



Vanguard[®]

Vanguard[®] Euro Government Bond Index Fund

An Index-Related Fund

31 January 2010

Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital Global Aggregate Euro Government Bond Index which is a market-weighted bond index of the euro-denominated government fixed-income securities.

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 euro-denominated Eurozone treasury and Eurozone government-related securities with maturities greater than one year.

Fund returns*

Vanguard Euro Government Bond Index Fund—USD

	Investor Shares		Spliced Euro Government Bond Index in USD	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	-2.57%	-2.55%	-2.53%	
3 months	-5.41	-5.34	-5.31	
Year to date	-2.57	-2.55	-2.53	
1 year	14.73	15.08	15.11	
3 years	7.50	7.82	7.84	
5 years	4.94	5.26	5.24	
Since inception	9.48	9.81	9.77	

Vanguard Euro Government Bond Index Fund—EUR

	Investor Shares		Institutional Shares		Spliced Euro Government Bond Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	0.57%	0.59%	0.58%	0.59%	0.61%	0.61%
3 months	0.41	0.49	0.44	0.49	0.52	0.52
Year to date	0.57	0.59	0.58	0.59	0.61	0.61
1 year	5.78	6.10	5.89	6.10	6.13	6.13
3 years	5.11	5.43	5.22	5.43	5.45	5.45
5 years	3.60	3.91	3.70	3.91	3.89	3.89
Since inception	5.02	5.33	5.30	5.51	5.31	5.50

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	03 December 2002	—
EUR	18 April 2001	29 September 2000
Purchase fee	0.10%	0.10%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VANEGID	—
CUSIP	G9318V136	—
ISIN	IE0032369989	—
Sedol	3236998	—
Valoren	1554536	—
Vanguard Fund Code	VUGBV	—
Fund codes (EUR)		
Bloomberg	VANEGBX	VANEUGB
ISIN	IE0007472115	IE0007472990
Sedol	0747211	0747299
Valoren	1439504	1137875
Vanguard Fund Code	VEGBV	VEGBS
Minimum initial investment		
USD/EUR	100,000	500,000

Domicile	Ireland	Currencies	USD, EUR
Trading frequency	Daily (11.00 GMT cutoff)	Settlement	T+3
Total assets	USD (millions) 3,031	Structure	UCITS III
	EUR (millions) 2,181		

Investment Manager

Vanguard Fixed Income Group The Vanguard Group, Inc. (Vanguard)

Gregory Davis, CFA, Principal, Head of Bond Index Group
Portfolio manager.
Advised the fund since 2000.
Worked in investment management since 1999.
B.S., Pennsylvania State University.
M.B.A., The Wharton School of the University of Pennsylvania.

Didier Haeneccour, 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 Euro Government Bond Index: The benchmark for this portfolio was Citigroup EGBI EMU Government Bond Index through 31 December, 2004, and Barclays Capital Euro-Aggregate Government Bond Index thereafter. The characteristic data noted above for the index is reflective of the Barclays Capital benchmark.

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Quarterly fund commentary as at 31 December 2009

- The European Central Bank left its key interest rate unchanged during the fourth quarter. The decision was based on the belief that the Eurozone will experience moderate growth in 2010 and that inflationary pressures are contained. The fund trailed its benchmark in the period.
- Generally speaking, yields across the yield curve were higher over the quarter. Positive economic news and increased longer-term inflationary concerns encouraged investors to move assets to equities as well as demand higher yields on fixed income investments. For the quarter ended 31 December, the yield of the general 2-year euro bond increased 7 basis points, to 1.33%; the yield of the 10-year euro bond increased 16 basis points, to 3.38%; and the yield of the 30-year euro bond increased 16 basis points, to 4.11%.
- The Euro Government Bond Index Fund returned -0.04%, with two of the three sectors posting positive performance for the quarter. Government securities (-0.1%) accounted for 83% of the index's capitalization at quarter-end. Agency issues returned 0.8% for the period, and local government bonds returned 0.7%.
- For the 12 months ended 31 December, the benchmark returned 4.49%, with government, agency, and local government bonds returning 4.3%, 5.9%, and 5.1%, respectively. The fund's return trailed that of the benchmark by a small margin, primarily stemming from the fund's expenses and its use of sampling.

All returns are based in euro.

Fund characteristics

	Euro Government Bond Index Fund	Spliced Euro Gov't Bond Index
Number of bonds	360	1,017
Effective YTM	3.02	2.99
Average coupon	4.5%	4.2%
Average maturity	7.9 years	7.9 years
Average quality	Aa1	Aa1
Average duration	5.8 years	5.8 years
Cash investment	-0.5%	—

Distribution by issuer

	Euro Government Bond Index Fund
Government	97.2
EMU Government	79.7
Agency	11.3
Local Government	6.2
Non-Government	2.8
Industrial & Utility	0.3
Collateralized	2.1
Finance	0.4
Other	0.0
Total	100.0%

Distribution by credit quality

	Euro Government Bond Index Fund
Industrial & Utility	0.3
AAA	0.0
AA	0.3
A	0.0
Less than A	0.0
Not Rated	0.0
Finance & Other	0.4
AAA	0.0
AA	0.4
A	0.0
Less than A	0.0
Not Rated	0.0
Non-Corporate	99.3
AAA	58.5
AA	32.8
A	4.0
Less than A	3.9
Not Rated	0.1
Total	100.0%

Distribution by maturity

	Euro Government Bond Index Fund
Less than 5 years	48.5
5 to less than 10 years	28.9
More than 10 years	22.6
Total	100.0%

Market diversification

	Euro Government Bond Index Fund
EMU Gov't	
Austria	4.1
Belgium	5.2
Finland	1.0
France	20.2
Germany	22.9
Greece	4.2
Ireland	1.7
Italy	20.2
Netherlands	5.7
Portugal	2.2
Slovenia	0.3
Spain	9.5
Other*	2.8
Total	100.0%

*Other is equivalent to Non-Government.

Volatility

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

R-squared and beta are calculated from trailing 36-month fund returns relative to the Spliced Euro Government Bond Index in EUR.

For more information

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