



# Vanguard® Euro Investment Grade 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 Euro Non-Government Float Adjusted Bond Index, a market-weighted bond index of the euro investment-grade bond market with an intermediate-term weighted average 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 the euro denominated investment-grade fixed-income securities excluding Eurozone treasury and Eurozone government related-securities. All issues have a maturity of greater than one year.

### Fund returns\*

#### Vanguard Euro Investment Grade Bond Index Fund—EUR

|                 | Investor Shares |                   | Institutional Shares |                   | Spliced Euro Investment Grade Bond Float Adjusted Index in EUR |                      |
|-----------------|-----------------|-------------------|----------------------|-------------------|--|----------------------|
|                 | Net of expenses | Gross of expenses | Net of expenses      | Gross of expenses | Investor Shares  | Institutional Shares |
| 1 month         | 0.78%           | 0.81%             | 0.79%                | 0.81%             | 0.74%  | 0.74%                |
| 3 months        | -0.23           | -0.13             | -0.20                | -0.13             | -0.25  | -0.25                |
| Year to date    | 0.16            | 0.22              | 0.17                 | 0.22              | 0.11   | 0.11                 |
| 1 year          | 1.48            | 1.89              | 1.58                 | 1.89              | 1.63   | 1.63                 |
| 3 years         | 4.29            | 4.70              | 4.39                 | 4.70              | 4.73   | 4.73                 |
| 5 years         | 3.23            | 3.64              | 3.33                 | 3.64              | 3.57   | 3.57                 |
| 10 years        | —               | —                 | 4.44                 | 4.76              | 4.77   | 4.77                 |
| Since inception | 4.39            | 4.81              | 4.73                 | 5.04              | 4.83   | 5.06                 |

### Total expense ratio

|                                   | Investor Shares | Institutional Shares |
|-----------------------------------|-----------------|----------------------|
| Administrative and other expenses | 0.21%           | 0.11%                |
| Investment management expenses    | 0.19            | 0.19                 |
| Total expense ratio               | 0.40%           | 0.30%                |

### Fund facts

|                                   | Investor Shares | Institutional Shares |
|-----------------------------------|-----------------|----------------------|
| <b>Inception date</b>             |                 |                      |
| EUR                               | 30 May 2001     | 29 September 2000    |
| <b>Purchase fee</b>               | 0.40%           | 0.40%                |
| <b>Redemption fee</b>             | 0.00%           | 0.00%                |
| <b>Fund codes (EUR)</b>           |                 |                      |
| Bloomberg                         | VANEUIG         | VANEIGB              |
| CUSIP                             | —               | G9318R127            |
| ISIN                              | IE0009591805    | IE00B04FFJ44         |
| Sedol                             | B045DB2         | B04FFJ4              |
| Valoren                           | 1439371         | 1137868              |
| Vanguard Fund Code                | VECBV           | VECBS                |
| <b>Minimum initial investment</b> |                 |                      |
| EUR                               | 100,000         | 500,000              |
| <b>Domicile</b>                   |                 | <b>Currencies</b>    |
| Ireland                           |                 | EUR                  |
| <b>Trading frequency</b>          |                 | <b>Settlement</b>    |
| Daily (11.00 GMT cutoff)          |                 | T+3                  |
| <b>Total assets</b>               |                 | <b>Structure</b>     |
| USD (millions) 1,536              |                 | UCITS III            |
| EUR (millions) 1,112              |                 |                      |

### Investment Manager

#### 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 Haenecour, 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 Investment Grade Float Adjusted Bond Index: The benchmark for this portfolio was Citigroup EMU Government Bond Index through 31 December 2004, Barclays Capital Euro-Aggregate Non-Government Bond Index through 30 June, 2010 and Barclays Capital Global Aggregate Euro Non-Government Float Adjusted Bond Index thereafter.

