

# Vanguard® Investment Series plc

**SUPPLEMENT** *dated June 30, 2010 to  
Prospectus dated November 24, 2009  
as amended by an Addendum dated February 25, 2010*

## **Vanguard® U.K. Investment Grade Bond Index Fund An Index-Related Fund**

(a sub-fund of Vanguard Investment Series plc, an  
umbrella fund with segregated liability between sub-funds)

**Manager • Vanguard Group (Ireland) Limited**  
(ultimately a wholly owned subsidiary of The Vanguard Group, Inc.)

# Vanguard U.K. Investment Grade Bond Index Fund (the “Fund”)

Supplement  
June 30, 2010

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The Board of Directors (the “Directors”) of Vanguard Investment Series plc (the “Company”) listed in the Prospectus in the section **The Company** accept responsibility for the information in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information in the Prospectus and this Supplement accords with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**This Supplement forms part of, and should be read in conjunction with, the Prospectus dated 24 November 2009 as amended by an Addendum dated 25 February 2010 (the “Prospectus”) in relation to the Company and contains information relating to Vanguard U.K. Investment Grade Bond Index Fund which is a separate sub-fund of the Company, represented by the Vanguard U.K.**

**Investment Grade Bond Index Fund series of Shares (the “Shares”).** At the date of this Supplement, the Company has 32 other sub-funds, namely Vanguard 20+Year Euro Treasury Index Fund, Vanguard 30-40 Year Duration Euro Index Fund, Vanguard Emerging Markets Stock Index Fund, Vanguard Euro Government Bond Index Fund, Vanguard Euro Investment Grade Bond Index Fund, Vanguard European Enhanced Equity Fund, Vanguard European Stock Index Fund, Vanguard Eurozone Inflation-Linked Bond Index Fund, Vanguard Eurozone Stock Index Fund, Vanguard Global Bond Index Fund, Vanguard Global Enhanced Equity Fund, Vanguard Global Small-Cap Index Fund, Vanguard Global Stock Index Fund, Vanguard Japan Enhanced Equity Fund, Vanguard Japan Government Bond Index Fund, Vanguard Japan Stock Index Fund, Vanguard Pacific ex-Japan Stock Index Fund, Vanguard SRI European Stock Fund, Vanguard SRI Global Stock Fund, Vanguard Switzerland Stock Index Fund, Vanguard U.K. Government Bond Index Fund, Vanguard U.K. Stock Index Fund, Vanguard U.S. Discoveries Fund, Vanguard U.S. Enhanced Equity Fund, Vanguard U.S. Fundamental Value Fund, Vanguard U.S. Futures Fund, Vanguard U.S. Government Bond Index Fund, Vanguard U.S. Investment Grade Credit Index Fund, Vanguard U.S. Mortgage Backed Securities Bond Index Fund, Vanguard U.S. Opportunities Fund, Vanguard U.S. Ultra-Short-Term Bond Fund and Vanguard U.S. 500 Stock Index Fund. Save as disclosed in this Supplement, there has been no significant change and no significant new matter has arisen since publication of the Prospectus.

### Why Reading This Supplement Is Important

This Supplement explains the investment objective, policies, strategies, and risks associated with the Fund. To highlight terms and concepts important to fund investors, we have provided Plain Talk™ explanations along the way. Reading the Supplement will help you decide whether the Fund is the right investment for you. We suggest that you keep this Supplement for future reference.

### Share Class Overview

The Company offers ten classes of Shares in the Fund - Investor "Euro" Shares, Institutional "Euro" Shares, Investor "U.S. Dollar" Shares, Institutional "U.S. Dollar" Shares, "Pound Sterling" Income Shares, "Pound Sterling" Accumulation Shares, Investor "U.S. Dollar" Income Shares, Institutional "U.S. Dollar" Income Shares, Investor "Euro" Income Shares, Institutional "Euro" Income Shares.

## An Introduction to Index Funds

### What is indexing?

Indexing is an investment strategy for tracking the performance of a specified market benchmark, or "index." An index is an unmanaged group of securities whose overall performance is used as a standard to measure the investment performance of a particular market. There are many types of indices. Some represent entire markets - such as the U.S. stock market or the U.S. bond market. Other indices cover market segments - such as small-capitalisation stocks or short-term bonds.

An index fund holds all, or a representative sample, of the securities that make up its target index. Index funds attempt to mirror what the target index does, for better or worse. However, an index fund does not always perform *exactly* like its target index. For example, like all mutual funds, index funds have operating expenses and transaction costs. Market indices do not, and therefore will usually have a slight performance advantage over funds that track them.

### Index funds typically have the following characteristics:

- *Variety of investments.* Most of the Company's index funds generally invest in the stocks or bonds of a wide variety of companies and industries.
- *Relative performance consistency.* Because they seek to track market benchmarks, index funds usually do not perform dramatically better or worse than their benchmarks.
- *Low cost.* Index funds are inexpensive to run, compared with actively managed funds. They have low or no research costs, and typically keep trading activity - and thus transaction costs - to a minimum.

### The company's index funds

The Company offers a variety of stock and bond index funds (both U.S. and international). This Supplement provides information about Vanguard U.K. Investment Grade Bond Index Fund. For its benchmark, the Fund uses the Barclays Capital Global Aggregate U.K. Non-Government Float Adjusted Bond Index.

