Directors have the discretion to require receipt of subscription monies on the Dealing Day as of which Shares are to be issued and the Directors may exercise this discretion, for example, with respect to new investors in the Company. In exercising their discretion the Directors will take into account legal considerations, timing matters and other considerations.

Under the terms of the subscription agreement, Shareholders accept responsibility and liability for any failure by them to provide subscription monies in accordance with the procedures and deadlines set out above. Each Shareholder agrees that any costs for which such Shareholder becomes liable as a result of his or her failure to provide subscription monies in accordance with the procedures and deadlines set out above

authorises the Manager to redeem such number of Shares held by such Shareholder in the Company in order to satisfy any such liability to the Company and the proceeds of any such redemption shall be paid into the assets of the Fund. In the event that there is a failure to provide subscription monies, the relevant Shares will be cancelled.

The Directors may accept subscription agreements after the Dealing Deadline provided that the subscription agreement is received before calculating the Net Asset Value per Share on the Business Day to which the subscription agreement relates. See the **Buying Shares** section of the Prospectus for more information.

## Redeeming Shares

### ***How to Redeem Shares***

Mail, fax or, where applicable, send by approved electronic transmission to the Administrator a signed letter or other authorisation acceptable to the Administrator, specifying the Shareholder's full name, address and account number. If the Shareholder has elected in the subscription agreement to place subsequent deals by telephone or, where applicable, by approved electronic transmission, the Shareholder must contact the Administrator prior to the daily Dealing Deadline.

There may be a 1.00% redemption fee on Shares redeemed by any Shareholder within 90 days from the Business Day on which such Shares were issued. This fee is paid to the Fund. Redemption proceeds will be paid net of any applicable redemption fees.

Redemption orders may not be withdrawn without the Company's consent except when the redemption of Shares has been temporarily suspended.

**Redemption requests for Investor "U.S. Dollar" Shares and Institutional "U.S. Dollar" Shares will be paid in U.S. dollars.**

**No redemption proceeds will be made to investors until the Administrator has received the original subscription agreement, all of the necessary anti-money-laundering checks have been completed, and original wiring instructions have been received.**

**All redemption proceeds will be paid to an account in the name of the investor. No third-party payments are permitted.**

### ***Cutoff Time for Redemptions***

The Administrator must receive a properly completed Redemption Form by 2.00 p.m. (Irish time) or 3.00 p.m. (Central European Time) (the "Dealing Deadline") on the relevant Dealing Day.

Redemption proceeds will normally be paid on that Business Day and, in any event, no later than three Business Days after the relevant Dealing Day.

### ***Redemption Price***

Shares are redeemed at a price equal to the Net Asset Value per Share on the relevant Dealing Day after receipt of the redemption request.

### ***Redemption In Kind***

If an investor requests a redemption of Shares equal to 5% or more of the total number of Shares issued in the Fund, the Company may satisfy the redemption request by either:

- The distribution of assets in kind of the Fund with the consent of the investor concerned and without prejudice to the redeeming investor or the remaining investors.
- The transfer of such assets to a separate account of the Company where the assets will be liquidated as soon as practicable with regard to the interests of the redeeming investor. Redemption proceeds will equal the amounts realised by the Company on the disposal of the relevant assets less costs incurred in connection with the transfer and the disposal.

### ***Mandatory Redemptions***

A Shareholder's investment may be compulsorily redeemed in the following circumstances:

- If a redemption order would result in the Net Asset Value of the Shares held by a Shareholder falling below \$50,000 or the equivalent in another currency the Company may treat the redemption order as an order to redeem the entire Shareholding. If the Fund has a redemption fee, that redemption fee will apply to all such redemptions, unless the Manager determines otherwise.
- If the Net Asset Value of the Fund falls below \$15 million or its equivalent in another currency.

See the **Redeeming Shares** section of the Prospectus for more information.

## Exchanging and Converting Shares

### **Exchanges Between Funds**

Shareholders may exchange their Shares into the same class of Shares of any other Vanguard fund.

A transaction fee may be payable on an exchange of Shares between the Fund and another fund if there is a fee for subscription for the new fund. If applicable, a redemption fee also may be payable. Exchanges of Shares between funds whose base currencies are not the same will be facilitated by the Administrator. The investor will bear the risks and costs of the currency exchange transaction. The costs will be deducted from the subscription amount.

### **Conversions Between Share Classes**

If the value of a Shareholder's Institutional Shares falls below \$5 million, the Company may mandatorily convert the Shareholder's holdings to Investor Shares. If the value of a Shareholder's Investor Shares reaches or surpasses \$5 million, the Shareholder may convert the holdings to Institutional Shares.

See the **Conversions and Exchanges** section of the Prospectus for more information.

## Other Rules

### **Written Instructions**

The Directors, and the Administrator as their delegate, reserve the right to require satisfactory proof of authority in relation to any application for Shares and may reject an application for Shares for any reason in whole or in part, in which event the application monies or any balance thereof will be returned to the applicant by transfer to the applicant's account.

### **Responsibility for Fraud**

Under the terms of the subscription agreement, a Shareholder authorises the Company to act on any fax or other written instructions from any person (or persons in the case of joint holdings) representing himself or herself to be an authorised person and reasonably believed to be genuine.

The Company and the Administrator will not be liable for any losses, costs or expenses arising out of, or in connection with, any unauthorised or fraudulent instructions.

