



Vanguard[®]

Vanguard[®] Global Bond Index

An Index-Related Fund

30 June 2010

Investment objective

The fund seeks to provide current returns consistent with the performance of the Index, a market-weighted index of global government, government-related agencies, corporate and securitized fixed-income investments.

Investment strategy

The fund employs an indexing investment approach designed to track the performance of the Barclays Capital Global Aggregate Bond Index. The index measures a wide spectrum of global government, government-related agencies, corporate and securitized fixed-income investments, all with maturities greater than one year. In contrast to a fund that tracks a benchmark by fully replicating the index, the sub-funds that comprise the Global Bond Index Fund each invest in a broadly diversified representative sample of their respective benchmark.

Fund returns*

Vanguard Global Bond Index—USD Hedged

| | Institutional Hedged | | Barclays Capital Global Aggregate Bond Index |
|-----------------|----------------------|-------------------|--|
| | Net of expenses | Gross of expenses | |
| | | | Institutional Hedged |
| 1 month | 0.90% | 0.92% | 0.91% |
| 3 months | 2.27 | 2.34 | 2.26 |
| Year to date | 3.89 | 4.02 | 4.00 |
| 1 year | 7.44 | 7.71 | 7.67 |
| Since inception | 5.41 | 5.67 | 5.69 |

Vanguard Global Bond Index—CHF

| | Institutional Shares | | Institutional Hedged | | Barclays Capital Global Aggregate Bond Index | |
|-----------------|----------------------|-------------------|----------------------|-------------------|--|----------------------|
| | Net of expenses | Gross of expenses | Net of expenses | Gross of expenses | Institutional Shares | Institutional Hedged |
| 1 month | -5.23% | -5.21% | 0.76% | 0.78% | -5.24% | 0.79% |
| 3 months | 2.46 | 2.53 | 2.17 | 2.23 | 2.41 | 2.11 |
| Year to date | 3.92 | 4.05 | 3.78 | 3.90 | 3.99 | 3.81 |
| 1 year | — | — | 7.05 | 7.32 | 4.12 | 7.22 |
| Since inception | 2.23 | 2.44 | 6.48 | 6.75 | 2.39 | 6.65 |

Total expense ratio

| | Institutional Shares | Institutional Hedged† |
|-----------------------------------|----------------------|-----------------------|
| Administrative and other expenses | 0.09% | 0.09% |
| Investment management expenses | 0.16 | 0.16 |
| Total expense ratio | 0.25% | 0.25% |

Fund facts

| | Institutional Shares | Institutional Hedged |
|-----------------------------------|----------------------|----------------------|
| Inception date | | |
| USD | — | 31 March 2008 |
| CHF | 04 September 2009 | 30 January 2009 |
| Purchase fee | 0.20% | 0.20% |
| Redemption fee | 0.00% | 0.00% |
| Fund codes (USD) | | |
| Bloomberg | — | VANGBUH |
| ISIN | — | IE00B18GCB14 |
| Sedol | — | B18GCB1 |
| Vanguard Fund Code | — | VGBFF |
| Fund codes (CHF) | | |
| Bloomberg | VANGTSI | VANGRDI |
| ISIN | IE00B43TB865 | IE00B2RHVR18 |
| Sedol | B43TB86 | B2RHVR1 |
| Valoren | 10507325 | — |
| Vanguard Fund Code | VGBIF | VGBCC |
| Minimum initial investment | | |
| USD/CHF | 500,000 | 500,000 |
| Domicile | | Currencies |
| Ireland | | USD, CHF |
| Trading frequency | | Settlement |
| Daily T-1 (11.00 GMT cutoff) | | T+3 |
| Total assets | | Structure |
| USD (millions) 700 | | UCITS III |
| EUR (millions) 571 | | |

Investment Manager

The Vanguard Group, Inc. (Vanguard)

Gregory Davis, CFA, Principal, Head of Bond Index Group
Portfolio manager.
Advised the fund since 2008.
Worked in investment management since 1999.
B.S., Pennsylvania State University.
M.B.A., The Wharton School of the University of Pennsylvania.

Yan Pu, CFA
Portfolio manager.
Advised the fund since 2010.
Worked in investment management since 2000.
B.A., Ji'Nan University, P.R. China.
M.B.A., Drexel University.

*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.

