

# Annual Report

JUNE 30, 2008

Waddell & Reed Advisors Vanguard Fund



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**This report is submitted for the general information of the shareholders of Waddell & Reed Advisors Vanguard Fund, Inc. It is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by a current Waddell & Reed Advisors Vanguard Fund, Inc. prospectus and current Fund performance information.**

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# President's Letter

*June 30, 2008*



**DEAR SHAREHOLDER:**

A study this past winter by Standard & Poor's found that the U.S. stock market experienced more daily price volatility at the start of calendar year 2008 than at any point in the past seven decades. From our perspective, these do appear to be very challenging times for parts of the U.S. economy. At the same time, however, we are still seeing good long-term global growth, benefiting many American companies, and your investments.

Enclosed is our report on your Waddell & Reed Advisors Fund's operations for the 2008 fiscal year. For the 12 months ended June 30, 2008, the S&P 500 Index fell 13.13 percent while the Lehman Brothers Aggregate Bond Index rose 7.13 percent.

We are grateful for your confidence in our long-term ability to manage your assets. This is a challenging time. Many economic negatives are on America's front porch: a level of price weakness and foreclosure activity in U.S. housing markets not seen since the 1930s; a global credit crunch driven by an implosion of the subprime mortgage market; a U.S. dollar that is worth much less than just a few years ago; record-setting energy and food prices; and the strong probability of a recession this year.

The positives are more subtle: exports are strong; farmers are enjoying great prices for grain. Alternative energy and related technologies such as solar and wind power are booming. Tourists are flocking to our shores to take advantage of our cheap currency to shop.

Financial conditions such as we have experienced in the first six months of 2008 are unusual, but they are not unprecedented. In fact, after the Panic of 1907 involving a Wall Street bank that speculated on copper, Congress created the Federal Reserve. It will be important for the Fed to strike the right balance between keeping inflation in check and providing sufficient liquidity for financially sound businesses to help lead the U.S. economy on a path to recovery.

Today, for many people it is more difficult to buy a home or expand a consumer-focused business than it was just a year ago. As shown in the Economic Snapshot table on page four, the U.S. economy at June 30, 2008 is not in as good a shape as it was 12 months earlier. Oil prices have nearly doubled. Inflation is at the highest level since 1991 while the nation's unemployment rate is also higher. Economic growth is weak.

## Economic Snapshot

	6-30-2008	6-30-2007
U.S. unemployment rate	5.50%	4.50%
Inflation (U.S. Consumer Price Index)	5.00%	2.70%
U.S. GDP	1.90%	3.40%
30-year fixed mortgage rate	6.45%	6.63%
Oil price per barrel	\$140.00	\$70.68

Sources: Bloomberg, U.S. Department of Labor

All government statistics shown are subject to periodic revision.

The U.S. Consumer Price Index is the government's measure of the change in the retail cost of goods and services. Gross domestic product measures year-over-year changes in the output of goods and services. Mortgage rates shown reflect the average rate on a conventional loan with a 60-day lender commitment. Oil prices reflect the market price of West Texas intermediate grade crude.

As we look ahead, we believe that the investing and economic climate will improve in time. With perseverance, initiative and ingenuity, we believe the strengths of our nation's character will surface and prosperity will be restored.

### Our commitment

We believe that maintaining a well-rounded portfolio and prudent financial planning are essential elements for securing your

Respectfully,



Henry J. Herrmann, CFA  
President

long-term financial future. As investment managers since 1937, our organization has always been mindful that we are managing other people's money.

In this uncertain environment, we believe a very strong effort to manage risk takes precedence over the desire to maximize capital appreciation. With that approach in mind, we will strive to earn your continued confidence for many years to come.

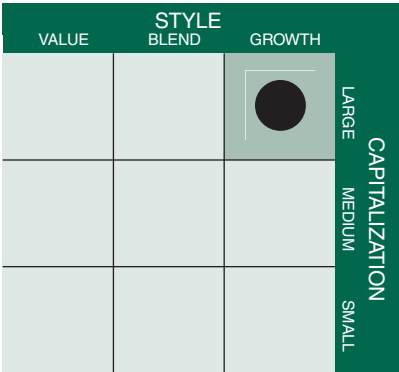
The opinions expressed in this letter are those of the President of the Fund, and are current only through the end of the period of the report, as stated on the cover. The President's views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

# Managers' Discussion of Vanguard Fund

June 30, 2008



Below, Daniel P. Becker, CFA, and Philip J. Sanders, CFA, portfolio managers of Waddell & Reed Advisors Vanguard Fund, Inc., discuss positioning, performance and results for the fiscal year ended June 30, 2008. Mr. Becker has managed the Fund for 11 years and has 19 years of industry experience. Mr. Sanders has managed the Fund for two years and has 19 years of industry experience.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years. Source: Morningstar

The Fund rose 3.78 percent (Class A shares at net asset value) for the 12 months ended June 30, 2008, greater than both its benchmark and its peer group. The Russell 1000 Growth Index (reflecting the performance of securities that generally represent the large-cap growth market) decreased 5.96 percent, while the Lipper Large-Cap Growth Funds Universe Average (reflecting the universe of funds with similar investment objectives) decreased 4.85 percent for the same period. Please note that the Fund returns include applicable fees and expenses, while index returns do not include any such fees.

## Technology, agriculture sectors helped drive results

Over the last fiscal year, the Fund performed well as compared to its benchmark Russell 1000 Growth Index, with stock selection and specific industry weightings contributing to much of the out-performance. While the Fund was hurt from large concentrations in holdings such as Genentech, Inc. and Las Vegas Sands, Inc. our top performers – Google Inc., Class A, Apple Inc., Research in Motion Limited, Monsanto Company and Deere & Company – more than made up for our shortfalls. The common factors in all of our stock-specific moves were business profile and a competitive position significantly removed from the current financial system credit crunch. After such analysis, we felt these stocks were deemed to have superior growth potential and limited economic sensitivity.

## Our tools and strategy helped manage volatility

Last fall highlighted a very positive time in which the best growth stocks were characterized by the highest growth rates and defensible market niches. The tools we use to examine growth stocks and the variables we look for – industry dominance and competitive advantage, large market opportunities, sustained organic growth

resulting in highly profitable earnings growth – served us well last year as we executed our specific strategy.

As generally positive as the year was, however, there was substantial turmoil within the financial markets, which manifested into a tough few months for the Fund. What was once a subprime mortgage crisis has now developed into a global credit crunch affecting potential gross domestic product growth worldwide. Simply put, we feel the financial system is in worse shape than we have seen in quite some time, and the strains on growth may well be felt for years to come in markets such as real estate and structured finance. We have been fortunate to have had minimal stock weightings in these areas.

Given the slowing environment, we have to assume we are either close to a recession or, more likely, already in a recession. One positive aspect to recessions is that interest rates fall dramatically (as has been occurring recently). The drastic reduction in short-term interest rates has helped to avoid some of the

larger problems, and the unusual step to allow non-bank financials to access the Federal Reserve's discount window has shown the lengths to which the government will go to avoid further harm to the economic system. These are all long-term positives in our view.

## Our outlook

Over the short term, we believe the economy and the markets likely will continue to wobble, perhaps through the end of the calendar year. In consideration of this possibility, we are more defensive than we have been the past few years, but, as always, we will undoubtedly make some mistakes. We expect to be more positive going into calendar year 2009, as the interest rate reductions have more time to affect the economy and there is more certainty regarding national leadership, tax policy, economic growth and federal deficit reduction.

### Top 10 Equity Holdings June 30, 2008

Company	Sector
Gilead Sciences, Inc.	Health Care
Smith International, Inc.	Energy
Apple Inc.	Technology
Monsanto Company	Raw Materials
Abbott Laboratories	Health Care
Deere & Company	Capital Goods
Schlumberger Limited	Energy
Colgate-Palmolive Company	Consumer Non-Durables
QUALCOMM Incorporated	Technology
General Dynamics Corporation	Technology

### June 30, 2007

Company	Sector
Apple Inc.	Technology
Monsanto Company	Raw Materials
Cisco Systems, Inc.	Technology
Deere & Company	Capital Goods
Goldman Sachs Group, Inc. (The)	Financial Services
CME Group Inc.	Financial Services
Research in Motion Limited	Consumer Durables
Gilead Sciences, Inc.	Health Care
Google Inc., Class A	Business Equipment and Services
Las Vegas Sands, Inc.	Consumer Services

See your advisor or [www.waddell.com](http://www.waddell.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

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Longer term, the one trend that is still very positive, in our view, is the secular and cyclical demand shock from China and emerging economies including Latin America and Eastern Europe. In our industry, investors and their money typically follow the path of least resistance and “go where the growth is.” As a result, capital has poured into these economies and financial markets, and the infrastructure required to support the new growth has caused the rest of the world to grow at much faster rates than the average

U.S. company. As a result, sectors such as capital goods, energy, technology and business services appear to be creating attractive growth opportunities.