On the following pages, you will find a profile that summarises the key features of the Fund. Following the profile, there is important additional information about the Fund.

## Fund Profile

### INVESTMENT OBJECTIVE

The Fund seeks to provide returns consistent with the performance of a market-weighted bond index of the pound sterling, investment-grade bond market, excluding government bonds with an intermediate-term weighted average maturity as described in Primary Investment Strategies below.

### PRIMARY INVESTMENT STRATEGIES

For its benchmark index, the Fund will use the Barclays Capital Global Aggregate U.K. Non-Government Float Adjusted Index, a benchmark index that measure the performance of the pound sterling, investment-grade bond market, excluding government bonds with an intermediate-term weighted average maturity, or any other similar index selected by the Directors from time to time on the basis that such other index is, in the opinion of the Directors, more suitable and more representative of the relevant market provided that any such selection by the Directors of another index at any time shall be subject to the provision of reasonable notice to Shareholders (the "Index").

The Fund employs a "passive management" - or indexing - strategy designed to track the performance of the Index, which is a subset of the Barclays Capital Global Aggregate Float Adjusted Bond Index. This market-weighted Index is designed to reflect the total universe of the pound sterling denominated investment-grade fixed-income securities excluding government and government related-securities. All issues have a maturity of greater than one year.

The Fund invests by *sampling* the Index, meaning that it holds a range of securities that, in the aggregate, approximate the full Index in terms of key risk factors and other characteristics.

For additional information on the Fund's investment strategies, please see **More on the Fund**.

### OTHER INVESTMENT POLICIES

The Fund's investment policy is to remain substantially fully invested in bonds. At least two-thirds of the net assets of the Fund (without taking into account ancillary liquid assets) shall at all times be invested in investment-grade pound sterling-denominated bonds contained in the Index. Up to one-third of the net assets of the Fund (without taking into account ancillary liquid assets) may, in the aggregate, be invested in bonds and short-term debt instruments denominated in or hedged to the pound sterling, as detailed below. These securities may originate from an issuer that may or may not be contained in the Index.

The Fund may invest in short-term securities due to its uncommitted cash balances and to maintain liquidity to meet Shareholder redemptions. These short-term securities may be denominated in pound sterling and other currencies. To the extent that the Fund invests in securities denominated in currencies other than pound sterling, the Fund will hedge such investments back to the pound sterling.

- The Fund may invest in investment-grade short-term fixed income securities listed or traded on Recognised Markets in the Organisation for Economic Co-operation and Development ("OECD")\* Member States and other countries.
- The Fund will not invest more than 10% of its net assets in short-term fixed income securities listed or traded on Recognised Markets in non-OECD countries.
- The Fund will not invest more than 10% of its net assets in short-term fixed income securities with a debt rating that is less than Prime-1 ("P-1") from Moody's Investors Service, Inc., ("Moody's") or less than A-1+ from Standard & Poor's ("S&P") or the equivalent as determined by the Investment Manager. These short-term securities may include obligations of the European governments and their agencies, obligations of the U.S. government and its agencies or instrumentalities, commercial paper, bank certificates of deposit and banker's acceptances.
- The Fund may invest no more than 10% of its net assets in collective investment undertakings that are exchange-traded funds ("ETFs"). The ETFs will be located in a Member State of the European Economic Area or in the United States, where such funds will be registered under the Investment Company Act of 1940. The ETFs will predominately represent investments that are similar to the Fund's other investments. The ETFs will operate on the principle of risk spreading and will not be leveraged.

The Fund may also enter into repurchase, reverse repurchase agreements and security lending arrangements for the purposes of efficient portfolio management in accordance with the limits and conditions specified under **Portfolio Investment Techniques** in the Prospectus.

### TEMPORARY INVESTMENT MEASURES

The Fund may temporarily depart from its normal investment policies in response to the Investment Manager's perception of extraordinary market, political or similar conditions. During these periods and for as long as the Investment Manager deems it necessary, the Fund may increase its holdings of ancillary liquid assets. In doing so, the Fund may succeed in avoiding losses, but may otherwise fail to achieve its investment objective.

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\*The current OECD Member States are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States

## INVESTMENT RESTRICTIONS

The Fund's assets are invested in accordance with the investment restrictions imposed under the UCITS Regulations and summarised in the **Investment Objective and Policies** section of the Prospectus.

## PRIMARY RISKS

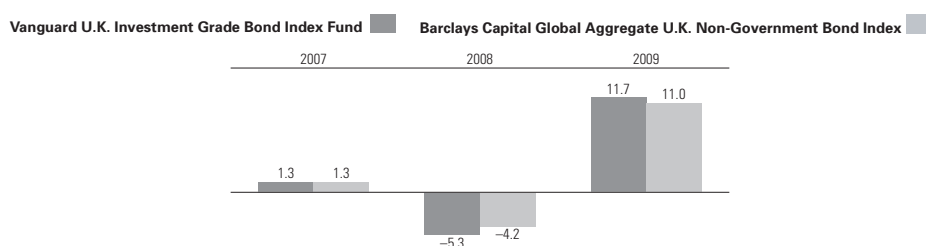
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's Share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund's performance could be hurt by:

- **Interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests mainly in intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.
- **Income risk**, which is the chance that the Fund's income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors should expect the Fund's monthly income to fluctuate accordingly.
- **Credit risk**, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be low for the Fund because it purchases only bonds that are issued by governments or are of investment-grade quality.
- **Index sampling risk**, which is the chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Index. Index sampling risk for the Fund should be low.
- **Call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.
- **Currency risk**, which is the chance that changes in foreign currency exchange rates will unfavourably affect the value of the investments held by the Fund relative to investors' home currencies. Currency risk is low for investors with pound sterling as their home currency, and is high for all other investors.

