



# Vanguard® Japan 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 Japan Government Float Adjusted 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		Spliced Barclays Capital Global Aggregate JPY Gov't Flt Adj Idx in USD	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	-0.16%	-0.13%	-0.14%	
3 months	2.12	2.19	2.18	
Year to date	-1.76	-1.71	-1.72	
1 year	9.80	10.13	10.13	
3 years	9.86	10.19	10.23	
5 years	8.93	9.26	9.28	
Since inception	8.89	9.22	9.25	

### Vanguard Japan Government Bond Index Fund—JPY

	Investor Shares		Institutional Shares		Spliced Barclays Capital Global Aggregate JPY Gov't Flt Adj Idx in JPY	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-0.16%	-0.13%	-0.15%	-0.13%	-0.14%	-0.14%
3 months	-0.13	-0.05	-0.10	-0.05	-0.06	-0.06
Year to date	-0.76	-0.71	-0.75	-0.71	-0.72	-0.72
1 year	1.23	1.53	1.33	1.53	1.54	1.54
3 years	1.43	1.73	1.53	1.73	1.77	1.77
Since inception	1.71	2.01	2.12	2.33	2.04	2.37

## 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
<b>Inception date</b>		
USD	30 December 2005	—
JPY	21 March 2007	11 October 2007
<b>Purchase fee</b>	0.10%	0.10%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (USD)</b>		
Bloomberg	VANJGBU	—
ISIN	IE0032915336	—
Sedol	3291533	—
Valoren	1870395	—
Vanguard Fund Code	VJGVU	—
<b>Fund codes (JPY)</b>		
Bloomberg	—	VANJINJ
ISIN	IE0032915583	IE0033005699
Sedol	3291558	3300569
Vanguard Fund Code	VJGVJ	VJGUJ
<b>Minimum initial investment</b>		
USD/JPY**	100,000	500,000

<b>Domicile</b>	Ireland	<b>Currencies</b>	USD, JPY
<b>Trading frequency</b>	Daily T-1 (16.00 GMT cutoff)	<b>Settlement</b>	T+3
<b>Total assets</b>	USD (millions) 140 EUR (millions) 101	<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 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.

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

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### Quarterly fund commentary as at 31 December 2010

- In the fourth quarter, Japanese government bonds advanced, as reflected in the U.S. dollar-denominated Barclays Capital Global Aggregate Japan Government Bond Index (+2.14%). A depreciating U.S. dollar, which declined -2.4% against the Japanese yen, bolstered the index's performance for U.S. dollar-based investors. Vanguard Japan Government Bond Index Fund closely tracked its benchmark index for the period.
- The Bank of Japan reported moderate economic growth that appeared to be pausing toward the end of the quarter. In this environment, the bank decided to keep its national overnight interest rate at 0.1%. In an effort to stimulate growth, the Bank of Japan has begun its Asset Purchase Program. The bank is attempting to disperse the monetary easing by steadily purchasing various financial assets and providing longer-term funds through the 35 trillion yen program.
- The middle of the Japan sovereign yield curve showed the most movement, with yields on 10-year bonds rising 110 basis points. The short and long ends of the curve also increased, by 36 and 54 basis points, respectively.
- For the 12 months ended 31 December, the index returned 17.14%, as the Japanese yen strengthened 12.0% against the dollar. Though yields have risen recently they still remain below year-ago levels. Japanese government bonds, which accounted for 90% of the index at the period's end, were up 17.54%. Agency obligations, which constituted about 7% of the index, returned 16.91%. Local government obligations, which accounted for 3% of the index, returned 17.25%. 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	Spliced Barclays Capital Global Aggregate JPY Gov't Fit Adj Idx in JPY
Number of bonds	236	988
Effective YTM	0.87	0.87
Average coupon	1.5%	1.4%
Average maturity	8.1 years	8.1 years
Average quality	Aa3	Aa3
Average duration	7.0 years	7.0 years
Cash investment	0.6%	—

### Distribution by issuer

	Japan Government Bond Index
<b>Government</b>	<b>99.4%</b>
Government	88.9
Agency	7.3
Local Government	3.2
<b>Cash</b>	<b>0.6%</b>
<b>Total</b>	<b>100.0%</b>

### Distribution by maturity

	Japan Government Bond Index
Less than 5 years	52.8%
5 to less than 10 years	28.3
More than 10 years	18.9
<b>Total</b>	<b>100.0%</b>

### 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 Spliced Barclays Capital Global Aggregate JPY Gov't Fit Adj Idx in JPY.

#### For more information

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