As always, we will continue to focus on what we feel are dominant, competitively advantaged companies operating in large growing markets, able to generate high levels of profitability as defined by return on equity and assets.

The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.

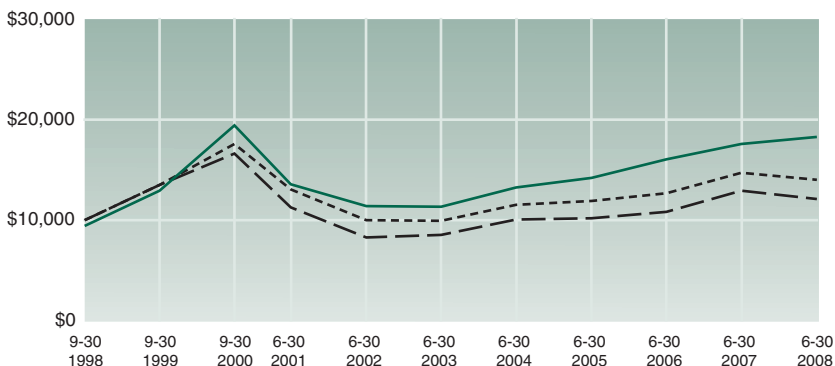
As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. These and other risks are more fully described in the Fund's prospectus.

The opinions expressed in this report are those of the portfolio managers and are current only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed.

The index noted is unmanaged and includes reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Fund's portfolio.

# Comparison of Change in Value of \$10,000 Investment

—	Waddell & Reed Advisors Vanguard Fund, Inc., Class A Shares <sup>(1)</sup> . . . . .	\$18,253
— — —	Russell 1000 Growth Index . . . . .	\$12,114
- - - - -	Lipper Large-Cap Growth Funds Universe Average . . . . .	\$13,982



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

- (1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

Average Annual Total Return <sup>(2)</sup>				
	Class A	Class B	Class C	Class Y
1-year period ended 6-30-08 . . . . .	-2.19%	-0.98%	2.73%	4.08%
5-year period ended 6-30-08 . . . . .	8.79%	8.76%	8.95%	10.45%
10-year period ended 6-30-08 . . . . .	5.14%	—	—	6.11%
Since inception of Class <sup>(3)</sup> through 6-30-08 . . . . .	—	2.50%	2.54%	—

- (2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.waddell.com](http://www.waddell.com) for the Fund's most recent month-end performance. Class A shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry a maximum contingent deferred sales charge (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class Y shares are not subject to sales charges.

- (3) 10-4-99 for Class B shares and Class C shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.



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# Illustration of Fund Expenses

## VANGUARD FUND

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended June 30, 2008.

### Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$7,500 account value divided by \$1,000 = 7.5), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. There may be additional fees charged to holders of certain accounts that are not included in the expenses shown in the table. These fees apply to Individual Retirement Accounts (IRAs), IRA Rollovers, Roth IRAs, Conversion Roth IRAs, Simplified Employee Pension (SEP), Simple IRAs, Tax-Sheltered Accounts (TSAs), Keogh Plans, Owner Only 401(k) (Exclusive K) Plans and Final Pay Plans. As of the close of the six months covered by the table, a customer is charged an annual fee of \$15 within each plan type. This fee is waived for IRA Rollovers and Conversion Roth IRAs if the customer owns another type of IRA. Coverdell Education Savings Account plans are charged an annual fee of \$10 per customer. You should consider the additional fees that were charged to your Fund account over the six-month period when you estimate the total ongoing expenses paid over the period and the impact of these fees on your ending account value as such additional expenses are not reflected in the information provided in the expense table. Additional fees have the effect of reducing investment returns.

### Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of five percent per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this five percent hypothetical example with the five percent hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of each share class in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

## Fund Expenses

For the Six Months Ended June 30, 2008	Beginning Account Value 12-31-07	Ending Account Value 6-30-08	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A. ....	\$1,000	\$ 876.30	1.17%	\$ 5.44
Class B. ....	1,000	873.00	2.22	10.30
Class C. ....	1,000	871.60	2.17	10.11
Class Y. ....	1,000	878.90	0.85	4.04
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A. ....	\$1,000	\$1,019.02	1.17%	\$ 5.86
Class B. ....	1,000	1,013.84	2.22	11.08
Class C. ....	1,000	1,014.06	2.17	10.88
Class Y. ....	1,000	1,020.61	0.85	4.34

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended June 30, 2008, and divided by 366.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustration is based on ongoing costs only and does not include any transactional costs, such as sales loads, redemption fees or exchange fees.

# SHAREHOLDER SUMMARY OF VANGUARD FUND

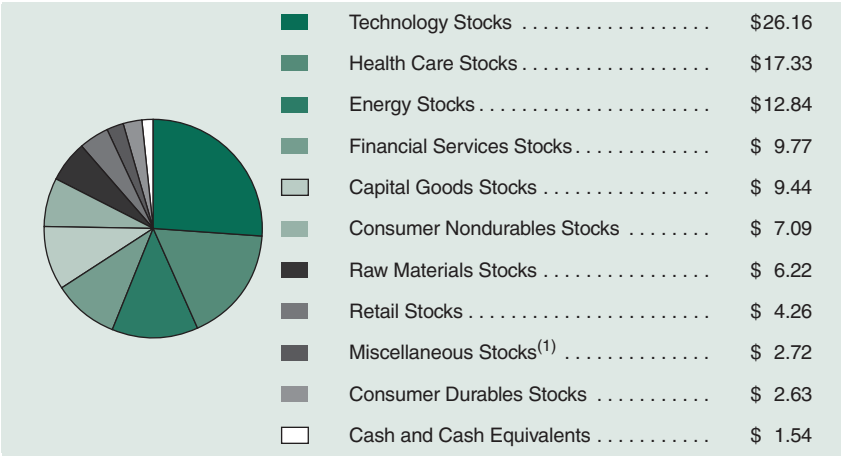
## Portfolio Highlights

On June 30, 2008, Waddell & Reed Advisors Vanguard Fund, Inc. had net assets totaling \$1,631,871,217 invested in a diversified portfolio of:

95.44%	Domestic Common Stocks
3.02%	Foreign Common Stocks
1.54%	Cash and Cash Equivalents

## Sector Weightings

As a shareholder of the Fund, for every \$100 you had invested on June 30, 2008, your Fund owned:



(1)Includes \$1.86 Business Equipment and Services Stocks and \$0.86 Consumer Services Stocks.

# The Investments of Vanguard Fund

June 30, 2008

COMMON STOCKS	Shares	Value
<b>Aircraft – 4.14%</b>		
Raytheon Company . . . . .	586,600	\$ 33,013,848
United Technologies Corporation . . . . .	560,600	34,589,020
		<u>67,602,868</u>
<b>Beverages – 3.05%</b>		
Coca-Cola Company (The) . . . . .	956,700	<u>49,729,266</u>
<b>Capital Equipment – 6.32%</b>		
Deere & Company . . . . .	979,800	70,672,974
Joy Global Inc. . . . .	427,000	32,402,895
		<u>103,075,869</u>
<b>Chemicals – Petroleum and Inorganic – 4.68%</b>		
Monsanto Company . . . . .	604,300	<u>76,407,692</u>
<b>Chemicals – Specialty – 1.54%</b>		
Praxair, Inc. . . . .	265,800	<u>25,048,992</u>
<b>Communications Equipment – 6.22%</b>		
Cisco Systems, Inc.* . . . . .	1,324,900	30,830,423
Nokia Corporation, Series A, ADR. . . . .	258,600	6,335,700
QUALCOMM Incorporated. . . . .	1,448,700	64,315,036
		<u>101,481,159</u>
<b>Computers – Main and Mini – 2.38%</b>		
Hewlett-Packard Company. . . . .	879,500	<u>38,882,695</u>
<b>Computers – Micro – 4.86%</b>		
Apple Inc.* . . . . .	473,400	<u>79,277,931</u>
<b>Computers – Peripherals – 1.47%</b>		
Adobe Systems Incorporated* . . . . .	491,000	19,320,850
Electronic Arts Inc.* . . . . .	105,100	4,669,067
		<u>23,989,917</u>
<b>Consumer Electronics – 2.63%</b>		
Research In Motion Limited* . . . . .	367,200	<u>42,944,040</u>
<b>Defense – 3.53%</b>		
General Dynamics Corporation . . . . .	684,100	<u>57,601,220</u>
<b>Electrical Equipment – 3.12%</b>		
Emerson Electric Co. . . . .	1,030,000	<u>50,933,500</u>

See Notes to Schedule of Investments on page 14.