## PERFORMANCE/RISK INFORMATION

The following bar chart is intended to help you understand the risks of investing in the Fund. The bar chart shows the performance of the Fund's pound sterling-denominated Accumulation Shares over the period shown as well as the performance of the index over the same period. The bar chart shows how the total investment returns of the share class presented compare with those of the Fund's prior Index, the Barclays Capital Global Aggregate U.K. Non-Government Bond Index. As of 30 June 2010, the Fund began to track the Barclays Capital Global Aggregate U.K. Non-Government Float Adjusted Bond Index. Keep in mind that the Fund's past performance does not indicate how the Fund will perform in the future and that the performance of each Share class will be affected by the charges of each such Share classes.

### Total Investment Returns (%) 20 March 2007 - 31 December 2009



The data shown excludes redemption and subscription fees and is calculated net of tax and Fund charges.

## FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* may vary over time, but will not exceed, on an annual basis, 1.00% of the average net assets of the Institutional and "Pound Sterling" Shares and 1.50% of the average net assets of the Investor Shares. The Manager will absorb (directly or by way of refund to the Fund) any difference that may arise between the actual cost of the operations of the Fund and this fixed fee.

As is the case with all mutual funds, transaction costs incurred by the Fund for buying and selling securities are not reflected in the table, although such costs are reflected in the investment performance figures included in this Supplement. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended 31 December 2009.

**SHAREHOLDER FEES***(fees paid directly from your investment)*

	<b>Investor Shares</b>	<b>Institutional Shares</b>	<b>Pound Sterling Shares</b>
Sales Charge (Load) Imposed on Purchases:	None	None	None
Purchase Fee (Maximum): <sup>1</sup>	1.00%	1.00%	1.00%
Exchange Fee:	None	None	None
Redemption Fee:	None	None	None

**ANNUAL FUND OPERATING EXPENSES<sup>2</sup>***(expenses deducted from the Fund's assets)*

Investment Management Expenses:	0.19%	0.19%	0.14%
Administrative and Other Expenses:	0.21%	0.11%	0.06%
<b>Total Annual Fund Operating Expenses: (Total Expense Ratio):</b>	<b><u>0.40%</u></b>	<b><u>0.30%</u></b>	<b><u>0.20%</u></b>

<sup>1</sup> The Fund may charge a purchase fee of up to 1.00% on purchases of Shares to offset some of the costs of trading securities. The purchase fee ensures that these higher costs are borne by the investors making the transaction and not by the Shareholders already in the Fund.

All fees are paid directly to the Fund itself, unlike a sales load, which normally ends up in the pockets of the sponsor, advisor, or sales representative. Without purchase fees, the Fund would have trouble tracking its Index. The purchase fee may be reduced or waived, either generally or in any specific case, to take account of actual expected costs.

<sup>2</sup> All percentages are expressed as a percentage of the average Net Asset Value of the Fund. All annual fund-operating expenses are paid by the Fund.

The Fund may bear its proportion of the Company's organisational expenses (including those relating to the preparation and printing of this Supplement, the listing of the Shares on the Official List and trading on the Main Securities Market of the Irish Stock Exchange and professional advisor fees), which will initially be borne by the Manager. However, the Company may reimburse the Manager for these organisational expenses over such period as may be determined by the Directors in consultation with the Manager. It is estimated that such organisational expenses will amount to \$18,200.

A more detailed description of how the fees and expenses have been calculated is set out in the **Fees and Expenses** section of the Prospectus.

**PLAIN TALK ABOUT****Fund Expenses**

All funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Vanguard U.K. Investment Grade Bond Index Fund's expense ratios in fiscal year 2009 were as follows: for Investor Shares, 0.40%; for Institutional Shares, 0.30%; for "Pound Sterling" Shares, 0.20%. Management expenses, which are one part of operating expenses, include investment advisory fees as well as other costs of managing a fund - such as account maintenance, reporting, accounting, legal and other administrative expenses.

**PLAIN TALK™ ABOUT****Costs of Investing**

Costs are an important consideration in choosing a fund. That is because you, as a Shareholder, pay the costs of operating a fund, plus any transaction costs incurred when the fund buys and sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund's performance.

## Additional Information

### Dividends and Capital Gains

The Directors intend to distribute all or substantially all of the net income (interest and dividends less expenses) of the Fund attributable to Income Shares. The Directors do not intend to declare a dividend in respect of other classes of Shares in the Fund. Accordingly, income and capital gains are reflected in the Fund's Net Asset Value per Share.

### Investment Manager

The Vanguard Group, Valley Forge, Pennsylvania, U.S.A., since inception.

### Supervisory Authority

Irish Financial Services Regulatory Authority (the "Financial Regulator").

