



Vanguard[®]

Vanguard[®] Global Bond Index

An Index-Related Fund

28 February 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	0.39%	0.41%	0.47%
3 months	0.38	0.44	0.57
Year to date	1.41	1.45	1.50
1 year	7.32	7.59	7.60
Since inception	5.05	5.31	5.37

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	1.77%	1.77%	0.39%	0.41%	1.85%	0.46%
3 months	3.13	3.13	0.33	0.40	3.31	0.50
Year to date	4.20	4.20	1.41	1.45	4.28	1.48
1 year	—	—	6.81	7.08	4.63	7.13
Since inception	2.51	2.51	6.28	6.55	2.68	6.53

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) 597		UCITS III
EUR (millions) 437		

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.

*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 31 December 2009

- Returns across the global bond market were more subdued in the fourth quarter relative to earlier in 2009, although investors still favored the more aggressive sectors. In the fourth quarter, the U.S. dollar-hedged version of the Barclays Capital Global Aggregate Bond Index returned 0.29%. The Global Bond Index Fund closely tracked the index.
- The Federal Reserve held rates steady during the quarter at a range of 0% to 0.25%. The credit market continued to see spreads tighten relative to government debt, while the Treasury yield curve steepened during the quarter.
- The Asian-Pacific region (+0.6%), which has a 19.8% weighting in the index, outpaced the United States (+0.1%) and the European region (+0.2%) in the fourth quarter. The steepening of the Treasury yield curve weighed on Treasuries in the index, which lost 0.22% for the quarter. Corporate bonds posted positive returns, with financials (+2.0%) outperforming industrials (+1.2%) and utilities (+0.6%). In the securitized sector, asset-backed securities (+0.9%) and commercial mortgage-based securities (+2.5%) led the way, although gains were more subdued than in the third quarter. Lower quality bonds (Baa, +2.2%) continued to outpace higher quality bonds (AAA, -0.2%), which lost some ground in the fourth quarter. Longer maturities (+10 years) declined 1.1% in the fourth quarter while shorter maturities (1–3 years) gained 0.4%.
- For the 12 months ending 31 December, the U.S. dollar-hedged version of the Barclays Capital Global Aggregate Bond Index returned 5.09%. During the period, the Global Bond Index Fund closely tracked the results of the benchmark. Lower quality corporate bonds led returns of the index, with Baa bonds rising 26.9% compared with AAA bonds, which produced a more modest return of 2.6%. Corporate bonds had double-digit gains (+16.6%), while government bonds lagged (+1.4%).

All returns are based in U.S. dollars.

Fund characteristics

	Global Bond Index Fund	Barclays GA Bond Index Hedged
Number of bonds	5,354	12,105
Effective YTM	2.61	2.68
Average coupon	4.0%	4.0%
Average maturity	7.1 years	7.1 years
Average quality	Aa1	Aa1
Average duration	5.1 years	5.1 years
Cash investment	0.2%	—

Distribution by issuer

	Global Bond Index Fund
Government	54.9%
Agency	3.1
Treasury	51.8
Credit	26.2%
Agencies	6.4
Financial Institutions	6.5
Industrial	6.6
Local Authorities	2.8
Sovereign	1.0
Supranational	1.3
Utility	1.6
Securitized	18.9%
Asset Backed Security	0.6
Mortgage Backed Security	13.7
Covered	3.7
Commercial Mortgage-Backed	0.9
Total	100.0%

Distribution by credit quality

	Global Bond Index Fund
AAA	48.9
AA	28.4
A	10.0
BBB	6.3
Less than BBB	0.0
Not Rated	6.4
Total	100.0%

Portfolio weights by currency

	Global Bond Index Fund
United States Dollar	40.9%
European Euro	28.3
Japanese Yen	18.2
Pounds Sterling	5.0
Australian Dollar	0.9
Canadian Dollar	2.7
Chile Peso	0.0
Czech Koruna	0.0
Danish Krone	0.5
Hong Kong Dollar	0.0
Hungary Forint	0.0
Korean Won	0.9
Malaysia Ringitt	0.0
Mexican Peso	0.3
New Zealand Dollar	0.0
Norwegian Krone	0.2
Poland Zloty	0.3
S. African Rand	0.2
Singapore Dollar	0.1
Slovakia Koruna	0.0
Slovenia Tolar	0.0
Swedish Krona	0.5
Swiss Franc	0.6
Taiwan Dollar	0.4
Thai Baht	0.0
Total	100.0%

Allocation of underlying Vanguard funds

	Global Bond Index Fund
Euro Govt Bond	19.1%
Euro Investment Grade Bnd	9.5
UK Govt Bond	3.2
UK Investment Grade Bnd	1.8
US Government Bond	14.8
US Investment Grade Bnd	12.1
US Mortgage Backed Bnd	13.7
Japan Govt Bond	16.8
Individual Securities	9.0
Total	100.0%

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