

**Vanguard®**

Vanguard® U.S. 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 U.S. Government 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		Barclays Capital Global Aggregate U.S. Government Bond Index	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	1.73%	1.75%	1.74%	1.76%	1.72%	1.72%
3 months	4.25	4.33	4.28	4.33	4.27	4.27
Year to date	5.33	5.49	5.39	5.49	5.43	5.43
1 year	6.58	6.90	6.68	6.90	6.47	6.47
3 years	7.60	7.93	7.71	7.93	7.63	7.63
5 years	5.27	5.59	5.38	5.59	5.39	5.39
Since inception	5.40	5.72	5.47	5.68	5.55	5.51

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	1760212	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) 474		UCITS III
EUR (millions) 387		

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.

Vanguard® U.S. Government Bond Index Fund

An Index-Related Fund

Quarterly fund commentary as at 30 June 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%. The Fed continued to anticipate that economic conditions warranted keeping the federal funds rate at an exceptionally low level for an “extended period.” For the three months, the fund closely tracked the return of its benchmark index (+4.27%).
- U.S. government and government-agency bonds extended gains made in the previous quarter, and heightened risk aversion led to government issues outperforming the broader market.
- The yield curve flattened during the period, with the yield on 3-month Treasuries inching up 2 basis points while yields on longer-dated issues experienced steep declines. The yields on 10- and 30-year Treasuries declined 90 and 82 basis points, respectively. With long-term yields falling, long-term Treasury bonds (+12.17) outperformed both intermediate-term (+3.57) and short-term (+2.12) Treasuries. In aggregate, Treasury (+4.68%) and U.S. government-agency (+4.24%) debt posted strong returns for the quarter, representing 80.0% and 20.0% of the index capitalization, respectively.
- The fund’s return outperformed that of the index (+6.47%) for the 12 months ended 30 June 2010, as investors favored the safety of Treasuries (+6.67%) over U.S. agency debt (+5.50%). The fund’s sampling process provided the flexibility to implement small substitutions of nongovernment bonds for government bonds. This flexibility was a primary contributor to the fund’s slight outperformance, as corporate bonds returned 15.92%, well above results for government bonds noted earlier.

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Government Bond Index Fund	Barclays GA U.S. Gov't Bond Index
Number of bonds	338	808
Effective YTM	1.73	1.70
Average coupon	3.3%	3.1%
Average maturity	6.3 years	6.2 years
Average quality	AAA	AAA
Average duration	4.8 years	4.8 years
Cash investment	0.0%	—

Distribution by issuer

	U.S. Government Bond Index Fund
Government	97.6%
Agency	15.1
Treasury	82.5
Corporate	2.3%
Industrial	0.2
Utility	0.1
Financial	0.8
ABS	1.2
Other	0.0
Non-Corporate	0.1%
Local Agency	0.1
Total	100.0%

Distribution by credit quality

	U.S. Government Bond Index Fund
Government	97.7%
AAA	97.5
AA	0.2
A	0.0
Less than A	0.0
Not Rated	0.0
Corporate	2.3%
AAA	1.3
AA	0.2
A	0.8
Less than A	0.0
Not Rated	0.0
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	60.0%
5 to less than 10 years	26.0
More than 10 years	14.0
Total	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.99	1.00
Institutional Shares	0.99	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the Barclays Capital Global Aggregate U.S. Government Bond Index.

For more information

Web: <http://global.vanguard.com>
 Email (global): international@vanguard.com
 Email (Europe): client.service@vanguard.be
 Tel (global): +1 610 669 6705
 Tel (Europe): +32 (0) 2 357 3030

The information contained herein does not constitute an offer or solicitation and may not be treated as an offer or solicitation 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. This provides information about sub-funds of Vanguard Investment Series plc. The performance data shown represent past performance. Past performance may not be a reliable guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of a fund. Income may fluctuate in accordance with market conditions and taxation arrangements.

The sale of Vanguard Investment Series plc funds is subject to conditions stipulated in the prospectus, supplements to the prospectus, simplified prospectuses, and, in some countries, local addenda. These documents can be obtained free of cost at the office of the administrator in JPMorgan House, International Financial Services Centre, Dublin 1, Ireland. These documents contain detailed information on the management, costs, possible limitations and investments risks associated with investing in the Vanguard Investment Series plc funds and should be carefully read before investing. Vanguard Investment Series plc has been authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 as amended. The difference between the sale and re-purchase price of units in Vanguard Investment Series plc (taking in account of possible portfolio transaction charges) means that any investment should be viewed as medium to long-term. Investors should also note that, in certain circumstances set out in the prospectus, a redemption charge may become payable. Vanguard Investments Europe SA is a Distributor of the Vanguard Investment Series plc.

For Professional Investors as defined under the MiFID Directive only. In Switzerland for Qualified Investors as defined in Switzerland by SFA only. Not for Public Distribution.