### Inception Date

(See also "Purchase Price" under **Buying Shares**)

*Institutional "U.S. Dollar" Shares\**

*Investor "U.S. Dollar" Shares\**

*Institutional "Euro" Shares\**

*Investor "Euro" Shares\**

*Institutional "U.S. Dollar" Income Shares\**

*Investor "U.S. Dollar" Income Shares\**

*Institutional "Euro" Income Shares\**

*Investor "Euro" Income Shares\**

*"Pound Sterling" Income Shares - 31 October 2007*

*"Pound Sterling" Accumulation Shares - 20 March 2007*

\*These Share classes have not yet issued.

### Net Assets (all Share classes) as of 31 December 2009

\$52 million; €36 million; £32 million

### Minimum Initial Subscription

*Investor Shares - \$100,000 or €100,000*

*"Pound Sterling" Shares - £100,000*

*Institutional Shares - \$500,000 or €500,000*

### Conversions

*Investor Shares* - If your holdings reach or surpass \$500,000 or €500,000, you will have the option of converting them to Institutional Shares.

*Institutional Shares* - If your holdings fall below \$500,000 or €500,000, the Company may mandatorily convert your Shares to Investor Shares.

### ISIN Number

*Institutional "U.S. Dollar" Shares - IE00B1S74S55*

*Investor "U.S. Dollar" Shares - IE00B1S74R49*

*Institutional "Euro" Shares - IE00B1S74L86*

*Investor "Euro" Shares - IE00B1S74K79*

*Institutional "U.S. Dollar" Income Shares - IE00B1S74S55*

*Investor "U.S. Dollar" Income Shares - IE00B1S74R49*


*Institutional "Euro" Income Shares - IE00B1S74V84*

*Investor "Euro" Income Shares - IE00B1S74T62*

*"Pound Sterling" Income Shares - IE00B1S74W91*

*"Pound Sterling" Accumulation Shares - IE00B1S74Q32*

## More on the Fund

This Supplement describes the primary risks you would face as a Fund Shareholder. A more detailed description of investment risks is set out in Investment Risks section of the Prospectus. It is important to keep in mind one of the main axioms of investing: The higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: The lower the risk, the lower the potential reward. As you consider an investment in any fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this  symbol throughout the Supplement. It is used to mark detailed information about the more significant risks that you would confront as a Fund Shareholder.

The following sections explain the primary investment strategies and policies that the Fund uses in pursuit of its objective. The Fund's objective and investment policies will be adhered to and, in the absence of exceptional circumstances, will not be altered for at least three years following the admission of the Shares to the Official List and trading on the Main Securities Market of the Irish Stock Exchange. There cannot, in any event, be any change in investment objective or any material change in investment policies without the approval of a majority of Shareholder votes cast at a general meeting. Shareholders will be given reasonable notice prior to any change in the Fund's investment objective or policies.



**The Fund is subject to interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests primarily in short- and intermediate-term bonds.**

Although bonds are often thought to be less risky than stocks, there have been periods when bond prices have fallen significantly because of rising interest rates. For instance, prices of long-term U.S. bonds fell by almost 48% between December 1976 and September 1981.

### PLAIN TALK ABOUT Bonds and Interest Rates

As a rule, when interest rates rise, bond prices fall. The opposite is also true: Bond prices go up when interest rates fall. Why do bond prices and interest rates move in opposite directions? Let us assume that you hold a bond offering a 5% yield. A year later, interest rates are on the rise and bonds of comparable quality and maturity are offered with a 6% yield. With higher-yielding bonds available, you would have trouble selling your 5% bond for the price you paid - you would probably have to lower your asking price. On the other hand, if interest rates were falling and 4% bonds were being offered, you should be able to sell your 5% bond for more than you paid.




Changes in interest rates will affect bond *income* as well as bond *prices*.

To illustrate the relationship between bond prices and interest rates, the following table shows the effect of a 1% and a 2% change (both up and down) in interest rates on the value of three bonds of different maturities, each with a face value of £1,000.

How Interest Rate Changes Affect the Value of a £1,000 Bond <sup>1</sup>				
Type of Bond (Maturity)	After a 1% Increase	After a 1% Decrease	After a 2% Increase	After a 2% Decrease
Short-Term (2.5 years)	£977	£1,024	£955	£1,048
Intermediate-Term (10 years)	922	1,082	858	1,172
Long-Term (20 years)	874	1,137	786	1,299


<sup>1</sup> Assuming a bond with a 5% coupon.

These figures are for illustration only; you should not regard them as an indication of future performance from the bond market as a whole or the Fund in particular.

 **The Fund is subject to income risk, which is the chance that the Fund's income will decline because of falling interest rates. A fund's income declines when interest rates fall because the fund then must invest in lower-yielding bonds. Income risk is generally higher for short-term bond funds and lower for long-term bond funds.**


#### PLAIN TALK ABOUT Bond Maturities


A bond is issued with a specific maturity date - the date when the bond's issuer must pay back the bond's principal ("face value"). Bond maturities range from less than 1 year to more than 30 years. Typically, the longer a bond's maturity, the more price risk you, as a bond investor, face as interest rates rise - but also the higher yield you could receive. Longer-term bonds are more suitable for investors willing to take a greater risk of price fluctuations to get higher and more stable interest income. Shorter-term bond investors should be willing to accept lower yields and greater income variability in return for less fluctuation in the value of their investment.