# The Investments of Vanguard Fund

June 30, 2008

COMMON STOCKS (Continued)	Shares	Value
<b>Electronic Components – 2.15%</b>		
Microchip Technology Incorporated . . . . .	1,147,755	\$ 35,000,789
<b>Electronic Instruments – 1.41%</b>		
Thermo Fisher Scientific Inc.* . . . . .	411,600	22,938,468
<b>Health Care – Drugs – 13.94%</b>		
Abbott Laboratories . . . . .	1,442,400	76,403,928
Alcon, Inc. . . . .	196,500	31,988,235
Allergan, Inc. . . . .	198,500	10,331,925
Genentech, Inc.* . . . . .	294,800	22,375,320
Gilead Sciences, Inc.* . . . . .	1,633,400	86,455,862
		227,555,270
<b>Health Care – General – 3.39%</b>		
Baxter International Inc. . . . .	611,900	39,124,886
Zimmer Holdings, Inc.* . . . . .	238,000	16,195,900
		55,320,786
<b>Hotels and Gaming – 0.86%</b>		
International Game Technology . . . . .	289,100	7,221,718
Las Vegas Sands, Inc.* . . . . .	144,356	6,848,249
		14,069,967
<b>Household – General Products – 4.04%</b>		
Colgate-Palmolive Company . . . . .	954,600	65,962,860
<b>Insurance – Life – 3.28%</b>		
Aflac Incorporated . . . . .	853,200	53,580,960
<b>Petroleum – Services – 12.84%</b>		
Schlumberger Limited . . . . .	633,200	68,024,676
Smith International, Inc. . . . .	1,034,954	86,046,076
Weatherford International Ltd.* . . . . .	1,117,200	55,401,948
		209,472,700
<b>Restaurants – 3.63%</b>		
McDonald's Corporation. . . . .	581,700	32,703,174
YUM! Brands, Inc. . . . .	757,300	26,573,657
		59,276,831
<b>Retail – General Merchandise – 0.63%</b>		
Kohl's Corporation* . . . . .	255,800	10,242,232

See Notes to Schedule of Investments on page 14.

# The Investments of Vanguard Fund

June 30, 2008

<b>COMMON STOCKS (Continued)</b>	<b>Shares</b>	<b>Value</b>
<b>Security and Commodity Brokers – 6.49%</b>		
CME Group Inc. ....	79,100	\$ 30,310,329
Goldman Sachs Group, Inc. (The) ....	140,000	24,486,000
MasterCard Incorporated, Class A ....	192,700	51,165,704
		<b>105,962,033</b>
<b>Timesharing and Software – 1.86%</b>		
Google Inc., Class A* ....	57,500	<b>30,301,637</b>
<b>TOTAL COMMON STOCKS – 98.46%</b>		<b>\$ 1,606,659,682</b>
(Cost: \$1,262,927,016)		

	<b>Principal Amount in Thousands</b>	
<b>SHORT-TERM SECURITIES</b>		
<b>Commercial Paper</b>		
Anheuser-Busch Companies, Inc., 2.3%, 7–1–08 ....	\$7,717	7,717,000
Archer Daniels Midland Company, 2.345%, 7–8–08 ....	5,000	4,997,720
Kellogg Co., 2.95%, 7–2–08 ....	2,040	2,039,833
<b>TOTAL SHORT-TERM SECURITIES – 0.90%</b>		<b>\$ 14,754,553</b>
(Cost: \$14,754,553)		
<b>TOTAL INVESTMENT SECURITIES – 99.36%</b>		<b>\$ 1,621,414,235</b>
(Cost: \$1,277,681,569)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.64%</b>		<b>10,456,982</b>
<b>NET ASSETS – 100.00%</b>		<b>\$ 1,631,871,217</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts; and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

See Note 1 to Financial Statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to Financial Statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## VANGUARD FUND

June 30, 2008

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$1,277,682) (Notes 1 and 3) . . . .	\$1,621,414
Receivables:	
Investment securities sold . . . . .	22,773
Dividends and interest . . . . .	1,308
Fund shares sold . . . . .	1,091
Prepaid and other assets . . . . .	77
Total assets . . . . .	<u>1,646,663</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	10,918
Payable to Fund shareholders . . . . .	2,896
Accrued shareholder servicing (Note 2) . . . . .	359
Accrued distribution and service fees (Note 2) . . . . .	330
Due to custodian . . . . .	39
Accrued management fee (Note 2) . . . . .	30
Accrued accounting services fee (Note 2) . . . . .	22
Other . . . . .	198
Total liabilities . . . . .	<u>14,792</u>
Total net assets . . . . .	<u>\$1,631,871</u>

### NET ASSETS

\$1.00 par value capital stock:	
Capital stock . . . . .	\$ 180,415
Additional paid-in capital . . . . .	1,020,130
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss . . . . .	(173)
Accumulated undistributed net realized gain on investment transactions . . . . .	87,766
Net unrealized appreciation in value of investments . . . . .	343,733
Net assets applicable to outstanding units of capital . . . . .	<u>\$1,631,871</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$9.07
Class B . . . . .	\$8.04
Class C . . . . .	\$8.08
Class Y . . . . .	\$9.36
Capital shares outstanding:	
Class A . . . . .	168,566
Class B . . . . .	4,925
Class C . . . . .	1,731
Class Y . . . . .	5,193
Capital shares authorized . . . . .	600,000

See Notes to Financial Statements.

# Statement of Operations

## VANGUARD FUND

For the Fiscal Year Ended June 30, 2008

(In Thousands)

### INVESTMENT LOSS

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$155) .....	\$15,470
Interest and amortization .....	1,402
Total income .....	<u>16,872</u>
Expenses (Note 2):	
Investment management fee .....	12,146
Distribution and service fees:	
Class A .....	4,194
Class B .....	475
Class C .....	166
Shareholder servicing:	
Class A .....	3,436
Class B .....	237
Class C .....	75
Class Y .....	78
Accounting services fee .....	260
Custodian fees .....	66
Legal fees .....	44
Audit fees .....	18
Other .....	420
Total .....	<u>21,615</u>
Less expenses in excess of limit (Notes 2 and 6) .....	(301)
Total expenses .....	<u>21,314</u>
Net investment loss .....	<u>(4,442)</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments .....	144,987
Unrealized depreciation in value of investments during the period .....	(70,318)
Net gain on investments .....	<u>74,669</u>
Net increase in net assets resulting from operations .....	<u>\$70,227</u>

See Notes to Financial Statements.



# Statement of Changes in Net Assets

## VANGUARD FUND

(In Thousands)

	For the fiscal year ended June 30,	
	2008	2007
<b>DECREASE IN NET ASSETS</b>		
Operations:		
Net investment loss . . . . .	\$ (4,442)	\$ (5,093)
Realized net gain on investments . . . . .	144,987	165,132
Unrealized depreciation . . . . .	(70,318)	(3,522)
Net increase in net assets resulting from operations . . . . .	70,227	156,517
Distributions to shareholders from (Note 1E): <sup>(1)</sup>		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(160,221)	(139,674)
Class B . . . . .	(5,043)	(4,829)
Class C . . . . .	(1,666)	(1,668)
Class Y . . . . .	(4,951)	(4,348)
	(171,881)	(150,519)
Capital share transactions (Note 5) . . . . .	14,548	(130,529)
Total decrease . . . . .	(87,106)	(124,531)
<b>NET ASSETS</b>		
Beginning of period . . . . .	1,718,977	1,843,508
End of period . . . . .	<u>\$1,631,871</u>	<u>\$1,718,977</u>
Accumulated undistributed net investment loss . . .	<u>\$ (173)</u>	<u>\$ (138)</u>

(1) See "Financial Highlights" on pages 18 - 21.

