



Vanguard® Eurozone Inflation-Linked Bond Index Fund

An Index-Related Fund

31 January 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	-1.30%	-1.28%	-1.29%	-1.28%	-1.28%	-1.28%
3 months	-0.33	-0.26	-0.31	-0.25	-0.35	-0.35
Year to date	-1.30	-1.28	-1.29	-1.28	-1.28	-1.28
1 year	—	—	7.74	7.95	7.80	7.80
3 years	—	—	4.14	4.34	4.21	4.21
Since inception	6.15	6.41	2.67	2.88	6.24	2.79

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) 429		UCITS III
EUR (millions) 308		

Investment Manager

Vanguard Fixed Income Group
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 2009

- The European Central Bank left its key interest rate unchanged for the fourth quarter. The decision was based on the belief that the Eurozone will experience moderate growth in 2010 and that inflationary pressures are contained. The fund beat its benchmark for the period.
- Generally speaking, yields across the yield curve were higher over the quarter. Positive economic news and increased longer-term inflationary concerns encouraged investors to move assets to equities while also demanding higher yields on fixed income investments. For the quarter ended 31 December, the yield of the general 2-year euro bond increased 7 basis points to 1.33%; the yield of the 10-year euro bond increased 16 basis points to 3.38%; and the yield of the 30-year euro bond increased 16 basis points to 4.11%.
- Yields of Eurozone inflation-indexed bonds were mixed for the quarter. For example, the yield of the 10-year inflation-indexed Italian bond—Italy represented 42% of the index's capitalization at quarter-end—decreased 3 basis points, to 1.84%, while the yield of the nominal Italian government bond increased 12 basis points, to 4.13%. As a result, the market's breakeven inflation expectation increased from 2.14% to 2.29% in the period. Other breakeven inflation rates within the Eurozone stayed relatively the same or declined slightly.
- For the 12 months ended 31 December, the fund gained 8.41%, a result that, while closely tracking the fund's benchmark, trailed by an amount primarily stemming from the expense ratio.

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	3.51	3.51
Average coupon	2.3%	2.3%
Average maturity	11.1 years	11.2 years
Average quality	Aa2	Aa2
Average duration	9.0 years	9.0 years
Cash investment	0.1%	—

Distribution by maturity

	Eurozone Inflation-Linked Bond Index
Less than 5 years	27.1
5 to less than 10 years	27.5
More than 10 years	45.4
Total	100.0%

Market diversification

	Eurozone Inflation-Linked Bond Index
Eurozone Gov't	
France	36.0
Germany	15.2
Greece	5.8
Italy	43.0
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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