 **The Fund is subject to credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.**

#### PLAIN TALK ABOUT Credit Quality

A bond's credit-quality rating is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to repay the principal. Credit quality is evaluated by one of the independent bond-rating agencies (for example, Moody's or S & P) or through independent analysis conducted by a fund's advisor. The lower the rating, the greater the chance - in the rating agency's or advisor's opinion - that the bond issuer will default, or fail to meet its payment obligations. All things being equal, the lower a bond's credit rating, the higher its yield should be to compensate investors for assuming additional risk. Investment-grade bonds are those rated in one of the four highest ratings categories. A fund may treat an unrated bond as investment-grade if warranted by an advisor's analysis.

 **The Fund is subject to call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.**

 **The investor may be subject to currency risk, which is the chance that changes in currency exchange rates will unfavourably affect the value of the investments held by the Fund relative to investors' home currencies.**

For example, for Shares denominated in Euro, a rise in the dollar against the Euro will supplement the Fund's returns when they are translated into Euro. Conversely, a fall in the dollar against the Euro will diminish the Fund's returns when they are translated into Euro.

For subscriptions, redemptions, exchanges and distributions for Shares denominated in a currency other than the Fund's base currency, the currency conversion will be effected at the then current exchange rate.





**The Fund is subject to index sampling risk, which is the chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of its Index. Index sampling risk for the Fund should be low.**

To a limited extent, the Fund is also exposed to event risk, which is the chance that corporate fixed income securities held by the Fund may suffer a substantial decline in credit quality and market value because of a corporate restructuring or another corporate event.

## SECURITY SELECTION

**Index sampling strategy.** Because it would be very expensive and inefficient to buy and sell *all* securities held in its Index - which is an indexing strategy called “replication” - the Fund uses index “sampling” techniques to select securities. Using sophisticated computer programs, the Fund selects a representative sample of securities that approximates the full Index in terms of key risk factors and other characteristics. These factors include duration, cash flow, average quality, and the callability of the underlying bonds. In addition, the Fund keeps industry sector and subsector exposure within tight boundaries compared with that of its Index. Since the Fund does *not* hold all issues in its Index - which is a different indexing strategy called “replication” - some of the issues (and issuers) that are held will likely be over-weighted (or under-weighted) as compared with the Index. The maximum over-weight (or under-weight) is constrained at the issuer level with the goal of producing a well-diversified credit exposure in the portfolio.

**Types of bonds.** The Index is a subset of the Barclays Capital Global Aggregate Float Adjusted Bond Index. This Index measures the total universe of the pound sterling denominated investment-grade fixed income bond market, excluding U.K. treasury and government-related securities. All issues have a maturity of greater than one year. An explanation of each type of bond follows.

- *Government and government-related bonds* represent loans by investors to a government or a wide variety of governmental agencies and instrumentalities. Timely payment of principal and interest on government bonds is always guaranteed by the full faith and credit of the respective government; many (but not all) government-related bonds have the same guarantee.
- *Asset-backed securities* represent partial ownership in underlying pools of consumer or commercial loans - most often credit card, automobile, or trade receivables. Asset-backed securities, which can be types of corporate fixed income obligations, are issued by entities formed solely for that purpose, but their value ultimately depends on repayments by the underlying borrowers. Asset-backed securities are subject to prepayment risk, which makes their maturities difficult to predict.
- *Corporate bonds* are IOUs issued by businesses that want to borrow money for some purpose - often to develop a new product or service, to expand into a new market, or to buy another company. As with other types of bonds, the issuer promises to repay the principal on a specific date and to make interest payments in the meantime. The amount of interest offered depends both on market conditions and on the financial health of the corporation issuing the bonds; a company whose credit rating is not strong will have to offer a higher interest rate to obtain buyers for its bonds. The Fund will purchase only *investment-grade* corporate bonds.

## OTHER INVESTMENT POLICIES AND RISKS

The Fund reserves the right to substitute a different index if the Index is discontinued or changed in any material way, or if the Fund's agreement with the Index sponsor is terminated, or for any other reason determined in good faith by the Board of Directors, and with prior notification to, or, where required, with the prior approval of, Shareholders. In any such instance, the substitute index would measure the same market segment as the Index.

## EFFICIENT PORTFOLIO MANAGEMENT



**The Fund may invest, to a limited extent, in financial derivative instruments (“FDI”) for the purpose of efficient portfolio management with the specific aim of the reduction of risk and cost and generating additional capital and/or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund as described herein and in the Prospectus. Such techniques must be used under the conditions and within the limits stipulated by the Financial Regulator under the UCITS Regulations, as described in the Portfolio Investment Techniques section of the Prospectus. FDI may involve risks different from, and possibly greater than, those of traditional investments.**

To track the Index as closely as possible, the Fund attempts to remain fully invested in bonds. To help stay fully invested and to reduce transaction costs, the Fund may invest, to a limited extent, in FDI. Generally speaking, an FDI is a financial contract whose value is based on the value of a financial asset (such as a stock, bond or currency), a physical asset (such as gold) or a market index (such as the S&P 500 Index). The Fund will not use FDI for speculation or for the purpose of leveraging (magnifying) investment returns.

