

# Vanguard<sup>®</sup> Eurozone Inflation-Linked Bond Index Fund

## An Index-Related Fund

28 February 2011

### Investment objective

The fund seeks to provide returns consistent with performance of the Barclays Capital Eurozone Inflation-Linked Bond Index, a market-weighted bond index of euro denominated inflation-linked government securities within the Eurozone.

### Investment strategy

The fund employs a "passive management"—or indexing—strategy designed to track the performance of the index. This market-weighted index is designed to serve as a hedge against inflation in the Eurozone region.

### Fund returns\*

#### Vanguard Eurozone Inflation-Linked Bond Index Fund—EUR

	Investor Shares		Institutional Shares		Barclays Capital Global Inflation-Linked: Eurozone Bond Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	0.59%	0.62%	0.60%	0.62%	0.61%	0.61%
3 months	1.83	1.91	1.86	1.91	1.87	1.87
Year to date	1.20	1.25	1.22	1.25	1.23	1.23
1 year	-0.44	-0.15	-0.35	-0.15	-0.29	-0.29
3 years	—	—	1.92	2.13	2.00	2.00
5 years	—	—	2.13	2.33	2.22	2.22
Since inception	3.19	3.50	2.18	2.39	3.32	2.28

### Total expense ratio

	Investor Shares	Institutional Shares
Administrative and other expenses	0.16%	0.06%
Investment management expenses	0.14	0.14
Total expense ratio	0.30%	0.20%

### Fund facts

	Investor Shares	Institutional Shares
<b>Inception date</b>		
EUR	07 April 2009	31 May 2005
<b>Purchase fee</b>	0.25%	0.25%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (EUR)</b>		
Bloomberg	VANEZIV	VANEZON
ISIN	IE00B04GQQ17	IE00B04GQR24
Sedol	B04GQQ1	B04GQR2
Valoren	2180044	2180023
Vanguard Fund Code	VEIVE	VEISE
<b>Minimum initial investment</b>		
EUR	100,000	500,000
<b>Domicile</b>		<b>Currencies</b>
Ireland		EUR
<b>Trading frequency</b>		<b>Settlement</b>
Daily (11.00 GMT cutoff)		T+3
<b>Total assets</b>		<b>Structure</b>
USD (millions) 184		UCITS III
EUR (millions) 133		

### Investment Manager

#### The Vanguard Group, Inc. (Vanguard)

Gregory Davis, CFA, Principal, Head of Bond Index Group  
Portfolio manager.  
Advised the fund since 2005.  
Worked in investment management since 1999.  
B.S., Pennsylvania State University.  
M.B.A., The Wharton School of the University of Pennsylvania.

Didier Haenecour, Head of Europe Bond Index Group  
Portfolio manager.  
Advised the fund since 2009.  
Worked in investment management since 1993.  
B.S., HEC Saint Louis, Brussels.  
M.S., South Bank University, London.

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

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### Quarterly fund commentary as at 31 December 2010

- The European Central Bank (ECB) left rates unchanged for the fourth quarter, influenced by contained inflation and heightened uncertainty about the peripheral countries' fiscal health. The world economy continued to recover, but concerns over debt contagion and future inflation hurt returns in the region. Although inflation is a risk, the ECB remains confident it has the necessary tools to maintain price stability.
- Fears about the fiscal health of the peripheral countries (e.g., Ireland and Spain) during the quarter influenced investors to sell bonds in the euro area in a search for relatively safer alternatives. For the quarter, the yield of the general 2-year euro bond increased 3 basis points to 0.86%, the yield of the 10-year euro bond increased 68 basis points to 2.96%, and the yield of the 30-year euro bond increased 54 basis points to 3.41%. The fund's return was in line with that of its benchmark.
- Energy and non-energy commodity prices influenced the market's inflation expectations, which increased, as measured by the Eurozone inflation-indexed bonds in Italy, from 1.59% to 1.84%.
- For the 12 months ended 31 December, the fund's return was in line with that of its benchmark. However, the dispersion in returns by country was wide—France returned 3.75%, Germany 5.22%, Italy -4.70%, and Greece -43.45%—given the fiscal uncertainty in the peripheral countries.

All returns are based in euro.

### Fund characteristics

	Eurozone Inflation-Linked Bond Index	Barclays Global Inflation-Linked: Eurozone Bond Index
Number of bonds	19	19
Effective YTM	3.56	3.56
Average coupon	2.2%	2.2%
Average maturity	9.8 years	9.8 years
Average quality	Aa1	Aa1
Average duration	8.1 years	8.1 years
Cash investment	0.0%	—

### Distribution by maturity

	Eurozone Inflation-Linked Bond Index
Less than 5 years	46.0%
5 to less than 10 years	32.7
More than 10 years	21.3
Total	100.0%

### Market diversification

	Eurozone Inflation-Linked Bond Index
Eurozone Gov't	
France	38.1
Germany	18.5
Greece	0.0
Italy	43.4
Total	100.0%

### Volatility

	R-Squared	Beta
Institutional Shares	1.00	0.99

R-squared and beta are calculated from trailing 36-month fund returns relative to the Barclays Capital Global Inflation-Linked: Eurozone Bond Index in EUR.

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