

# Vanguard® Global Bond Index Fund

## An Index-Related Fund

28 February 2011

### Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital Global Aggregate Float Adjusted Bond 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 Float Adjusted 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 Fund—USD Hedged

	Institutional Hedged		Spliced Barclays Capital Global Agg Float Adjusted Index Hedged in USD	Institutional Hedged
	Net of expenses	Gross of expenses		
1 month	0.17%	0.19%		0.18%
3 months	-0.67	-0.61		-0.59
Year to date	-0.18	-0.14		-0.12
1 year	2.72	2.98		2.93
Since inception	4.24	4.51		4.53

#### Vanguard Global Bond Index Fund—CHF

	Institutional Shares		Institutional Hedged		Spliced Barclays Capital Global Agg Float Adjusted Index in CHF	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Institutional Shares	Institutional Hedged
1 month	-0.51%	-0.49%	0.14%	0.16%	-0.49%	0.16%
3 months	-4.77	-4.71	-0.78	-0.72	-4.72	-0.66
Year to date	0.50	0.54	-0.26	-0.22	0.52	-0.19
1 year	-8.29	-8.06	2.26	2.52	-8.14	2.45
Since inception	-4.07	-3.83	4.33	4.59	-3.86	4.55

### 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
<b>Inception date</b>		
USD	—	31 March 2008
CHF	04 September 2009	30 January 2009
<b>Purchase fee</b>	0.20%	0.20%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (USD)</b>		
Bloomberg	—	VANGBUH
ISIN	—	IE00B18GCB14
Sedol	—	B18GCB1
Valoren	—	2672139
Vanguard Fund Code	—	VGBFF
<b>Fund codes (CHF)</b>		
Bloomberg	VANGTSI	VANGRDI
ISIN	IE00B43TB865	IE00B2RHVR18
Sedol	B43TB86	B2RHVR1
Valoren	10507325	2116411
Vanguard Fund Code	VGBIF	VGBCC
<b>Minimum initial investment</b>		
USD/CHF	500,000	500,000
<b>Domicile</b>	Ireland	<b>Currencies</b> USD, CHF
<b>Trading frequency</b>	Daily T-1 (11.00 GMT cutoff)	<b>Settlement</b> T+3
<b>Total assets</b>	USD (millions) 815 EUR (millions) 590	<b>Structure</b> UCITS III

### 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.

Spliced Barclays Capital Global Aggregate Float Adjusted Bond Index: The benchmark for this portfolio was Barclays Capital Global Aggregate Bond Index through 30 June, 2010 and Barclays Capital Global Aggregate Float Adjusted Bond Index thereafter.

# Vanguard® Global Bond Index Fund

## Quarterly fund commentary as at 31 December 2010

- Investors' appetite for bonds dried up during the fourth quarter as yields in the United States rose on better-than-expected economic data and long-term deficit concerns, while sovereign debt concerns continued to apply upward pressure on yields across Europe. For the quarter, the U.S. dollar-hedged version of the Barclays Capital Global Aggregate Float Adjusted Index lost -1.68%. The Global Bond Index Fund closely tracked the index.
- Increased growth, inflation expectations, and fiscal stimulus in the U.S. pushed the 10-year U.S. Treasury yield up 78 basis points during the quarter to end the year at 3.29%. The Federal Reserve maintained its target fund rate at 0% to 0.25% and initiated its plans to purchase short- and intermediate-term Treasury Bonds during the quarter, causing the yield curve to steepen.
- Composing 34% of the index, Europe (-2.61%) was the laggard during the quarter, though losses were seen across nearly all regions in the Global Aggregate. Lower-quality bonds (Baa, -1.5%) outperformed higher-quality bonds (AAA, -1.7%). Longer-term bonds experienced the largest increase in yields, underperforming their intermediate-term and short-term counterparts.
- Despite ongoing global debt concerns and significant volatility across the yield curve, the index ended the year up 4.60%, and the fund closely tracked the benchmark. Corporate bonds (+7.3%) outperformed for the year as company balance sheets continued to hold record amounts of cash and margins continued to improve. Longer maturities and lower-quality bonds also benefited as investors' demand for yield outweighed their concerns surrounding the sustainability of a global recovery.

All returns are based in U.S. dollars.

## Fund characteristics

	Global Bond Index Fund	Spliced Barclays Capital Global Agg Float Adjusted Index Hedged in USD
Number of bonds	6,510	12,105
Effective YTM	2.73	2.77
Average coupon	3.8%	3.7%
Average maturity	7.5 years	7.5 years
Average quality	Aa1	Aa1
Average duration	5.4 years	5.4 years
Cash investment	0.0%	—

## Allocation of underlying Vanguard funds

	Global Bond Index Fund
Individual Securities	31.7%
Euro Govt Bond	17.7
US Investment Grade Bnd	13.3
US Mortgage Backed Bnd	10.4
Euro Investment Grade Bnd	9.4
US Government Bond	8.9
Japan Govt Bond	4.1
UK Govt Bond	2.6
UK Investment Grade Bnd	1.9
<b>Total</b>	<b>100.0%</b>

## Distribution by credit quality

	Global Bond Index Fund
AAA	48.2
AA	31.1
A	10.5
BBB	6.7
Less than BBB	0.0
Not Rated	3.5
<b>Total</b>	<b>100.0%</b>

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	39.7%
European Euro	27.5
Japanese Yen	18.9
British Pounds	4.7
Canadian Dollar	3.0
Australian Dollar	1.3
Korean Won	1.0
Swiss Franc	0.8
Swedish Krona	0.7
Danish Krone	0.4
Mexican Peso	0.3
Polish Zloty	0.3
S. African Rand	0.3
Taiwan Dollar	0.3
Malaysian Ringgit	0.2
Thai Baht	0.2
Czech Koruna	0.1
Hungarian Forint	0.1
Norwegian Krone	0.1
Singaporean Dollar	0.1
<b>Total</b>	<b>100.0%</b>

## Distribution by issuer

	Global Bond Index Fund
<b>Government</b>	<b>56.2%</b>
Agency	2.3
Treasury	53.9
<b>Credit</b>	<b>28.9%</b>
Agencies	6.5
Financial Institutions	7.5
Industrial	6.9
Local Authorities	3.4
Sovereign	1.0
Supranational	1.9
Utility	1.7
<b>Securitized</b>	<b>14.9%</b>
Asset Backed Security	0.2
Mortgage Backed Security	10.3
Covered	3.5
Commercial Mortgage Backed Security	0.9
<b>Total</b>	<b>100.0%</b>

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