# Financial Highlights

## VANGUARD FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the fiscal year ended June 30,				
	2008	2007	2006	2005	2004
Net asset value,					
beginning of period . . . . .	\$9.58	\$9.54	\$8.83	\$8.24	\$7.03
Income (loss) from					
investment operations:					
Net investment					
income (loss) . . . . .	(0.02)	(0.02)	(0.04)	0.00	(0.05)
Net realized and unrealized					
gain on investments. . . . .	0.51	0.89	1.19	0.60	1.26
Total from investment					
operations . . . . .	0.49	0.87	1.15	0.60	1.21
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Capital gains . . . . .	(1.00)	(0.83)	(0.44)	(0.00)	(0.00)
Total distributions . . . . .	(1.00)	(0.83)	(0.44)	(0.01)	(0.00)
Net asset value, end of period . . .	\$9.07	\$9.58	\$9.54	\$8.83	\$8.24
Total return <sup>(1)</sup> . . . . .	3.78%	9.64%	12.96%	7.32%	17.21%
Net assets, end of period					
(in millions) . . . . .	\$1,530	\$1,600	\$1,719	\$1,644	\$1,771
Ratio of expenses to average					
net assets including					
expense waiver . . . . .	1.16%	1.19%	1.19%	1.23%	1.22%
Ratio of net investment income					
(loss) to average net assets					
including expense waiver . . . . .	-0.22%	-0.26%	-0.43%	0.03%	-0.56%
Ratio of expenses to average					
net assets excluding					
expense waiver . . . . .	1.18%	1.20%	1.19% <sup>(2)</sup>	1.23% <sup>(2)</sup>	1.22% <sup>(2)</sup>
Ratio of net investment income					
(loss) to average net assets					
excluding expense waiver. . . . .	-0.24%	-0.27%	-0.43% <sup>(2)</sup>	0.03% <sup>(2)</sup>	-0.56% <sup>(2)</sup>
Portfolio turnover rate. . . . .	65%	81%	74%	101%	137%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## VANGUARD FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the fiscal year ended June 30,				
	2008	2007	2006	2005	2004
Net asset value,					
beginning of period . . . . .	\$8.63	\$8.77	\$8.23	\$7.75	\$6.69
Income (loss) from					
investment operations:					
Net investment loss . . . . .	(0.21)	(0.20)	(0.15)	(0.13)	(0.08)
Net realized and unrealized					
gain on investments . . . . .	0.58	0.89	1.13	0.61	1.14
Total from investment					
operations . . . . .	0.37	0.69	0.98	0.48	1.06
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.96)	(0.83)	(0.44)	(0.00)	(0.00)
Total distributions . . . . .	(0.96)	(0.83)	(0.44)	(0.00)	(0.00)
Net asset value, end of period . . .	<u>\$8.04</u>	<u>\$8.63</u>	<u>\$8.77</u>	<u>\$8.23</u>	<u>\$7.75</u>
Total return . . . . .	2.74%	8.38%	11.81%	6.19%	15.85%
Net assets, end of period					
(in millions) . . . . .	\$39	\$48	\$57	\$55	\$59
Ratio of expenses to average					
net assets including					
expense waiver . . . . .	2.21%	2.28%	2.28%	2.37%	2.38%
Ratio of net investment loss to					
average net assets including					
expense waiver . . . . .	-1.28%	-1.35%	-1.52%	-1.11%	-1.72%
Ratio of expenses to average					
net assets excluding					
expense waiver . . . . .	2.23%	2.29%	2.28% <sup>(1)</sup>	2.37% <sup>(1)</sup>	2.38% <sup>(1)</sup>
Ratio of net investment loss to					
average net assets excluding					
expense waiver . . . . .	-1.30%	-1.36%	-1.52% <sup>(1)</sup>	-1.11% <sup>(1)</sup>	-1.72% <sup>(1)</sup>
Portfolio turnover rate . . . . .	65%	81%	74%	101%	137%

(1) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## VANGUARD FUND

*Class C Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the fiscal year ended June 30,				
	2008	2007	2006	2005	2004
Net asset value,					
beginning of period . . . . .	\$8.67	\$8.80	\$8.26	\$7.77	\$6.70
Income (loss) from					
investment operations:					
Net investment loss . . . . .	(0.17)	(0.16)	(0.11)	(0.13)	(0.06)
Net realized and unrealized					
gain on investments . . . . .	0.54	0.86	1.09	0.62	1.13
Total from investment					
operations . . . . .	0.37	0.70	0.98	0.49	1.07
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.96)	(0.83)	(0.44)	(0.00)	(0.00)
Total distributions . . . . .	(0.96)	(0.83)	(0.44)	(0.00)	(0.00)
Net asset value, end of period . . .	<u>\$8.08</u>	<u>\$8.67</u>	<u>\$8.80</u>	<u>\$8.26</u>	<u>\$7.77</u>
Total return . . . . .	2.73%	8.46%	11.77%	6.31%	15.97%
Net assets, end of period					
(in millions) . . . . .	\$14	\$17	\$19	\$17	\$20
Ratio of expenses to average					
net assets including					
expense waiver . . . . .	2.16%	2.22%	2.22%	2.25%	2.17%
Ratio of net investment loss to					
average net assets including					
expense waiver . . . . .	-1.23%	-1.29%	-1.45%	-0.98%	-1.51%
Ratio of expenses to average					
net assets excluding					
expense waiver . . . . .	2.18%	2.23%	2.22% <sup>(1)</sup>	2.25% <sup>(1)</sup>	2.17% <sup>(1)</sup>
Ratio of net investment loss to					
average net assets excluding					
expense waiver . . . . .	-1.25%	-1.30%	-1.45% <sup>(1)</sup>	-0.98% <sup>(1)</sup>	-1.51% <sup>(1)</sup>
Portfolio turnover rate . . . . .	65%	81%	74%	101%	137%

(1) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## VANGUARD FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the fiscal year ended June 30,				
	2008	2007	2006	2005	2004
Net asset value, beginning of period . . . . .	\$9.86	\$9.76	\$9.00	\$8.39	\$7.14
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.02	(0.00)	(0.02)	0.03	(0.04)
Net realized and unrealized gain on investments. . . . .	0.52	0.93	1.22	0.62	1.29
Total from investment operations . . . . .	0.54	0.93	1.20	0.65	1.25
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.04)	(0.00)
Capital gains . . . . .	(1.04)	(0.83)	(0.44)	(0.00)	(0.00)
Total distributions . . . . .	(1.04)	(0.83)	(0.44)	(0.04)	(0.00)
Net asset value, end of period . . .	\$9.36	\$9.86	\$9.76	\$9.00	\$8.39
Total return . . . . .	4.08%	10.06%	13.28%	7.82%	17.51%
Net assets, end of period (in millions) . . . . .	\$49	\$54	\$49	\$39	\$38
Ratio of expenses to average net assets including expense waiver . . . . .	0.85%	0.86%	0.87%	0.88%	0.87%
Ratio of net investment income (loss) to average net assets including expense waiver . . . . .	0.09%	0.07%	−0.10%	0.38%	−0.20%
Ratio of expenses to average net assets excluding expense waiver . . . . .	0.87%	0.87%	0.87% <sup>(1)</sup>	0.88% <sup>(1)</sup>	0.87% <sup>(1)</sup>
Ratio of net investment income (loss) to average net assets excluding expense waiver. . . . .	0.07%	0.06%	−0.10% <sup>(1)</sup>	0.38% <sup>(1)</sup>	−0.20% <sup>(1)</sup>
Portfolio turnover rate. . . . .	65%	81%	74%	101%	137%

(1) There was no waiver of expenses during the period.

See Notes to Financial Statements.