If at any time a security in the Index constitutes more than the applicable Fund limit for direct investment in a single issuer, the Fund may take indirect exposure to that security in order to track the Index more accurately without breaching any of the investment restrictions to which the Fund is subject.

The Fund may enter into forward currency exchange contracts, which are types of FDI. A forward currency exchange contract is an agreement to buy or sell a country's currency at a specific price on a specific date, usually 30, 60, or 90 days in the future. In other words, the contract guarantees an exchange rate on a given date. Managers of funds that invest in non-U.S. securities use these contracts to guard against sudden, unfavorable changes in exchange rates between the U.S. dollar and other currencies. These contracts, however, will not prevent the Fund's securities from falling in value during international market downswings.

The reasons for which the Fund may invest in futures, options, warrants, equity-linked notes and swap agreements include:

- To keep sufficient cash on hand to meet Shareholder redemptions or other needs and comply with the Financial Regulator's requirements while simulating full investment in bonds.
- To reduce transaction costs or add value when these instruments are favourably priced.
- To facilitate trading.
- To seek higher investment returns when a futures contract, option or swap agreement is priced more attractively than the underlying security or Index.

The Company employs a risk management process which enables it to accurately measure, monitor and manage the various risks associated with the use of FDI. The Company will only use FDI which are specified in the risk management process cleared by the Financial Regulator.

For more information see Financial Derivative Instruments Risk in the **Investment Risks** section of the Prospectus.

#### PLAIN TALK ABOUT Financial Derivative Instruments

FDI can take many different forms. Some forms of FDI, such as exchange-traded futures and options on securities, commodities or indices, have been trading on regulated exchanges for decades. These types of FDI are standardised contracts that can easily be bought and sold, and whose market values are determined and published daily. Non-standardised FDI (such as swap agreements), on the other hand, tend to be more specialised or complex, and may be harder to value.

The Company may invest a small portion of the Fund's assets in shares of bond exchange-traded funds (ETFs). ETFs provide returns similar to those of the bonds listed in the Index or in a subset of the Index. The Company may purchase ETFs when doing so will reduce the Fund's transaction costs or add value because the instruments are favorably priced.

#### **FREQUENT TRADING OR MARKET-TIMING**

##### *Background*

The Fund is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term market or currency movements. Some investors try to profit from a strategy called market-timing - switching money into funds when they expect prices to rise and taking money out when they expect prices to fall. As money is shifted in and out, the Fund incurs expenses for buying and selling securities. To the extent that these expenses are not offset by the Fund's purchase fee and/or redemption fee, these costs are borne by *all* the Shareholders in the Fund, including the long-term investors who do not generate the costs. Frequent trading may also interfere with an investment manager's ability to efficiently manage the Fund.

##### *Policies to Address Frequent Trading*

- The Directors reserve the right to reject any subscription order - including exchanges from other Company funds - without notice and regardless of size. For example, a subscription order could be rejected if the Company determines that such purchase may disrupt a fund's operation or performance or because of a history of frequent trading by the investor.
- The Directors may limit the number of times an investor can exchange into or out of the Fund.
- The Directors may stop offering Shares at any time.

See the **Conversions and Exchanges** and the **Costs and Market-Timing** sections of the Prospectus for further details on the Company's transaction policies.

**Do not invest in the Fund if you are a market-timer.**

#### **TURNOVER RATE**

Although the Fund normally seeks to invest for the long term, it may sell securities regardless of how long they have been held. Shorter-term bonds will mature or be sold - and need to be replaced - more frequently than longer-term bonds. As a result, shorter-term bond funds tend to have higher turnover rates than longer-term bond funds. The Fund had a turnover rate of 92.56% for the year ended 31 December 2009. A turnover rate of 100% would mean that the Fund had sold and replaced securities valued at 100% of its net asset value within a one-year period.

## PLAIN TALK ABOUT

**Turnover Rate**

Before investing in a fund, you should review its turnover rate. This gives an indication of how transaction costs, which are not included in the fund's expense ratio, could affect the fund's future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return.

## The Company

Vanguard Investment Series plc has been established as an umbrella fund with segregated liability between its sub-funds and it may, with the prior approval of the Financial Regulator, issue different series of Shares representing separate portfolios of assets. The Company also may offer different classes of Shares for each series, subject to prior notification to the Financial Regulator.

## Investment Manager

The Investment Manager of the Fund is The Vanguard Group, Inc. ("Vanguard"), based in Valley Forge, Pennsylvania. Vanguard is made up of 37 U.S. investment companies with more than 160 funds holding approximately \$1.3 trillion in assets. Vanguard's Fixed Income Group is responsible for the investment of the Fund's assets and provides investment advisory services to a number of Vanguard-sponsored investment funds. As of 31 December 2009, the Investment Manager served as advisor for approximately \$1.1 trillion in assets.

**George U. Sauter** is Chief Investment Officer and Managing Director of Vanguard. As Chief Investment Officer, he is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups. The investments managed by these two groups include active quantitative equity funds, equity index funds, active bond funds, index bond funds, stable value portfolios and money market funds.

