

Vanguard[®] Global Bond Index Fund

An Index-Related Fund

30 November 2011

Investment objective

The fund seeks to provide returns consistent with the performance of the Barclays Capital Global Aggregate Float Adjusted Bond Index, a market-weighted index of global government, government-related agencies, corporate and securitized fixed-income investments.

Investment strategy

The fund employs a "passive management" — or indexing — strategy, which is accomplished by investing in other Vanguard Investment Series plc sub-Funds, as well as other securities. These other Funds seek to track the specific indexes, which, together and along with the individual securities, make up the Barclays Capital Global Aggregate Float Adjusted Bond Index. This market-weighted Index is designed to reflect the total universe of the major investment-grade and government bond markets with maturities greater than one year.

Fund returns*

Vanguard Global Bond Index Fund — USD Hedged

	Institutional Hedged	Spliced Barclays Capital Global Agg Float Adjusted Index Hedged in USD	Institutional Hedged
	Net of expenses	Gross of expenses	
1 month	-0.65%	-0.63%	-0.59%
3 months	-0.10	-0.04	-0.12
Year to date	3.58	3.82	3.70
1 year	3.06	3.32	3.22
3 years	5.11	5.37	5.34
Since inception	4.40	4.67	4.65

Vanguard Global Bond Index Fund — CHF Hedged

	Institutional Hedged	Spliced Barclays Capital Global Agg Float Adjusted Index Hedged in CHF	Institutional Hedged
	Net of expenses	Gross of expenses	
1 month	-0.72%	-0.70%	-0.67%
3 months	-0.28	-0.22	-0.28
Year to date	3.04	3.28	3.24
1 year	2.50	2.76	2.74
Since inception	4.35	4.61	4.56

Total expense ratio

	Institutional Hedged
Administrative and other expenses	0.09%
Investment management expenses	0.16
Total expense ratio	0.25%

Fund facts

	Institutional Hedged
Inception date	
USD	31 March 2008
CHF	30 January 2009
Purchase fee	0.20%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VANGBUH
ISIN	IE00B18GCB14
Sedol	B18GCB1
Valoren	2672139
Vanguard Fund Code	VGBFF
Fund codes (CHF)	
Bloomberg	VANGRDI
ISIN	IE00B2RHVR18
Sedol	B2RHVR1
Valoren	2116411
Vanguard Fund Code	VGBCC
Minimum initial investment	
USD/CHF	500,000
Domicile	Currencies
Ireland	USD, CHF
Trading frequency	Settlement
Daily T-1 (11.00 Irish time cutoff)	T+3
Total assets	Structure
USD (million) 902	UCITS
EUR (million) 670	

Investment manager

The Vanguard Group, Inc.

Gregory Davis, CFA, Principal, Head of Bond Index Group
Portfolio manager.
Advised the fund since 2008.
Worked in investment management since 1999.
B.S., The Pennsylvania State University.
M.B.A., The Wharton School of the University of Pennsylvania.

Yan Pu, CFA
Portfolio manager.
Advised the fund since 2010.
Worked in investment management since 2000.
B.A., Ji'Nan University, P.R. China.
M.B.A., Drexel University.

*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. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV with gross income reinvested. Basis of index performance is total return.

Spliced Barclays Capital Global Aggregate Float Adjusted Bond Index: The benchmark for this portfolio was Barclays Capital Global Aggregate Bond Index through 30 June, 2010 and Barclays Capital Global Aggregate Float Adjusted Bond Index thereafter.

Vanguard® Global Bond Index Fund

Quarterly fund commentary as at 30 September 2011

- Global bonds continued to gain ground in the third quarter as investors flocked to less risky assets amid ongoing concern about sovereign debt in peripheral Europe. In the US and Europe, treasury debt outperformed corporate. For the quarter, the US dollar-hedged version of the Barclays Capital Global Aggregate Float Adjusted Index gained 2.95%. The Global Bond Index Fund closely tracked the index.
- The 10-year US Treasury yield dropped 124 basis points during the quarter to end at 1.92%. The Federal Reserve maintained its target fund rate at 0% to 0.25% and announced a plan to buy treasuries on the long end of the yield curve, known as "Operation Twist". On the other hand, the European Central Banks raised rates slightly.
- The Asian sector (+1.4%) lagged, while US and European Treasuries added to overall performance, returning 6.5% and 3.6%, respectively, during the quarter.
- Broadly, higher-quality bonds (AAA, +4.9%) outperformed lower-quality bonds (Baa, +1.0%). Long-term bonds experienced the largest increase in value on a global level, outperforming their intermediate-and short-term counterparts.
- The index rose by 2.69% over the 12 months ended 30 September, and the fund closely tracked its benchmark. During the period, higher-quality issues drove global performance.

All returns are based in US dollars.

Fund characteristics

	Global Bond Index Fund	Spliced Barclays Capital Global Agg Float Adjusted Index Hedged in USD
Number of bonds	6,890	13,718
Effective YTM	2.42%	2.45%
Average coupon	3.7%	3.6%
Average maturity	7.6 years	7.6 years
Average quality	Aa1	Aa1
Average duration	5.6 years	5.6 years
Cash investment	-0.8%	—

Allocation of underlying Vanguard funds

	Global Bond Index Fund
Individual Securities	49.9%
Euro Govt Bond	15.8
US Investment Grade Bnd	13.2
Euro Investment Grade Bnd	8.7
US Government Bond	5.1
Japan Govt Bond	2.9
UK Govt Bond	2.6
UK Investment Grade Bnd	1.8
US Mortgage Backed Bnd	0.8
Cash	-0.8
Total	100.0%

Distribution by credit quality

	Global Bond Index Fund
AAA	50.7
AA	27.9
A	13.4
BBB	6.8
Less than BBB	0.0
Not rated	2.0
Cash	-0.8
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 issuer

	Global Bond Index Fund
Credit	28.0%
Industrial	7.0
Financial Institutions	7.0
Agencies	5.8
Local Authorities	3.5
Supranational	2.1
Utility	1.6
Sovereign	1.0
Government	58.0%
Treasury	56.6
Agency	1.4
Securitized	14.8%
Mortgage Backed Security	10.3
Covered	3.6
Commercial Mortgage Backed Security	0.7
Asset Backed Security	0.2
Cash	-0.8%
Total	100.0%

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