

**Vanguard®**

Vanguard® 30-40 Year Duration Euro Index Fund

An Index-Related Fund

30 June 2010

Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital EUR 30-40 Year Zero Coupon Equal Notional Swaps Index, an equal-weighted notional swap index of annual euro-denominated zero coupon swaps with maturities between 30 and 40 years.

Investment strategy

The Investment Manager seeks to invest in financial derivatives instruments, principally very long duration zero coupon swap agreements, in order to replicate the performance of the index less Euribor.

Fund returns***Vanguard 30-40 Year Duration Euro Index Fund—EUR**

	Barclays Capital Euro 30-40 Year Zero Coup Eq Notional Swap Idx in EUR		
	Net of expenses	Gross of expenses	Institutional Shares
1 month	-2.65%	-2.63%	-0.69%
3 months	16.54	16.63	18.61
Year to date	26.56	26.74	28.42
1 year	35.34	35.74	36.24
Since inception	23.21	23.58	25.27

Total expense ratio

Administrative and other expenses	0.16%
Investment management expenses	0.14
Total expense ratio	0.30%

Fund facts

Inception date	29 August 2007
EUR	
Purchase fee	1.00%
Redemption fee	0.75%
Fund codes (EUR)	
Bloomberg	VGYDEII
ISIN	IE00B246KM95
Sedol	B246KM9
Vanguard Fund Code	VYDES
Minimum initial investment	
EUR	500,000

Domicile	Ireland	Currencies	EUR
Trading frequency	Daily (11.00 GMT cutoff)	Settlement	T+3
Total assets	USD (millions) 98	Structure	UCITS III
	EUR (millions) 80		

Investment Manager**The Vanguard Group, Inc. (Vanguard)**

Gregory Davis, CFA, Principal, Head of Bond Index Group
Portfolio manager.
Advised the fund since 2007.
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

- Despite occasional signs that the benefits of the economic recovery were beginning to be felt in the Eurozone—among them, the fact that in May the unemployment rate held steady at 10% for a third consecutive month—the quarter was primarily characterised by persistent sovereign-debt concerns. This uneasiness led to a spike in risk aversion as investors sought a safe haven for their investments. In addition, demand increased for longer-maturity bonds, as yields on 30-year Eurozone government bonds fell 53 bps, to 3.29%.
- Given this environment, the Barclays Capital EUR 30–40 Year Zero Coupon Equal Notional Swaps Index posted impressive results, returning 18.61%, while the fund underperformed the index (+16.54%).
- Because of the fund's sampling methodology, deviations in performance—whether positive or negative—can be expected. The fund's return over the period is attributable to small differences between the fund's weightings and the weightings of the corresponding issues in the benchmark. Over time, these differences should even out as a result of the advisor's refined indexing methodology and close attention to risk control.
- For the 12 months ended 30 June, the index returned 36.24%. The fund underperformed the benchmark, returning 35.34%, a result of its expenses and sampling.
- Investors should note that this fund is designed primarily for institutional and other investors seeking to moderate changes in the ratio of long-term assets to liabilities, and may exhibit substantial short-term volatility due to its enhanced interest rate risk.

All returns are based in euro.

Fund characteristics

	30-40 Year Duration Euro Index Fund	Barclays 30–40 Year Zero Coupon Equal Notional Swaps Index
Number of swaps	56	10
Number of bonds	73	0
Effective YTM	3.11	3.10
Average coupon	0.0%	0.0%
Average maturity	35.0 years	35.0 years
Average quality	Aa2	Aa2
Average duration	34.3 years	34.3 years
Cash investment	0.0%	—

Distribution by credit quality

	30-40 Year Duration Euro Index Fund
Floating Rate Notes	39.5%
AAA	13.9
AA	42.7
A	2.9
Less than A	0.0
Not Rated	0.0
Government	1.0%
Total	100.0%

Credit-quality ratings for each issue are obtained from Barclays Capital using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poor's. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Distribution by maturity

	30-40 Year Duration Euro Index Fund
1/1/2041	11.2%
1/1/2042	10.9
1/1/2043	10.6
1/1/2044	10.4
1/1/2045	10.1
1/1/2046	9.8
1/1/2047	9.6
1/1/2048	9.4
1/1/2049	9.1
1/1/2050	8.9
Total	100.0%

For more information

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