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# Notes to Financial Statements

*June 30, 2008*

## **NOTE 1 – Significant Accounting Policies**

Waddell & Reed Advisors Vanguard Fund, Inc. (the Fund) is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. Its investment objective is to provide appreciation of your investment. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security valuation** – Each stock and convertible bond is valued at the latest sale price thereof on each business day of the fiscal period as reported by the principal securities exchange on which the issue is traded or, if no sale is reported for a stock, the average of the latest bid and asked prices. Bonds, other than convertible bonds, are valued using a pricing system provided by a pricing service or dealer in bonds. Convertible bonds are valued using this pricing system only on days when there is no sale reported. Stocks which are traded over-the-counter are priced using the Nasdaq Stock Market, which provides information on bid and asked prices quoted by major dealers in such stocks. Securities for which quotations are not readily available or are deemed not to be reliable because of significant events or circumstances identified between the closing of their principal markets and the closing of the New York Stock Exchange are valued at fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Management's valuation committee makes fair value determinations for the Fund, subject to the supervision of the Board of Directors. Short-term debt securities, purchased with less than 60 days to maturity, are valued at amortized cost, which approximates market value. Short-term debt securities denominated in foreign currencies are valued at amortized cost in that currency, prior to translation.
- B. Security transactions and related investment income** – Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. Interest income is recorded on the accrual basis. See Note 3 – Investment Securities Transactions.
- C. Foreign currency translations** – All assets and liabilities denominated in foreign currencies are translated into U.S. dollars daily. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translations arise from changes in currency exchange rates. The Fund combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments.
- D. Federal income taxes** – It is the Fund's policy to distribute all of its taxable income and capital gains to its shareholders and otherwise continue to qualify as a regulated investment company under the Internal Revenue Code. Accordingly, provision has not been made for Federal income taxes. During the current fiscal year, the Fund instituted the provisions of Financial Accounting Standards Board No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). As required by FIN 48, management of the Fund periodically reviews all tax

positions to assess that it is more likely than not that the position would be sustained upon examination by the relevant tax authority based on the technical merits of each position. As of June 30, 2008, management believes that under this standard no liability for unrecognized tax positions is required. The Fund is subject to examination by U.S. federal and state authorities for returns filed for years after 2004. See Note 4 – Federal Income Tax Matters.

**E. Dividends and distributions** – Dividends and distributions to shareholders are recorded by the Fund on the business day following record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. At June 30, 2008, the Fund reclassified permanent differences relating to differing treatments for net operating losses. Net assets, net investment loss and paid-in capital were not affected by these reclassifications.

**F. New Accounting Pronouncements** – In September 2006, the Financial Standards Accounting Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value for purposes of financial statement presentation, establishes a hierarchy for measuring fair value in accordance with generally accepted accounting principles and expands financial statement disclosures about fair value measurements that are relevant to mutual funds. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Fund will institute the expanded financial statement disclosure mandated by SFAS No. 157 during the fiscal year ending June 30, 2009.

In March 2008, FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133” (SFAS 161). SFAS 161 amends and expands disclosures about derivative instruments and hedging activities. SFAS 161 requires qualitative disclosures about the objectives and strategies of derivative instruments, quantitative disclosures about the fair value amounts of and gains and losses on derivative instruments, and disclosures of credit-risk-related contingent features in hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The Fund will institute SFAS 161 during the fiscal year ending June 30, 2010 and its potential impact, if any, on the financial statements is currently being assessed by management.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

## **NOTE 2 – Investment Management and Payments to Affiliated Persons**

Waddell & Reed Investment Management Company (WRIMCO), a wholly owned subsidiary of Waddell & Reed, Inc. (W&R), serves as the Fund's investment manager. The Fund pays a fee for investment management services. The fee is computed and paid daily based on the net asset value at the close of business. Until September 30, 2006, the fee was payable by the Fund at the annual rates of: 0.70% of net assets up to \$1 billion, 0.65% of net assets over \$1 billion and up to \$2 billion, 0.60% of net assets over \$2 billion and up to \$3 billion, and 0.55% of net assets over \$3 billion. Effective October 1, 2006, under terms of a settlement agreement reached in July 2006 (see Note 6), the fee is as follows: 0.67% of net assets up to \$1 billion, 0.65% of net assets over \$1 billion and up to \$2 billion, 0.60% of net assets over \$2 billion and up to \$3 billion, and 0.55% of net assets over \$3 billion. During the fiscal year ended June 30, 2008, the amount waived (in thousands) was \$301.

The Fund has an Accounting Services Agreement with Waddell & Reed Services Company (WRSCO), a wholly owned subsidiary of W&R. Under the agreement, WRSCO acts as the agent in providing accounting services and assistance to the Fund and pricing daily the value of shares of the Fund. For these services, the Fund pays WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

<b>Accounting Services Fee</b>	
<b>Average Net Asset Level (in millions)</b>	<b>Annual Fee Rate for Each Level</b>
From \$ 0 to \$ 10	\$ 0
From \$ 10 to \$ 25	\$ 11,500
From \$ 25 to \$ 50	\$ 23,100
From \$ 50 to \$ 100	\$ 35,500
From \$ 100 to \$ 200	\$ 48,400
From \$ 200 to \$ 350	\$ 63,200
From \$ 350 to \$ 550	\$ 82,500
From \$ 550 to \$ 750	\$ 96,300
From \$ 750 to \$1,000	\$121,600
\$1,000 and Over	\$148,500

In addition, for each class of shares in excess of one, the Fund pays WRSCO a monthly per-class fee equal to 2.5% of the monthly accounting services base fee. The Fund also pays monthly a fee at the annual rate of 0.01% or one basis point for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion.

For Class A, Class B and Class C shares, the Fund pays WRSCO a monthly per account charge for shareholder servicing of \$1.5292 each shareholder account which was non-networked and which was in existence at any time during the prior month; however, WRSCO has agreed to reduce that fee if the number of total shareholder accounts within the Complex (Waddell & Reed Advisors Funds, Waddell & Reed InvestEd Portfolios, Inc., Ivy Funds and Ivy Funds, Inc.) reaches certain levels. For certain networked accounts (that is, those shareholder accounts whose Fund shares are purchased through certain financial intermediaries), WRSCO has agreed to reduce its per account fees charged to the Fund to \$0.50 per month per shareholder account. Additional fees may be paid by the Fund to those intermediaries, not to exceed \$1.50 per shareholder account per month. For Class Y shares, the Fund pays WRSCO a monthly fee equal to one-twelfth of 0.15 of 1% of the average daily net assets of Class Y of the Fund for the preceding month. The Fund also reimburses W&R and WRSCO for certain out-of-pocket costs for all classes.

As principal underwriter for the Fund's shares, W&R received gross sales commissions for Class A shares (which are not an expense of the Fund) of \$1,549,278. A contingent deferred sales charge (CDSC) may be assessed against a shareholder's redemption amount of Class A, Class B and Class C shares and paid to W&R. During the fiscal year ended June 30, 2008, W&R received \$1,935, \$27,746 and \$886 in CDSC for Class A, Class B and Class C shares, respectively. With respect to Class A, Class B and Class C shares, W&R paid sales commissions of \$1,017,907 and all expenses in connection with the sale of Fund shares, except for registration fees and related expenses.

Under a Distribution and Service Plan for Class A shares adopted by the Fund pursuant to Rule 12b-1 under the Investment Company Act of 1940, the Fund may pay a distribution and/or service fee to W&R in an amount not to exceed 0.25% of the Fund's Class A average annual net assets. The fee is to be paid to reimburse W&R for amounts it expends in connection with the distribution of the Class A shares and/or provision of personal services to Fund shareholders and/or maintenance of shareholder accounts.



Under the Distribution and Service Plan adopted by the Fund for Class B and Class C shares, respectively, the Fund may pay W&R a service fee of up to 0.25%, on an annual basis, of the average daily net assets of the class to compensate W&R for providing services to shareholders of that class and/or maintaining shareholder accounts for that class and a distribution fee of up to 0.75%, on an annual basis, of the average daily net assets of the class to compensate W&R for distributing the shares of that class.

During the fiscal year ended June 30, 2008, the Fund paid Directors' regular compensation of \$114,739, which is included in other expenses.

W&R is a subsidiary of Waddell & Reed Financial, Inc., a public holding company, and a direct subsidiary of Waddell & Reed Financial Services, Inc., a holding company.

### NOTE 3 – Investment Securities Transactions

Purchases of investment securities, other than U.S. government obligations and short-term securities, aggregated \$1,137,576,325, while proceeds from maturities and sales aggregated \$1,308,287,906. No U.S. government obligations were purchased or sold during the fiscal year ended June 30, 2008.

For Federal income tax purposes, cost of investments owned at June 30, 2008 was \$1,280,814,580, resulting in net unrealized appreciation of \$340,599,655, of which \$392,314,709 related to appreciated securities and \$51,715,054 related to depreciated securities.