Since joining Vanguard in 1987, Mr. Sauter has been a key contributor to the development of the company's stock indexing and active quantitative equity investment strategies. He received his A.B. in Economics from Dartmouth College, and an M.B.A. in Finance from the University of Chicago.

**Robert F. Auwaerter** is head of Fixed Income Group and Principal of Vanguard. He has direct oversight responsibility for all money market funds, bond funds and stable value portfolios managed by the Fixed Income Group. He has managed investment portfolios since 1978 and has been with Vanguard since 1981. He received his B.S. in Finance from The Wharton School of the University of Pennsylvania and an M.B.A. from Northwestern University.

**Kenneth E. Volpert**, CFA, is head of Vanguard's Taxable Bond Group and Principal of Vanguard. He has direct oversight responsibility for all taxable bond funds managed by the Fixed Income Group. He has managed investment portfolios since 1982 and has been with Vanguard since 1992. He received his B.S. from the University of Illinois and an M.B.A. from the University of Chicago.

## PLAIN TALK ABOUT

**The Fund's Investment Managers**

The managers primarily responsible for the day-to-day management of the Fund are:

**Gregory Davis**, CFA, Principal of Vanguard and head of Vanguard's Bond Index Group. He has worked in investment management with Vanguard since 1999; he has managed portfolio investments since 2000, and has managed the Fund since its inception. Education: B.S., The Pennsylvania State University; M.B.A., The Wharton School of the University of Pennsylvania.

**Didier Haenecour**, He has worked in investment management since 1993 and has been with Vanguard since 2009. Education: B.S., HEC Saint Louis, Brussels; M.S., South Bank University, London.

## Distribution Policy

The Fund has distributing and non-distributing classes of Shares. The Directors do not intend to declare dividends on the Institutional "U.S. Dollar" Shares, Investor "U.S. Dollar" Shares, Institutional "Euro" Shares, Investor "Euro" Shares, and the "Pound Sterling" Accumulation Shares. Accordingly, the Fund's income and capital gains attributable to those Share classes are reflected in the Net Asset Value per Share. The Directors do intend to declare a dividend on Institutional "U.S. Dollar" Income Shares, Investor "U.S. Dollar" Income Shares, Institutional "Euro" Income Shares, Investor "Euro" Income Shares, and the "Pound Sterling" Income Shares. The Directors intend to distribute all or substantially all of the net income (interest and dividends, less expenses), of the Fund attributable to Income Shares. Dividends shall be payable to such Shareholders of record on the date on which the dividend is declared in accordance with the number of Shares held of that particular class. A Shareholder can receive distributions of income in cash, which will be wired to

the bank account designated by the Shareholder in the subscription agreement, or the Shareholder can have them automatically reinvested in more Shares of the Fund. No transaction charges will be payable on reinvestment of Shares. Normally, dividends will be paid quarterly. Any dividend unclaimed after six years from the date when it first becomes payable shall be forfeited automatically, without the necessity for any declaration or other action by the Company.

In respect of the distributing classes of Shares, the Company intends to operate equalisation arrangements and make equalisation payments in respect of each such Share to reflect the pro rata payment of dividends based on the period of time the Share has been owned by an investor. If an investor acquires Shares at a date when the Fund has accrued income which has not yet been declared as a dividend, the Directors may credit to the equalisation account part of the subscription price representing the accrued income which would be attributable to those Shares, as the case may be. When the dividend is paid, the investor will receive the same amount of cash as the existing investors, but the amount in respect of income accrued before he acquired his Shares will be paid not as a dividend but out of the equalisation account, as capital, comprising the repayment of part of the subscription price.

## Net Asset Value

The base currency of the Fund is the pound sterling. The Net Asset Value per Share is calculated to four decimal places and published in the manner described in the **Determination of Net Asset Value** section of the Prospectus, and quoted in the currency of each Share class.

### Investing With the Company

This section of the Supplement explains the basics of doing business with the Company. Contact information can be found at the end of this section.

**Buying Shares**  
**Redeeming Shares**  
**Exchanging and Converting Shares**  
**Other Rules**  
**Fund and Account Updates**  
**Contacting the Company**

The Company offers ten classes of Shares in the Fund - Investor "Euro" Shares, Institutional "Euro" Shares, Investor "U.S. Dollar" Shares, Institutional "U.S. Dollar" Shares, "Pound Sterling" Income Shares, "Pound Sterling" Accumulation Shares, Investor "U.S. Dollar" Income Shares, Institutional "U.S. Dollar" Income Shares, Investor "Euro" Income Shares, Institutional "Euro" Income Shares. The Shares differ in terms of their currency denomination, minimum subscription requirements, expense ratios, and distribution policies.

The Net Asset Value per Share will be calculated separately for each class of Shares to reflect the different currency denominations and expense ratios to which the classes are subject.

## Buying Shares

### How to Buy Shares

**To open an account:** Mail, fax or, where applicable, send by approved electronic transmission the subscription agreement to the Administrator (with the original subscription agreement and all documentation required for anti-money laundering procedures mailed immediately thereafter). The Company will mail a confirmation of ownership by the close of the third Business Day after the relevant Dealing Day, provided that for the purposes of this Fund each Business Day shall be a Dealing Day.

