



Vanguard® Eurozone Inflation-Linked Bond Index Fund

An Index-Related Fund

30 June 2010

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 | -2.07% | -2.05% | -2.07% | -2.05% | -2.05% | -2.05% |
| 3 months | -3.13 | -3.06 | -3.11 | -3.06 | -3.06 | -3.06 |
| Year to date | -1.89 | -1.74 | -1.84 | -1.74 | -1.78 | -1.78 |
| 1 year | 2.22 | 2.53 | 2.32 | 2.53 | 2.34 | 2.34 |
| 3 years | — | — | 4.56 | 4.77 | 4.67 | 4.67 |
| 5 years | — | — | 2.11 | 2.31 | 2.22 | 2.22 |
| Since inception | 4.47 | 4.78 | 2.34 | 2.55 | 4.61 | 2.46 |

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 |
|-----------------------------------|-----------------|----------------------|
| Inception date | | |
| EUR | 07 April 2009 | 31 May 2005 |
| Purchase fee | 0.25% | 0.25% |
| Redemption fee | 0.00% | 0.00% |
| Fund codes (EUR) | | |
| Bloomberg | VANEZIV | VANEZON |
| ISIN | IE00B04GQQ17 | IE00B04GQR24 |
| Sedol | B04GQQ1 | B04GQR2 |
| Vanguard Fund Code | VEIVE | VEISE |
| Minimum initial investment | | |
| EUR | 100,000 | 500,000 |

| | |
|--------------------------|-------------------|
| Domicile | Currencies |
| Ireland | EUR |
| Trading frequency | Settlement |
| Daily (11.00 GMT cutoff) | T+3 |
| Total assets | Structure |
| USD (millions) 395 | UCITS III |
| EUR (millions) 322 | |

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 30 June 2010

- Investors flocked to fixed income in the second quarter, prompted by the absence of global inflationary pressures and concern about global risks. The euro government bond yields declined across the curve as investors sought safety in European fixed income investments rather than participate in equity market volatility. For the quarter ended June 30, the yield of the general 2-year euro bond decreased 36 basis points to 0.60%; the yield of the 10-year euro bond decreased 51 basis points to 2.58%; and the yield of the 30-year euro bond decreased 53 basis points to 3.29%. In the quarter, the fund returned -3.11%, slightly beating the benchmark.
- The European Central Bank's belief that inflationary concerns remain anchored was borne out by decreases in the break-even rates of Eurozone inflation-indexed bonds. In Italy, for example, the market's break-even inflation expectation, fell from 2.20% to 1.33% during the quarter; in France, it fell from 2.41% to 2.1%.
- For the 12 months ended 30 June, the fund gained 2.32%, in line with its benchmark.

All returns are based in euro.

Fund characteristics

| | Eurozone Inflation-Linked Bond Index | Barclays Global Inflation-Linked: Eurozone Bond Index |
|------------------|--|---|
| Number of bonds | 17 | 17 |
| Effective YTM | 2.97 | 2.97 |
| Average coupon | 2.2% | 2.2% |
| Average maturity | 10.5 years | 10.5 years |
| Average quality | Aa1 | Aa1 |
| Average duration | 8.6 years | 8.6 years |
| Cash investment | -0.2% | — |

Distribution by maturity

| | Eurozone Inflation-Linked Bond Index |
|-------------------------|--|
| Less than 5 years | 26.9% |
| 5 to less than 10 years | 32.3 |
| More than 10 years | 40.8 |
| Total | 100.0% |

Market diversification

| | Eurozone Inflation-Linked Bond Index |
|-----------------------|--|
| Eurozone Gov't | |
| France | 38.9 |
| Germany | 16.9 |
| Greece | 0.0 |
| Italy | 44.2 |
| Total | 100.0% |

Volatility

| | R-Squared | Beta |
|----------------------|-----------|------|
| Institutional Shares | 1.00 | 1.00 |

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.

For more information

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