### NOTE 4 – Federal Income Tax Matters

For Federal income tax purposes, the Fund's distributed and undistributed earnings and profit for the fiscal year ended June 30, 2008 and the related net capital losses and post-October activity were as follows:

Net ordinary income .....	\$ 10,613,166
Distributed ordinary income .....	7,886,994
Undistributed ordinary income .....	2,726,172
Realized long-term capital gains .....	132,172,848
Distributed long-term capital gains .....	163,993,532
Undistributed long-term capital gains .....	88,084,281
Post-October losses deferred .....	—

Internal Revenue Code regulations permit the Fund to defer into its next fiscal year net capital losses or net long-term capital losses incurred between each November 1 and the end of its fiscal year (post-October losses).

### NOTE 5 – Multiclass Operations

The Fund currently offers four classes of shares, Class A, Class B, Class C and Class Y, each of which have equal rights as to assets and voting privileges. Class Y shares are not subject to a sales charge on purchases, are not subject to a Rule 12b–1 Distribution and Service Plan and are subject to a separate shareholder servicing fee structure. A comprehensive discussion of the terms under which shares of each class are offered is contained in the Prospectus and the Statement of Additional Information for the Fund.

Income, non-class specific expenses, and realized and unrealized gains and losses are allocated daily to each class of shares based on the value of their relative net assets as of the beginning of each day adjusted for the prior day's capital share activity.

Transactions in capital stock are summarized below. Amounts are in thousands.

	<b>For the fiscal year ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
Shares issued from sale of shares:		
Class A .....	17,684	13,464
Class B .....	563	529
Class C .....	315	292
Class Y .....	948	994
Shares issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	14,825	15,024
Class B .....	499	590
Class C .....	171	199
Class Y .....	460	470
Shares redeemed:		
Class A .....	(30,917)	(41,552)
Class B .....	(1,740)	(2,000)
Class C .....	(695)	(738)
Class Y .....	(1,650)	(1,055)
Increase (decrease) in outstanding capital shares .....	463	(13,783)
Value issued from sale of shares:		
Class A .....	\$175,867	\$ 124,626
Class B .....	5,013	4,452
Class C .....	2,812	2,461
Class Y .....	10,294	9,421
Value issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	154,771	135,368
Class B .....	4,645	4,816
Class C .....	1,597	1,633
Class Y .....	4,946	4,343
Value redeemed:		
Class A .....	(306,942)	(384,578)
Class B .....	(15,567)	(16,907)
Class C .....	(6,188)	(6,242)
Class Y .....	(16,700)	(9,922)
Increase (decrease) in outstanding capital .....	\$ 14,548	\$(130,529)

## **NOTE 6 – Regulatory and Litigation Matters**

On July 24, 2006, WRIMCO, W&R and WRSCO (collectively, Waddell & Reed) reached a settlement with each of the SEC, the New York Attorney General (NYAG) and the Securities Commissioner of the State of Kansas to resolve proceedings brought by each regulator in connection with its investigation of frequent trading and market timing in certain Waddell & Reed Advisors Funds.

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Under the terms of the SEC's cease-and desist order (SEC Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among other provisions Waddell & Reed has agreed to: pay \$40 million in disgorgement and \$10 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to periodically review Waddell & Reed's supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (described below). According to the SEC Order, the SEC found that some market timers made profits in some of the Waddell & Reed Advisors Funds, and that this may have caused some dilution in those Funds. Also, the SEC found that Waddell & Reed failed to make certain disclosures to the Waddell & Reed Advisors Funds' Boards of Directors and shareholders regarding the market timing activity and Waddell & Reed's acceptance of service fees from some market timers.

The Assurance of Discontinuance with the NYAG (NYAG Settlement), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among its conditions requires that Waddell & Reed: reduce the aggregate investment management fees paid by certain of the Waddell & Reed Advisors Funds and certain of the W&R Target Funds, Inc. (the Funds) by \$5 million per year for five years, for a projected total of \$25 million in investment management fee reductions; bear the costs of an independent fee consultant to be retained by the Funds to review and consult regarding the Funds' investment management fee arrangements; and make additional investment management fee-related disclosures to Fund shareholders. The NYAG Settlement also effectively requires that the Funds implement certain governance measures designed to maintain the independence of the Funds' Boards of Directors and appoint an independent compliance consultant responsible for monitoring the Funds' and WRIMCO's compliance with applicable laws.

The consent order issued by the Securities Commissioner of the State of Kansas (Kansas Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, requires Waddell & Reed to pay a fine of \$2 million to the Office of the Commissioner.

The SEC Order further requires that the \$50 million in settlement amounts described above will be distributed in accordance with a distribution plan developed by an independent distribution consultant, in consultation with Waddell & Reed, and that is agreed to by the SEC staff and the Funds' Disinterested Directors. The SEC Order requires that the independent distribution consultant develop a methodology and distribution plan pursuant to which Fund shareholders shall receive their proportionate share of losses, if any, suffered by the Funds due to market timing. Therefore, it is not currently possible to specify which particular Fund shareholders or groups of Fund shareholders will receive distributions of those settlement monies or in what proportion and amounts.

The foregoing is only a summary of the SEC Order, NYAG Settlement and Kansas Order. A copy of the SEC Order is available on the SEC's website at [www.sec.gov](http://www.sec.gov). A copy of the SEC Order, NYAG Settlement and Kansas Order is available as part of the Waddell & Reed Financial, Inc. Form 8-K as filed on July 24, 2006.

In addition, pursuant to the terms of agreement in the dismissal of separate litigation, Waddell & Reed has also agreed to extend the reduction in the aggregate investment management fees paid by the Funds, as described above, for an additional five years.

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# Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders,  
Waddell & Reed Advisors Vanguard Fund, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Waddell & Reed Advisors Vanguard Fund, Inc. (the “Fund”), as of June 30, 2008, and the related statement of operations for the fiscal year then ended, the statements of changes in net assets for each of the two fiscal years in the period then ended, and the financial highlights for each of the five fiscal years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of June 30, 2008, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Waddell & Reed Advisors Vanguard Fund, Inc. as of June 30, 2008, the results of its operations for the fiscal year then ended, the changes in its net assets for each of the two fiscal years in the period then ended, and the financial highlights for each of the five fiscal years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Kansas City, Missouri  
August 15, 2008

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## Income Tax Information

The following information is provided solely to satisfy the requirements set forth by the Internal Revenue Code. Shareholders will be provided information regarding their distributions in 2009.

The Fund designated \$4,671,341 of dividends paid from net ordinary income as dividends qualifying for the 70% dividends received deduction for corporations or \$4,650,362 as qualified dividend income for individuals for the tax period ending June 30, 2008.

The Fund designated \$163,993,532 as distributions of long-term capital gains. These amounts may include earnings and profits distributed to shareholders on the redemption of shares as part of the dividend paid deduction.

The tax status of dividends paid will be reported to you on Form 1099-DIV after the close of the applicable calendar year.

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# The Board of Directors of Waddell & Reed Advisors Vanguard Fund, Inc.

Each of the individuals listed below serves as a director for the Fund, and for the other portfolios within the Waddell & Reed Advisors Funds (21 portfolios), Waddell & Reed InvestEd Portfolios, Inc. (three portfolios) and W&R Target Funds, Inc.\* (25 portfolios) (collectively, the Advisors Fund Complex), except that Robert L. Hechler is not a Director of W&R Target Funds, Inc.\* The Advisors Fund Complex, together with the Ivy Family of Funds, comprises the Waddell & Reed/Ivy Fund Complex (Fund Complex). The Ivy Family of Funds consists of the portfolios in the Ivy Funds (17 portfolios) and Ivy Funds, Inc. (12 portfolios).

Board members who are not “interested persons” of the Funds as defined in Section 2(a)(19) of the 1940 Act (Disinterested Directors) constitute at least 75% of the Board.

David P. Gardner serves as the Independent Chairman of the Fund’s Board and of the board of directors of the other funds in the Advisors Fund Complex. Subject to the Director Emeritus and Retirement Policy, a Director serves until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

## **Additional Information about Directors**

The Statement of Additional Information (SAI) for the Fund includes additional information about the Fund’s directors. The SAI is available without charge, upon request, by calling 1.888.WADDELL. It is also available on the Waddell & Reed website, [www.waddell.com](http://www.waddell.com).

\*Changed to Ivy Funds Variable Insurance Portfolios, Inc. effective July 31, 2008.

