

**Vanguard®**

Vanguard® Euro Investment Grade 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 Non-Government 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 Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	1.30%	1.34%	1.31%	1.34%	1.34%	1.34%
3 months	1.85	1.95	1.88	1.95	1.94	1.94
Year to date	1.30	1.34	1.31	1.34	1.34	1.34
1 year	12.61	13.06	12.72	13.06	13.03	13.03
3 years	4.54	4.96	4.65	4.96	5.01	5.01
5 years	3.25	3.67	3.36	3.67	3.63	3.63
Since inception	4.70	5.12	5.04	5.35	5.17	5.40

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
Inception date		
EUR	30 May 2001	29 September 2000
Purchase fee	0.40%	0.40%
Redemption fee	0.00%	0.00%
Fund codes (EUR)		
Bloomberg	VANEUIG	VANEIGB
CUSIP	—	G9318R127
ISIN	IE0009591805	IE00B04FFJ44
Sedol	B045DB2	B04FFJ4
Valoren	1439371	1137868
Vanguard Fund Code	VECBV	VECBS
Minimum initial investment		
EUR	100,000	500,000
Domicile		Currencies
Ireland		EUR
Trading frequency		Settlement
Daily (11.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 1,708		UCITS III
EUR (millions) 1,229		

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 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 Bond Index: The benchmark for this portfolio was Citigroup EGBI EMU Government Bond Index through 31 December 2004, and Barclays Capital Euro-Aggregate Non-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

- For the quarter, the Barclays Capital Global Aggregate Euro Non-Government Bond Index returned 1.05%. The Vanguard Euro Investment Grade Bond Index Fund performed in line with that of its benchmark for the period.
- The European Central Bank left its key interest rate unchanged, at 1.0%, during the quarter as the region continues to seek more stable economic growth and stabilization versus the U.S. dollar to supplement its exports.
- Over the three months, the yield of the general 2-year euro bond increased 7 basis points (bps), to 1.33%; the yield of the 10-year euro bond rose 16 bps, to 3.38%; and the yield of the general 30-year euro bond increased 16 bps, to 4.11%.
- Corporate bonds accounted for 54% of the index's capitalization at the end of the period. Financials, the largest of the index's corporate sectors, returned 1.5% for the quarter, while industrials and utilities returned 1.9% and 1.7%, respectively.
- For the 12 months ended 31 December, the Euro Investment Grade Bond Index Fund's performance remained in line with the 11.42% return of its benchmark, after accounting for expenses.

All returns are based in euro.

Fund characteristics

	Euro Investment Grade Bond Index Fund	Spliced Euro Investment Grade Bond Index
Number of bonds	1,096	2,148
Effective YTM	3.26	3.25
Average coupon	4.7%	4.6%
Average maturity	6.3 years	6.3 years
Average quality	Aa3	Aa3
Average duration	4.2 years	4.2 years
Cash investment	-0.2%	—

Distribution by issuer

	Euro Investment Grade Bond Index Fund
Corporate	54.5
Industrial	21.8
Utility	4.9
Financial	27.8
Non-Corporate	45.5
Sovereign	3.2
Supranational	5.2
Local Agency	2.5
Local Authority	0.7
Collateralized	33.9
Other	0.0
Total	100.0%

Distribution by credit quality

	Euro Investment Grade Bond Index Fund
Industrial & Utility	26.7
AAA	0.0
AA	3.4
A	13.0
Less than A	10.3
Not Rated	0.0
Finance	27.9
AAA	1.5
AA	9.8
A	13.8
Less than A	2.7
Not Rated	0.1
Non-Corporate	45.4
AAA	38.4
AA	2.9
A	2.1
Less than A	2.0
Not Rated	0.0
Total	100.0%

Distribution by maturity

	Euro Investment Grade Bond Index Fund
Less than 5 years	57.8
5 to less than 10 years	31.4
More than 10 years	10.8
Total	100.0%

Volatility

	R-Squared	Beta
Investor Shares	1.00	1.02
Institutional Shares	1.00	1.02

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

For more information

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