



Vanguard[®]

Vanguard[®] Japan Government Bond Index Fund

An Index-Related Fund

30 June 2010

Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital Global Aggregate Japan Government Bond Index, a market-weighted index of investment-grade fixed income securities issued by the Japanese government or government-related agencies.

Investment strategy

The fund employs a "passive management"—or indexing—strategy designed to track the performance of the index. This market-weighted index is designed to reflect the total universe of Japanese yen-denominated treasury and Japan government-related securities with maturities greater than one year.

Fund returns*

Vanguard Japan Government Bond Index Fund—USD

	Investor Shares		Barclays Capital Global Aggregate Japan Government Bond Index in USD	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	4.01%	4.03%	4.04%	
3 months	7.90	7.98	7.97	
Year to date	7.30	7.46	7.44	
1 year	12.43	12.77	12.75	
3 years	15.03	15.37	15.41	
Since inception	8.58	8.90	8.93	

Vanguard Japan Government Bond Index Fund—JPY

	Investor Shares		Institutional Shares		Barclays Capital Global Aggregate Japan Govt Bond Index in JPY	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	1.10%	1.12%	1.11%	1.12%	1.13%	1.13%
3 months	2.18	2.25	2.20	2.25	2.25	2.25
Year to date	1.99	2.14	2.04	2.14	2.13	2.13
1 year	3.11	3.42	3.21	3.42	3.41	3.41
3 years	2.92	3.23	—	—	3.27	3.27
Since inception	2.28	2.59	2.89	3.10	2.62	3.14

Total expense ratio

	Investor Shares	Institutional Shares
Administrative and other expenses	0.16%	0.06%
Investment management expenses	0.14	0.14
Total expense ratio	0.30%	0.20%

Fund facts

	Investor Shares	Institutional Shares
Inception date		
USD	30 December 2005	—
JPY	21 March 2007	11 October 2007
Purchase fee	0.10%	0.10%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VANJGBU	—
ISIN	IE0032915336	—
Sedol	3291533	—
Vanguard Fund Code	VJGVU	—
Fund codes (JPY)		
Bloomberg	—	VANJINJ
ISIN	IE0033005582	IE0033005699
Sedol	3300558	3300569
Vanguard Fund Code	VJGVJ	VJGIJ
Minimum initial investment		
USD/JPY**	100,000	500,000
Domicile		Currencies
Ireland		USD, JPY
Trading frequency		Settlement
Daily (16.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 207		UCITS III
EUR (millions) 169		

Investment Manager

The Vanguard Group, Inc. (Vanguard)

Gregory Davis, CFA, Principal, Head of Bond Index Group
Portfolio manager.
Advised the fund since 2005.
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.

**Or Yen equivalent of \$100,000 for initial investment. Or Yen equivalent of \$500,000 for initial investment.

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Quarterly fund commentary as at 30 June 2010

- In the second quarter, Japanese government bonds advanced, as reflected in the U.S. dollar-denominated Barclays Capital Global Aggregate Japan Government Bond Index (+7.97%). A depreciating U.S. dollar, which declined 5.0% against the Japanese yen, strengthened the index's performance for U.S. dollar-based investors. Vanguard Japan Government Bond Index Fund closely tracked its benchmark index for the period.
- On 15 June 2010, the Bank of Japan decided to keep its national overnight interest rate at 0.1%. The bank stated that Japan's exports and production have increased and that the severe unemployment and income situation has eased somewhat. The bank also said that its baseline scenario projects that the economy is likely on a recovery trend.
- The middle and the long end of the Japan sovereign yield curve showed the most dramatic movements, with yields falling 42 basis points and 41 basis points, respectively. Overall, the curve flattened during the quarter with yields on the short end falling a more modest 9 basis points.
- For the 12 months ended 30 June 2010, the index returned 12.75%, as the Japanese yen strengthened 7.6% against the dollar, adding to gains from falling yields. Japanese government bonds, which accounted for about 90% of the index at the period's end, were up 12.75%. Agency obligations, which constituted about 7% of the index, returned 12.56%. Local government obligations, which accounted for 3% of the index, returned 13.27%. The fund slightly trailed the index, largely because of expenses and sampling.

All returns are based in U.S. dollars.

Fund characteristics

	Japan Government Bond Index	Barclays GA Japan Gov't Bond Index
Number of bonds	214	982
Effective YTM	0.68	0.68
Average coupon	1.6%	1.5%
Average maturity	7.9 years	7.9 years
Average quality	Aa2	Aa2
Average duration	6.9 years	6.9 years
Cash investment	0.6%	—

Distribution by issuer

	Japan Government Bond Index
Government	100.0%
Government	89.4
Agency	7.4
Local Government	3.2
Total	100.0%

Distribution by maturity

	Japan Government Bond Index
Less than 5 years	48.9%
5 to less than 10 years	30.0
More than 10 years	21.1
Total	100.0%

Volatility

	R-Squared	Beta
Investor Shares	1.00	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the Barclays Capital Global Aggregate Japan Govt Bond Index in JPY.

For more information

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F8851EN_062010