## DISINTERESTED DIRECTORS

Name, address and year of birth	Position(s) held with the Fund and Fund complex	Principal occupation during past 5 years	Other directorships held
Jarold W. Boettcher 6300 Lamar Avenue Overland Park, KS 66202 1940	Fund Director since 2007  Director in Fund Complex since 2003	President of Boettcher Enterprises, Inc. (agricultural products and services) (1979 to present), Boettcher Supply, Inc. (electrical plumbing supplies distributor) (1979 to present) and Boettcher Ariel, Inc. (1979 to present); Member of Kansas Board of Regents (2007 to present)	Director of Guaranty State Bank & Trust Co. (financial services), Director of Guaranty, Inc. (financial services); Director, Ivy Funds, Inc.; Trustee, Ivy Funds (29 portfolios overseen)
James M. Concannon 6300 Lamar Avenue Overland Park, KS 66202 1947	Fund Director since 1997  Director in Fund Complex since 1997	Professor of Law, Washburn School of Law (1988 to present)	Director, Kansas Legal Services for Prisoners, Inc.
John A. Dillingham 6300 Lamar Avenue Overland Park, KS 66202 1939	Fund Director since 1997  Director in Fund Complex since 1997	President and Director, JoDill Corp. (1997 to present) and Dillingham Enterprises, Inc. (1997 to present), both farming enterprises	Advisory Director, UMB Northland Board (financial services); Past President, Liberty Memorial Association (WWI National Museum) (2005–2007); Director, Northland Betterment Commission (community service)
David P. Gardner 6300 Lamar Avenue Overland Park, KS 66202 1933	Fund Director since 1998  Director in Fund Complex since 1998  Fund Independent Chairman since 2006	Senior Advisor to the President, J. Paul Getty Trust (arts trust) (until 2006); Professor, University of Utah (non-profit education) (until 2005)	Director, Fluor Corporation (construction and engineering) (until 2005); Director, Salzberg Seminar (non-profit education) (2003–2005)

<b>Name, address and year of birth</b>	<b>Position(s) held with the Fund and Fund complex</b>	<b>Principal occupation during past 5 years</b>	<b>Other directorships held</b>
Joseph Harroz, Jr. 6300 Lamar Avenue Overland Park, KS 66202 1967	Fund Director since 1998  Director in Fund Complex since 1998	President and Chief Operating Officer, Graymark HealthCare (medical holding company) (2008); Vice President and General Counsel of the Board of Regents, University of Oklahoma (1996 to 2008); Adjunct Professor, University of Oklahoma School of Law (1997 to 2008); Managing Member, Harroz Investments, LLC (commercial enterprise investments) (1998 to present); LSQ Manager, Inc. (2007 to present)	Director and Shareholder, Valliance Bank; Director, Melbourne Family Support Organization (non-profit); Director, Norman Economic Development Coalition (non-profit); Chairman and Director, Ivy Funds, Inc.; Chairman and Trustee, Ivy Funds (29 portfolios overseen)
John F. Hayes 6300 Lamar Avenue Overland Park, KS 66202 1919	Fund Director since 1988  Director in Fund Complex since 1988	Shareholder, Gilliland & Hayes, P.A., a law firm (for past 5 years); formerly, Chairman, Gilliland & Hayes (until 2003)	Director, Central Bank & Trust; Director, Central Financial Corporation (financial services)
Albert W. Herman FHFMA, CPA 6300 Lamar Avenue Overland Park, KS 66202 1938	Fund Director since 2008  Director in Fund Complex since 2008	Business Consultant; Treasurer and Director, Wellness Council of America (health care initiatives) (1996 to present)	Finance Committee Member, Ascension Health (non-profit health system); Director, Baylor Health Care System Foundation (health care)
Glendon E. Johnson, Sr. 6300 Lamar Avenue Overland Park, KS 66202 1924	Fund Director since 1971  Director in Fund Complex since 1971	Chairman and Chief Executive Officer (CEO), Castle Valley Ranches, LLC (ranching and farming) (1995 to present)	Chairman Emeritus and CEO, Wellness Council of America (health care initiatives); Executive Board and Committee Member, Advisory Council of the Boy Scouts of America



<b>Name, address and year of birth</b>	<b>Position(s) held with the Fund and Fund complex</b>	<b>Principal occupation during past 5 years</b>	<b>Other directorships held</b>
Frank J. Ross, Jr. Polsinelli Shalton Flanigan Suelthaus, L.P. 700 West 47th Street, Ste. 1000 Kansas City, MO 64112 1953	Fund Director since 1996  Director in Fund Complex since 1996	Shareholder/Director, Polsinelli Shalton Flanigan Suelthaus, L.P., a law firm (1980 to present)	Director, Columbian Bank & Trust; Director, American Red Cross (social services); Director, Rockhurst University (education); Director, CarEntrust, Inc. (health care technology)
Eleanor B. Schwartz 6300 Lamar Avenue Overland Park, KS 66202 1937	Fund Director since 1995  Director in Fund Complex since 1995	Professor Emeritus, University of Missouri at Kansas City (2003 to present); formerly, Professor of Business Administration, University of Missouri at Kansas City (until 2003)	Director, Ivy Funds, Inc.; Trustee, Ivy Funds (29 portfolios overseen)

## INTERESTED DIRECTORS

Messrs. Avery and Herrmann are “interested” by virtue of their current or former engagement as officers of Waddell & Reed Financial, Inc. (WDR) or its wholly owned subsidiaries, including the Fund’s investment manager, Waddell & Reed Investment Management Company (WRIMCO), the Fund’s principal underwriter, Waddell & Reed, Inc. (Waddell & Reed), and the Fund’s shareholder servicing and accounting services agent, Waddell & Reed Services Company (WRSCO), as well as by virtue of their personal ownership in shares of WDR. Mr. Hechler could be determined to be an interested Director if a prior business relationship with Waddell & Reed were deemed material.

<b>Name, address and year of birth</b>	<b>Position(s) held with the Fund and Fund complex</b>	<b>Principal occupation during past 5 years</b>	<b>Other directorships held</b>
Michael L. Avery 6300 Lamar Avenue Overland Park, KS 66202 1953	Fund Director since 2007  Director in Fund Complex since 2007	Chief Investment Officer (CIO) of WDR, WRIMCO and Ivy Investment Management Company (IICO), an affiliate of WDR; Senior Vice President of WDR; Executive Vice President of WRIMCO and IICO; portfolio manager for investment companies managed by WRIMCO and IICO (1994 to present); Director of Research for WRIMCO and IICO (1987 to 2005)	Director of WDR, WRIMCO and IICO
Robert L. Hechler 6300 Lamar Avenue Overland Park, KS 66202 1936	Fund Director since 1998  Director in Fund Complex since 1998	Formerly, Consultant of WDR and Waddell & Reed (2001 to 2008); formerly, Director of WDR (until 2003)	None
Henry J. Herrmann 6300 Lamar Avenue Overland Park, KS 66202 1942	Fund President since 2001  Fund Director since 1998  Director in Fund Complex since 1998	CEO of WDR (2005 to present); President, CEO and Chairman of WRIMCO (1993 to present); President, CEO and Chairman of IICO, an affiliate of WDR (2002 to present); formerly, President and CIO of WDR, WRIMCO and IICO (until 2005); President and Director/Trustee of each of the funds in the Fund Complex	Director of WDR, WRSCO and Waddell & Reed; Director, Ivy Funds, Inc.; Trustee, Ivy Funds (29 portfolios overseen); Director, Austin, Calvert & Flavin, Inc., an affiliate of WRIMCO

## OFFICERS

The Board has appointed officers who are responsible for the day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Herrmann, who is President, the Fund's officers are:

<b>Name, address and year of birth</b>	<b>Position(s) held with the Fund</b>	<b>Principal occupation during past 5 years</b>	<b>Other directorships held</b>
Mara D. Herrington 6300 Lamar Avenue Overland Park, KS 66202 1964	Fund Vice President since 2006  Fund Secretary since 2006	Vice President and Secretary of each of the funds in the Fund Complex (2006 to present); Vice President of WRIMCO and IICO (2006 to present); formerly, Vice President and Associate General Counsel, Deutsche Investment Management Americas, Inc. (financial services) (1994 to 2005)	None
Joseph W. Kauten 6300 Lamar Avenue Overland Park, KS 66202 1969	Fund Vice President since 2006  Fund Treasurer since 2006  Fund Principal Accounting Officer since 2006  Fund Principal Financial Officer since 2007	Principal Financial Officer of each of the funds in the Fund Complex (2007 to present); Vice President, Treasurer and Principal Accounting Officer of each of the funds in the Fund Complex (2006 to present); Assistant Treasurer of each of the funds in the Fund Complex (2003 to 2006); Senior Manager, Deloitte & Touche LLP (2001 to 2003)	None