Vanguard® Global Bond Index

Quarterly fund commentary as at 30 June 2010

- Global bonds gained ground in the second quarter despite credit-market tensions around the globe. For the quarter, the U.S. dollar-hedged version of the Barclays Capital Global Aggregate Bond Index returned 2.26%. The Global Bond Index Fund closely tracked the index.
- In stark contrast to first quarter of 2010, investors sought the safety of U.S. Treasuries, driving the yield of the 10-year note down 90 bps, to 2.93%. The U.S. Federal Reserve Board held its target federal funds rate steady during the quarter at a range of 0% to 0.25%. Across debt markets, spreads widened and issuance dropped as the European debt crisis loomed and U.S. economic data continued to be mixed.
- The European region (+0.84%), a 42% weighting in the index, lagged the United States (+3.52%) and the Asian-Pacific region (+2.27%). Lower-quality bonds (Baa, +0.17%) underperformed higher-quality bonds (AAA, +1.0%). Longer-term bonds beat their intermediate-term and short-term counterparts, as long-term bonds experienced the largest drop in yields.
- For the 12 months ended 30 June, the index returned 7.67%, and the fund closely tracked the benchmark. Lower-quality corporate bonds led returns in the index, with Baa bonds rising 14.57% and AAA bonds providing a more modest return of 7.43%. Corporate bonds posted double-digit gains (+14.0%), while government bonds lagged (+6.85%).

All returns are based in U.S. dollars.

Fund characteristics

| | Global Bond Index Fund | Barclays GA Bond Index Hedged |
|------------------|------------------------|-------------------------------|
| Number of bonds | 5,403 | 12,105 |
| Effective YTM | 2.34 | 2.40 |
| Average coupon | 3.9% | 3.9% |
| Average maturity | 7.2 years | 7.2 years |
| Average quality | Aa1 | Aa1 |
| Average duration | 5.3 years | 5.3 years |
| Cash investment | 0.3% | — |

Allocation of underlying Vanguard funds

| | Global Bond Index Fund |
|---------------------------|------------------------|
| Euro Govt Bond | 17.6% |
| Japan Govt Bond | 17.2 |
| US Government Bond | 16.8 |
| US Investment Grade Bnd | 13.4 |
| US Mortgage Backed Bnd | 11.2 |
| Individual Securities | 10.1 |
| Euro Investment Grade Bnd | 8.9 |
| UK Govt Bond | 2.7 |
| UK Investment Grade Bnd | 1.8 |
| Cash | 0.3 |
| Total | 100.0% |

Distribution by credit quality

| | Global Bond Index Fund |
|---------------|------------------------|
| AAA | 47.3 |
| AA | 29.8 |
| A | 10.6 |
| BBB | 5.8 |
| Less than BBB | 1.1 |
| Not Rated | 5.4 |
| 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.

Portfolio weights by currency

| | Global Bond Index Fund |
|----------------------|------------------------|
| United States Dollar | 41.3% |
| European Euro | 27.5 |
| Japanese Yen | 18.5 |
| British Pounds | 4.6 |
| Canadian Dollar | 2.8 |
| Australian Dollar | 1.0 |
| Korean Won | 1.0 |
| Swiss Franc | 0.7 |
| Danish Krone | 0.5 |
| Swedish Krona | 0.5 |
| Taiwan Dollar | 0.4 |
| Mexican Peso | 0.3 |
| Polish Zloty | 0.3 |
| Malaysian Ringitt | 0.2 |
| S. African Rand | 0.2 |
| Norwegian Krone | 0.1 |
| Singaporean Dollar | 0.1 |
| Total | 100.0% |

Distribution by issuer

| | Global Bond Index Fund |
|----------------------------|------------------------|
| Government | 55.8% |
| Agency | 2.6 |
| Treasury | 53.2 |
| Credit | 28.0% |
| Agencies | 6.7 |
| Financial Institutions | 6.9 |
| Industrial | 6.9 |
| Local Authorities | 2.9 |
| Sovereign | 1.1 |
| Supranational | 1.8 |
| Utility | 1.7 |
| Securitised | 15.9% |
| Asset Backed Security | 0.4 |
| Mortgage Backed Security | 11.2 |
| Covered | 3.3 |
| Commercial Mortgage Backed | 1.0 |
| Cash | 0.3% |
| Total | 100.0% |

For more information

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