



# Vanguard® U.K. Government Bond Index Fund

30 June 2010

## Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital Global Aggregate U.K. Government Bond Index, a market-weighted index of the U.K. Government fixed-income securities denominated in Pound Sterling.

## Investment strategy

The fund employs a "passive management" or indexing strategy designed to track the performance of the Index, which is a subset of the Barclays Capital Global Aggregate Bond Index. This market-weighted Index is designed to reflect the total universe of pound sterling-denominated United Kingdom treasury and government-related securities with maturities greater than one year.

## Fund returns\*

### Vanguard U.K. Government Bond Index Fund—GBP

	Income Shares		Accumulation Shares		Barclays Capital Global Aggregate UK Government Index in GBP	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Income Shares	Accumulation Shares
1 month	1.52%	1.53%	1.52%	1.53%	1.51%	1.51%
3 months	4.60	4.64	4.60	4.64	4.59	4.59
Year to date	5.91	5.99	5.90	5.98	5.91	5.91
1 year	7.11	7.27	7.07	7.23	6.98	6.98
Since inception	7.21	7.38	7.27	7.43	7.07	7.07

## Total expense ratio

	Income Shares	Accumulation Shares
Administrative and other expenses	0.05%	0.05%
Investment management expenses	0.10	0.10
<b>Total expense ratio</b>	<b>0.15%</b>	<b>0.15%</b>

## Fund facts

	Income Shares	Accumulation Shares
<b>Inception date</b>		
GBP	23 June 2009	23 June 2009
<b>Purchase fee</b>	0.10%	0.10%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (GBP)</b>		
Bloomberg	VANUGSI	VANUGSA
ISIN	IE00B1S75820	IE00B1S75374
Sedol	B1S7582	B1S7537
Valoren	4900567	4900140
Vanguard Fund Code	VKGBI	VKGBA
<b>Minimum initial investment</b>		
GBP	100,000	100,000
<b>Domicile</b>		<b>Currencies</b>
Ireland		GBP
<b>Trading frequency</b>		<b>Settlement</b>
Daily (11.00 GMT cutoff)		T+3
<b>Total assets</b>		<b>Structure</b>
USD (millions) 31		UCITS III
EUR (millions) 25		

## Investment Manager

### The Vanguard Group, Inc. (Vanguard)

Gregory Davis, CFA, Principal, Head of Bond Index Group  
Portfolio manager.  
Advised the fund since 2009.  
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

- After signs of British economic recovery in the first quarter, the second quarter brought with it heightened concerns regarding the European debt crisis, as well as the election of a coalition British government promising fiscal austerity and massive reductions in government spending. Amid signs that Britain's recovery was growing ever-more fragile, the Bank of England held its main interest rate at 0.5%, unchanged since March 2009.
- As economic indicators called into question the sustainability of recovery, and global economic uncertainty loomed, investors sought safety in the second quarter. At the long end of the yield curve, the yield of the 10-year gilt declined 58 basis points, to 3.36%, and the yield of the 30-year gilt declined 35 basis points, to 4.17%. The yield of the 3-year gilt declined 57 basis points, to 1.20%, while the 5-year gilt fell 65 basis points, to 2.07%.
- With gilt yields falling (and prices rising) across much of the yield curve, the Barclays Capital Global Aggregate U.K. Government Bond Index returned 4.59% for the second quarter; the U.K. Government Bond Index Fund closely tracked its benchmark for the period. Government securities (+5.20%) accounted for 96% of the index's capitalization at quarter-end; agency issues (+2.27%) made up the balance.
- For the 12 months ended 30 June, the fund closely tracked its benchmark index's return of 6.98%. Government securities returned 7.00% for the period; agency issues returned 6.15%.

All returns are based in British pounds sterling.

## Fund characteristics

	U.K. Government Bond Index Fund	Barclays Global Aggregate UK Government Index
Number of bonds	55	64
Effective YTM	2.83	2.83
Average coupon	4.6%	4.5%
Average maturity	14.0 years	14.0 years
Average quality	Aaa	Aaa
Average duration	8.5 years	8.5 years
Cash investment	0.0%	—

## Distribution by issuer

	U.K. Government Bond Index Fund
<b>Government</b>	<b>100.0%</b>
Government	95.0
Agency	5.0
<b>Cash</b>	<b>0.0%</b>
<b>Total</b>	<b>100.0%</b>

## Distribution by maturity

	U.K. Government Bond Index Fund
Less than 5 years	32.8%
5 to less than 10 years	25.7
More than 10 years	41.5
<b>Total</b>	<b>100.0%</b>

For more information

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