<b>Name, address and year of birth</b>	<b>Position(s) held with the Fund</b>	<b>Principal occupation during past 5 years</b>	<b>Other directorships held</b>
Kristen A. Richards 6300 Lamar Avenue Overland Park, KS 66202 1967	Fund Vice President since 2000  Fund Assistant Secretary since 2006  Fund Associate General Counsel since 2000	Senior Vice President of WRIMCO and IICO (2007 to present); Associate General Counsel and Chief Compliance Officer of WRIMCO (2000 to present) and IICO (2002 to present); Vice President and Associate General Counsel of each of the funds in the Fund Complex (2000 to present); Assistant Secretary of each of the funds in the Fund Complex (2006 to present); formerly, Vice President of WRIMCO (2000 to 2007) and IICO (2002 to 2007); formerly, Secretary of each of the funds in the Fund Complex (2000 to 2006)	None
Scott J. Schneider 6300 Lamar Avenue Overland Park, KS 66202 1968	Fund Vice President since 2006  Director in Fund Complex since 2006  Fund Chief Compliance Officer since 2004	Chief Compliance Officer (2004 to present) and Vice President (2006 to present) of each of the funds in the Fund Complex; formerly, Senior Attorney and Compliance Officer for each of the Funds in the Fund Complex (2000 to 2004)	None
Daniel C. Schulte 6300 Lamar Avenue Overland Park, KS 66202 1965	Fund Vice President since 2000  Fund General Counsel since 2000  Fund Assistant Secretary since 2000	Senior Vice President and General Counsel of WDR, Waddell & Reed, WRIMCO and WRSCO (2000 to present); Senior Vice President and General Counsel of IICO (2002 to present); Vice President, General Counsel and Assistant Secretary of each of the funds in the Fund Complex (2000 to present)	None

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# Annual Privacy Notice

Waddell & Reed, Inc., Waddell & Reed Advisors Group of Mutual Funds and Waddell & Reed InvestEd Portfolios, Inc. (Waddell & Reed) are committed to ensuring their customers have access to a broad range of products and services to help them achieve their personal financial goals. In the course of doing business with Waddell & Reed, customers are requested to share financial information and they may be asked to provide other personal details. Customers can be assured that Waddell & Reed is diligent in its efforts to keep such information confidential.

## Recognition of a Customer's Expectation of Privacy

At Waddell & Reed, we believe the confidentiality and protection of customer information is one of our fundamental responsibilities. And while information is critical to providing quality service, we recognize that one of our most important assets is our customers' trust. Thus, the safekeeping of customer information is a priority for Waddell & Reed.

## Information Collected

In order to tailor available financial products to your specific needs, Waddell & Reed may request that you complete a variety of forms that require nonpublic personal information about your financial history and other personal details, including but not limited to, your name, address, social security number, assets, income and investments. Waddell & Reed may also gather information about your transactions with us, our affiliates and others.

## Categories of Information that may be Disclosed

While Waddell & Reed may disclose information it collects from applications and other forms, as described above, we at Waddell & Reed also want to assure all of our customers that whenever information is used, it is handled with discretion. The safeguarding of customer information is an issue we take seriously.

## Categories of Parties to whom we disclose nonpublic personal information

Waddell & Reed may disclose nonpublic personal information about you to the following types of third parties: selectively chosen financial service providers, whom we believe have valuable products or services that could benefit you. Whenever we do this, we carefully review the company and the product or service to make sure that it provides value to our customers. We share the minimum amount of information necessary for that company to offer its product or service. We may also share information with unaffiliated companies that assist us in providing our products and services to our customers; in the normal course of our business (for example, with consumer reporting agencies and government agencies); when legally required or permitted in connection with fraud investigations and litigation; and at the request or with the permission of a customer.

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## **Opt Out Right**

If you prefer that we not disclose nonpublic personal information about you to nonaffiliated third parties, you may opt out of those disclosures, that is, you may direct us not to make those disclosures (other than disclosures permitted by law). If you wish to opt out of disclosures to nonaffiliated third parties, please provide a written request to opt out with your name and account number(s) or social security number to: Waddell & Reed, Attn: Opt Out Notices, P.O. Box 29220, Shawnee Mission, Kansas 66201. You may also call 1.888.WADDELL and a Client Services Representative will assist you.

## **Confidentiality and Security**

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information. If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

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# Proxy Voting Information

## Proxy Voting Guidelines

A description of the policies and procedures Waddell & Reed Advisors Group of Mutual Funds uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 1.888.WADDELL and (ii) on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

## Proxy Voting Records

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on Form N-PX through Waddell & Reed's website at [www.waddell.com](http://www.waddell.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

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## Quarterly Portfolio Schedule Information

A complete schedule of portfolio holdings for the first and third quarters of each fiscal year will be filed with the Securities and Exchange Commission (SEC) on the Fund's Form N-Q. This form may be obtained in the following ways:

- On the SEC's website at [www.sec.gov](http://www.sec.gov).
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.
- On Waddell & Reed's website at [www.waddell.com](http://www.waddell.com).



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## Householding Notice

If you currently receive one copy of the shareholder reports and prospectus for your household (even if more than one person in your household owns shares of the Fund) and you would prefer to receive separate shareholder reports and prospectuses for each account holder living at your address, you can do either of the following:

Fax your request to 800.532.2749.

Write to us at the address listed on the back cover.

Please list each account for which you would like to receive separate shareholder reports and prospectus mailings. We will resume sending separate documents within 30 days of receiving your request.

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## To All Traditional IRA Planholders:

As required by law, we are hereby providing notice to you that income tax may be withheld automatically from any distribution or withdrawal from a traditional IRA. The Fund is generally required to withhold taxes unless you make a written election not to have taxes withheld. The election may be made on the distribution/withdrawal form provided by Waddell & Reed, Inc. which can be obtained from your Waddell & Reed financial advisor or by submitting Internal Revenue Service Form W-4P. Once made, an election can be revoked by providing written notice to Waddell & Reed, Inc. If you elect not to have tax withheld you may be required to make payments of estimated tax. Penalties may be imposed by the IRS if withholding and estimated tax payments are not adequate.

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## The Waddell & Reed Advisors Funds Family

### Global/International Funds

- Waddell & Reed Advisors Global Bond Fund
- Waddell & Reed Advisors International Growth Fund

### Domestic Equity Funds

- Waddell & Reed Advisors Accumulative Fund
- Waddell & Reed Advisors Core Investment Fund
- Waddell & Reed Advisors Dividend Opportunities Fund
- Waddell & Reed Advisors New Concepts Fund
- Waddell & Reed Advisors Small Cap Fund
- Waddell & Reed Advisors Tax-Managed Equity Fund
- Waddell & Reed Advisors Value Fund
- Waddell & Reed Advisors Vanguard Fund

### Fixed Income Funds

- Waddell & Reed Advisors Bond Fund
- Waddell & Reed Advisors Government Securities Fund
- Waddell & Reed Advisors High Income Fund
- Waddell & Reed Advisors Municipal Bond Fund
- Waddell & Reed Advisors Municipal High Income Fund

### Money Market Funds

- Waddell & Reed Advisors Cash Management

### Specialty Funds

- Waddell & Reed Advisors Asset Strategy Fund
- Waddell & Reed Advisors Continental Income Fund
- Waddell & Reed Advisors Energy Fund
- Waddell & Reed Advisors Retirement Shares
- Waddell & Reed Advisors Science and Technology Fund

1.888.WADDELL

Visit us online at [www.waddell.com](http://www.waddell.com)

Investors should consider the investment objectives, risks, charges and expenses of a fund carefully before investing. For a prospectus containing this and other information for the Waddell & Reed Advisors Funds, call your financial advisor or visit us online at [www.waddell.com](http://www.waddell.com). Please read the prospectus carefully before investing.



6300 Lamar Avenue  
P.O. Box 29217  
Shawnee Mission, KS 66201-9217

[www.waddell.com](http://www.waddell.com)

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