# Vanguard® Euro Investment Grade Bond Index Fund

## An Index-Related Fund

### Quarterly fund commentary as at 31 December 2010

- For the quarter, Vanguard Euro Investment Grade Bond Index Fund's return slightly trailed that of its benchmark, the Barclays Capital Global Aggregate Euro Non-Government Float-Adjusted Index.
- In December, the European Central Bank left its key interest rate unchanged at a record low of 1.0% for the 20th straight month, as moderate economic growth and fallout from the European sovereign-debt crisis persisted.
- Over the quarter, the yield of the general 2-year euro bond increased 3 basis points (bps), to 0.86%. The yields of the 10-year and general 30-year euro bonds increased by 68 bps and 54 bps, respectively, to 2.96% and 3.41%.
- At the end of the fourth quarter, corporate bonds accounted for 53% of the index's composition. The financials, utilities and industrials sectors returned -2.1%, -0.9% and -2.3%, respectively.
- For the 12 months ended 31 December, the Euro Investment Grade Bond Index Fund's performance remained in line with the 3.56% return of its benchmark after accounting for fund expenses.

All returns are based in euro.

### Fund characteristics

|                  | Euro Investment Grade Bond Index Fund | Spliced Euro Investment Grade Bond Index |
|------------------|---------------------------------------|--|
| Number of bonds  | 1,201                                 | 2,206                                    |
| Effective YTM    | 3.80                                  | 3.79                                     |
| Average coupon   | 4.4%                                  | 4.4%                                     |
| Average maturity | 6.2 years                             | 6.2 years                                |
| Average quality  | Aa3                                   | Aa3                                      |
| Average duration | 4.3 years                             | 4.3 years                                |
| Cash investment  | 0.2%                                  | —  |

### Distribution by issuer

|                         | Euro Investment Grade Bond Index Fund |
|-------------------------|---------------------------------------|
| <b>Corporate</b>        | <b>52.6%</b>                          |
| Industrial              | 20.5                                  |
| Utility                 | 4.7                                   |
| Financial               | 27.4                                  |
| <b>Non-Corporate</b>    | <b>47.2%</b>                          |
| Sovereign               | 2.9                                   |
| Supranational           | 6.1                                   |
| Local Agency            | 1.7                                   |
| Local Authority         | 0.7                                   |
| Collateralized          | 35.3                                  |
| Other                   | 0.0                                   |
| Fixed Rate Asset Backed | 0.5                                   |
| <b>Cash</b>             | <b>0.2%</b>                           |
| <b>Total</b>            | <b>100.0%</b>                         |

### Distribution by credit quality

|                                 | Euro Investment Grade Bond Index Fund |
|---------------------------------|---------------------------------------|
| <b>Industrial &amp; Utility</b> | <b>25.2%</b>                          |
| AAA                             | 0.0                                   |
| AA                              | 3.0                                   |
| A                               | 11.8                                  |
| Less than A                     | 10.4                                  |
| Not Rated                       | 0.0                                   |
| <b>Finance</b>                  | <b>27.4%</b>                          |
| AAA                             | 1.7                                   |
| AA                              | 9.4                                   |
| A                               | 13.4                                  |
| Less than A                     | 2.9                                   |
| Not Rated                       | 0.0                                   |
| <b>Non-Corporate</b>            | <b>47.4%</b>                          |
| AAA                             | 38.4                                  |
| AA                              | 4.3                                   |
| A                               | 2.5                                   |
| Less than A                     | 2.0                                   |
| Not Rated                       | 0.0                                   |
| <b>Cash</b>                     | <b>0.2%</b>                           |
| <b>Total</b>                    | <b>100.0%</b>                         |

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

|                         | Euro Investment Grade Bond Index Fund |
|-------------------------|---------------------------------------|
| Less than 5 years       | 57.3%                                 |
| 5 to less than 10 years | 32.0                                  |
| More than 10 years      | 10.7                                  |
| <b>Total</b>            | <b>100.0%</b>                         |

### Volatility

|                      | R-Squared | Beta |
|----------------------|-----------|------|
| Investor Shares      | 1.00      | 1.01 |
| Institutional Shares | 1.00      | 1.01 |

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

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