

Vanguard® U.K. Government 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 U.K. Government Float Adjusted 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 Float Adjusted 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		Spliced Barclays Capital Global Aggregate GBP Govt FI Adj Index in GBP	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Income Shares	Accumulation Shares
1 month	0.76%	0.77%	0.76%	0.77%	0.76%	0.76%
3 months	-1.29	-1.26	-1.29	-1.26	-1.30	-1.30
Year to date	-1.22	-1.20	-1.22	-1.20	-1.22	-1.22
1 year	5.69	5.85	5.68	5.84	5.69	5.69
Since inception	4.39	4.55	4.42	4.58	4.33	4.33

Total expense ratio

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

Fund facts

	Income Shares	Accumulation Shares
Inception date		
GBP	23 June 2009	23 June 2009
Purchase fee	0.10%	0.10%
Redemption fee	0.00%	0.00%
Fund codes (GBP)		
Bloomberg	VANUGSI	VANUGSA
ISIN	IE00B1S75820	IE00B1S75374
Sedol	B1S7582	B1S7537
Valoren	4900567	4900140
Vanguard Fund Code	VKGBI	VKGBA
Minimum initial investment		
GBP	100,000	100,000
Domicile		Currencies
Ireland		GBP
Trading frequency		Settlement
Daily (11.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 89		UCITS III
EUR (millions) 65		

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.

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

Vanguard® U.K. Government Bond Index Fund

Quarterly fund commentary as at 31 December 2010

- The U.K. economic recovery continued to struggle in the fourth quarter, as policy makers unveiled budget cuts and austerity measures in an attempt to reduce the country's deficit. Amid mixed opinions from policymakers, the Bank of England announced that interest rates will likely remain at all-time lows for the foreseeable future, with no additional quantitative easing seen on the horizon.
- In response to the United States Federal Reserve's announcement of a \$600 billion asset purchase program, improving economic reports, and the U.S. fiscal policy stimulus, bond yields rose across the world, and U.K. bonds were no exception. At the long end of the yield curve, the yield of the 10-year gilt increased 44 basis points, to 3.39%, and the yield of the 30-year gilt rose 28 basis points, to 4.18%. The shorter end of the yield curve saw a considerably larger increase in yields for the period, as the yield of the 3-year gilt rose 68 basis points, to 1.57%, while the 5-year gilt rose 58 basis points, to 2.19%.
- With gilt yields rising (and prices falling) across much of the yield curve, the Spliced Barclays Capital Global Aggregate U.K. Government Float Adjusted Index returned -2.10% for the fourth quarter. The U.K. Government Bond Index Fund closely tracked its benchmark. Government securities (-2.21%) accounted for 96% of the index's capitalization at quarter-end; agency issues (-1.01%) made up the balance.
- For the 12 months ended 31 December, the fund's return (+7.36%) closely tracked that of its benchmark (+7.40%). Government securities returned 7.54 % for the period; agency issues returned 5.02%.

All returns are based in British pounds sterling.

Fund characteristics

	U.K. Government Bond Index Fund	Spliced Barclays Capital Global Aggregate GBP Govt FI Adj Index in GBP
Number of bonds	49	50
Effective YTM	3.18	3.18
Average coupon	4.4%	4.4%
Average maturity	14.1 years	14.1 years
Average quality	Aaa	Aaa
Average duration	8.6 years	8.6 years
Cash investment	0.6%	—

Distribution by issuer

	U.K. Government Bond Index Fund
Government	99.4%
Government	96.9
Agency	2.5
Cash	0.6%
Total	100.0%

Distribution by maturity

	U.K. Government Bond Index Fund
Less than 5 years	35.4%
5 to less than 10 years	21.5
More than 10 years	43.1
Total	100.0%

For more information
 Web: <http://global.vanguard.com>
 Email (International): international@vanguard.com
 Email (U.K.): uk_client_services@vanguard.co.uk
 Tel (International): +1 610 669 6705
 Tel (Europe): +353 1612 3226
 Tel (U.K.): +44 207 489 4305

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested. The value of this investment may fall or rise as a result of changes in exchange rates. Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Past performance is not a reliable indicator of future results.

The material contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information on this factsheet does not constitute legal, tax, or investment advice. You must not, therefore, rely on the content of this presentation when making any investment decisions. The Simplified Prospectus and Full Prospectus (including any supplements) for this fund are available from Vanguard Asset Management, Limited via our website <https://global.vanguard.com/>.

The Manager of Vanguard Investment Series plc is Vanguard Group (Ireland) Limited. Vanguard Asset Management, Limited is a distributor of Vanguard Investment Series plc. Vanguard Investment Series plc has been authorised by the Financial Regulator in Ireland as a UCITS and has been registered for public distribution in certain EU countries. Prospective investors are referred to the Funds' prospectus for further information. Prospective investors are also urged to consult their own professional advisors on the implications of making an investment in, and holding or disposing shares of the Funds and the receipt of distributions with respect to such shares under the law of the countries in which they are liable to taxation. Issued by Vanguard Asset Management, Limited which is authorised and regulated in the UK by the Financial Services Authority.