



Vanguard® U.S. 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.S. Government Float Adjusted Bond Index, a market-weighted index of the United States government market with an intermediate-term average-weighted maturity.

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 U.S. dollar denominated U.S. Treasury and U.S. government-related securities with maturities greater than one year.

Fund returns*

Vanguard U.S. Government Bond Index Fund—USD

	Investor Shares		Institutional Shares		Spliced Barclays Capital Global Aggregate USD Gov't Flt Adj Idx in USD	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-0.06%	-0.04%	-0.05%	-0.04%	-0.06%	-0.06%
3 months	-1.75	-1.67	-1.72	-1.67	-1.69	-1.69
Year to date	-0.12	-0.07	-0.11	-0.07	-0.06	-0.06
1 year	3.39	3.71	3.50	3.71	3.53	3.53
3 years	3.96	4.27	4.07	4.27	3.90	3.90
5 years	5.34	5.66	5.45	5.66	5.46	5.46
Since inception	4.97	5.29	5.04	5.25	5.13	5.10

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	06 March 2002	31 January 2002
Purchase fee	0.00%	0.00%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VGUGBVD	VGUGBSD
CUSIP	G9318R226	G9318R101
ISIN	IE0007471695	IE0007471927
Sedol	0747169	0747192
Valoren	1439864	1397856
Vanguard Fund Code	VUGVU	VUGSU
Minimum initial investment		
USD	100,000	500,000
Domicile		Currencies
Ireland		USD
Trading frequency		Settlement
Daily (16.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 350		UCITS III
EUR (millions) 253		

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.

William D. Baird
Portfolio manager.
Advised the fund since 2008.
Worked in investment management since 1988.
B.A., Rutgers College.
M.B.A., New York University Stern School of Business.

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

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Quarterly fund commentary as at 31 December 2010

- During the quarter, the U.S. Federal Reserve Board made no changes to the federal funds rate, which remained between 0% and 0.25%. In November, the Fed announced that it intended to purchase \$600 billion in U.S. Treasury securities by the end of the second quarter of 2011.
- Prices on U.S. government and government-agency bonds fell amid heightened concern over the government's bulging debt burden. For the three months, the fund closely tracked the return of its benchmark index (-2.37%).
- The U.S. Congress's extension of the Bush-era tax cuts seemed to magnify investors' concerns, sending longer-term treasury yields higher. The yield on the 10-year Treasury rose to 3.29%, an increase of 78 basis points during the quarter. The yields on 5- and 30-year Treasuries increased 74 and 65 basis points, respectively. With the yield curve steepening, long-term Treasury bonds (-8.16%) underperformed both intermediate-term (-1.77%) and short-term (-0.70%) Treasuries. In aggregate, Treasury (-2.64%) and U.S. government-agency (-0.98%) debt delivered weak results for the quarter. Treasuries represented 82.4% of the index capitalisation; U.S. agency debt represented 17.6%.
- The fund's return was in line with that of the index (+5.54%) for the 12 months ended 31 December, as investors favored the safety of Treasuries (+5.87%) over U.S. agency debt (+4.36%).

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Government Bond Index Fund	Spliced Barclays Capital Global Aggregate USD Gov't Flt Adj Idx in USD
Number of bonds	316	839
Effective YTM	1.90	1.90
Average coupon	3.1%	2.9%
Average maturity	6.3 years	6.3 years
Average quality	Govt	Govt
Average duration	4.7 years	4.8 years
Cash investment	0.2%	—

Distribution by issuer

	U.S. Government Bond Index Fund
Government	99.8%
Agency	14.9
Treasury	84.9
Corporate	0.0%
Industrial	0.0
Utility	0.0
Financial	0.0
Asset Backed Security	0.0
Other	0.0
Non-Corporate	0.0%
Local Agency	0.0
Cash	0.2%
Total	100.0%

Distribution by credit quality

	U.S. Government Bond Index Fund
Government	99.8%
AAA	99.6
AA	0.2
A	0.0
Less than A	0.0
Not Rated	0.0
Cash	0.2%
Total	100.0%

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.

Distribution by maturity

	U.S. Government Bond Index Fund
Less than 5 years	58.7%
5 to less than 10 years	28.3
More than 10 years	13.0
Total	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.99	1.01
Institutional Shares	0.99	1.01

R-squared and beta are calculated from trailing 36-month fund returns relative to the Spliced Barclays Capital Global Aggregate USD Gov't Flt Adj Idx in USD.

For more information

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