### **Closing of the Fund to further subscriptions or exchanges**

At the discretion of the Directors, the Fund may be closed to subscriptions or exchanges into the Fund (but not to redemptions or exchanges out of the Fund). The Fund may be closed in such circumstances without prior notice to Shareholders, but notification of such closing will be provided in the next report. Similarly, at the discretion of the Directors, the Fund may be re-opened for such subscriptions or exchanges without prior notice to Shareholders, but notification thereof will be provided in the next report.

### **Unusual Circumstances**

An application for Shares or a redemption order received during a period when the Share dealings have been temporarily suspended will be treated as received on the first Business Day after dealings have recommenced, unless the application is withdrawn. See the **Temporary Suspension of Dealings** section of the Prospectus for more information.

### **Investing With the Company Through Other Firms**

Financial entities not related to the Company, such as banks, insurance companies, independent financial advisors and financial intermediaries, may advise investors to invest in the Fund or may execute transactions in the Fund on behalf of their clients. These entities may charge fees (which are payable directly by the investor and not out of subscription monies) for these services in addition to those indicated above.

We advise investors to ask the intervening financial entity about additional fees, special terms, additional service features or other policies.

### **Low-Balance Accounts**

The Manager reserves the right to charge an annual fee of up to \$250 if the value of any Shareholder's holding of Shares in the Fund is below \$100,000 (or its equivalent in another currency) for Investor Shares, or \$5 million (or its equivalent in another currency) for Institutional Shares. The Manager will redeem such number of Shares as is necessary to realise this amount and the proceeds will be paid into the assets of the Fund.

## Fund and Account Updates

### **Contract Notes**

Shareholders who purchase, redeem or exchange Shares will receive a contract note confirming the trade date and amount of the transaction. No Share certificates will be issued.

### **Portfolio Summaries**

Shareholders will receive a monthly portfolio summary showing account balances as well as all purchases, sales and exchanges for the statement period.

### **Annual and Semi-annual Reports**

Comprehensive financial reports about the Fund will be published every April and August and mailed to Shareholders.

## Contacting the Company

### **For Service Information and Literature Requests**

Visit **<http://global.vanguard.com>**, 24 hours a day, 7 days a week, or call the number below during business hours.

### **Postal Address**

Vanguard Investment Series plc–Vanguard Prime Liquidity Money Market Fund  
C/o J.P. Morgan Administration Services (Ireland) Limited  
JP Morgan House  
International Financial Services Centre  
Dublin 1  
Ireland

### **Telephone and Fax Numbers**

**Telephone:** 353-1-612-3226  
**Fax:** 353-1-612-3067

## General

None of the Directors has any unspent convictions, has been declared bankrupt or has been the subject of an individual voluntary arrangement or a receivership of any assets held by such person. None of the Directors was a director with an executive function of any company at the time of or within the 12 months preceding its bankruptcy, receivership administration, creditors' voluntary liquidation, company voluntary arrangement, or composition or arrangement with its creditors generally. There have been no public criticisms of any of the Directors by any statutory or regulatory authority and no Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company. No Director was a partner of any partnership at the time of or within the 12 months preceding its compulsory liquidation, administration or partnership voluntary arrangement. No Director has had a receiver appointed over any of his assets or over any of the assets of a partnership of which he was a partner within the 12 months after he ceased to be a partner of that partnership.

A memorandum detailing the names of all companies and partnerships of which the Directors of the Company have been directors or partners in the past five years, together with an indication of whether or not they are still directors or partners, is available for inspection at the Offices of Goodbody Stockbrokers, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland.



## Glossary of Investment Terms

### Active Management

An investment approach that seeks to exceed the average returns of the financial markets. Active managers rely on research, market forecasts and their own judgment and experience in selecting securities to buy and sell.

### Bond

A debt security (IOU) issued by a corporation, government or government-related 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 make regular interest payments until that date.

### Capital Gains Distribution

Payment to fund shareholders of gains realised on securities that a fund has sold at a profit, minus any realised losses.

### Corporate Bond

An IOU issued by a business that wants to borrow money. As with other types of bonds, the issuer promises to repay the borrowed money on a specific date and to make interest payments in the meantime.

### 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.

### Currency Risk

The chance that the value of an investment will decrease because of unfavourable changes in currency exchange rates.

### Dividend Distribution

Payment to a fund shareholder 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, reporting, accounting, legal and other administrative expenses—and any 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 par value or principal.

### Fixed Income Security

An investment, such as a bond, which pays a fixed coupon, or a preferred stock, which pays a fixed dividend.

### Index

An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

### Investment-Grade Manager

A fixed income 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. Fixed income securities rated in one of the four highest categories are considered "investment-grade"; other fixed income securities may be considered by the advisor to be investment-grade.

### Mortgage-Backed Securities

A bond or pass-through certificate that represents an interest in an underlying pool of mortgages and is issued by various government-related agencies or private corporations. Unlike ordinary fixed income securities, mortgage-backed securities include both interest and principal as part of their regular payments.

### Net Asset Value (NAV)

The market value of a fund's total assets, minus liabilities, divided by the number of shares outstanding. The value of a single share is also called its share value or share price.

### Passive Management

A low-cost investment strategy in which a fund attempts to track—rather than outperform—a specified market benchmark or "index"; also known as indexing.

### Principal

The amount of money you put into an investment.

### Securities

Stocks, bonds, money market securities and other investment vehicles.

### Total Return

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

### UCITS

An Undertaking for Collective Investment in Transferable Securities within the meaning of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

### Volatility

The fluctuations in value of a 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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