**To add to an existing account:** Mail, fax or, where applicable, send by approved electronic transmission to the Administrator a signed letter or other authorisation acceptable to the Administrator, specifying the Shareholder's full name, address, account number and subscription amount. If the Shareholder has elected in the subscription agreement to place subsequent deals by telephone or, where applicable, by approved electronic transmission, the Shareholder must contact the Administrator prior to the daily Dealing Deadline.

**Subscriptions for Investor "Euro" Shares, Institutional "Euro" Shares, Investor "Euro" Income Shares, and Institutional "Euro" Income Shares must be in euros (EUR). Subscriptions for Investor "U.S. Dollar" Shares, Institutional "U.S. Dollar" Shares, Investor "U.S. Dollar" Income Shares, and Institutional "U.S. Dollar" Income Shares must be in U.S. dollars**

**(USD). Subscriptions for “Pound Sterling” Income Shares and “Pound Sterling” Accumulation Shares must be in pounds sterling (GBP).**

**The Company reserves the right not to accept any subscriptions until the Administrator receives the original subscription agreement and all of the necessary anti-money-laundering checks are completed.**

**The Company reserves the right to reject any purchase request, including exchanges from other sub-funds.**

**Any application for Shares received or deemed to be received by the Company may be withdrawn only with the consent of the Directors.**

For a list of addresses and phone numbers, see **Contacting the Company**.

#### **Account Minimums**

**To open and maintain an account:** \$100,000 or €100,000, (Investor Shares); £100,000 (“Pound Sterling” Shares); \$500,000 or €500,000 (Institutional Shares).

The Directors may waive the minimum subscription levels.

#### **Purchase Price**

“Pound Sterling” Accumulation Shares and “Pound Sterling” Income Shares are currently available at the Net Asset Value per Share on the relevant Dealing Day.

Investor “U.S. Dollar” Shares, Institutional “U.S. Dollar” Shares, Investor “U.S. Dollar” Income Shares, Institutional “U.S. Dollar” Income Shares, Investor “Euro” Shares, Institutional “Euro” Shares, Investor “Euro” Income Shares and Institutional “Euro” Income Shares, were initially offered from 10:00 a.m. (Irish time) on 23 July 2008 to 5:00 p.m. (Irish time) on 30 July 2008, which period has been extended by the Directors until the earlier of the receipt of initial subscriptions or 5:00 p.m. (Irish time) on 31 December 2010 (or such other date as may be determined by the Directors and notified to the Financial Regulator), at a price of £100.0000 per Share. After the first issue of Shares, Shares will be available at a price per Share equal to the Net Asset Value per Share on the relevant **Dealing Day**.

A purchase fee of up to 1.00% of the subscription proceeds may be charged, which is payable out of the subscription proceeds. This fee is used by the Fund to offset the cost of purchasing the necessary securities with the purchase proceeds.

#### **Subscription In Kind**

The Company may agree to accept subscription in kind of assets of a type in which the Fund may invest, in accordance with the requirements described in the **Buying Shares** section of the Prospectus.

#### **Cutoff Time for Subscriptions**

**To open an account or add to an existing account:** The Administrator must receive a properly completed subscription agreement by 11.00 a.m. (Irish time) or 12.00 p.m. (Central European Time) (the “Dealing Deadline”) on the relevant Dealing Day. Subscription agreements received after these times will usually be treated as if received on the next Business Day.

The Custodian must receive subscription monies in immediately available funds prior to the relevant Custodian’s cut-off time for each currency on the third Business Day (“Value Date”) after the relevant Dealing Day. The Custodian’s currency cut-off times are confirmed on the Dealing & Wire Instruction Form attached to the Subscription Agreement and are as follows:

USD	4.30 p.m. (United States Eastern Standard Time) on Value Date
GBP	3.30 p.m. (London time) on Value Date
EUR	3.15 p.m. (London time) on Value Date

The Directors have the discretion to require receipt of subscription monies on the Dealing Day as of which Shares are to be issued and the Directors may exercise this discretion, for example, with respect to new investors in the Company. In exercising their discretion the Directors will take into account legal considerations, timing matters and other considerations.

Under the terms of the subscription agreement, Shareholders accept responsibility and liability for any failure by them to provide subscription monies in accordance with the procedures and deadlines set out above. Each Shareholder agrees that any costs for which

such Shareholder becomes liable as a result of his or her failure to provide subscription monies in accordance with the procedures and deadlines set out above authorises the Manager to redeem such number of Shares held by such Shareholder in the Company in order to satisfy any such liability to the Company and the proceeds of any such redemption shall be paid into the assets of the Fund. In the event that there is a failure to provide subscription monies, the relevant Shares will be cancelled.

The Directors may accept subscription agreements after the Dealing Deadline provided that the subscription agreement is received before calculating the Net Asset Value per Share on the Business Day to which the subscription agreement relates.

See the **Buying Shares** section of the Prospectus for more information.

## Redeeming Shares

### ***How to Redeem Shares***

Mail, fax or, where applicable, send by approved electronic transmission to the Administrator a signed letter or other authorisation acceptable to the Administrator, specifying the Shareholder's full name, address, and account number. If the Shareholder has elected in the subscription agreement to place subsequent deals by telephone or, where applicable, by approved electronic transmission, the Shareholder must contact the Administrator prior to the daily Dealing Deadline.

Redemption orders may not be withdrawn without the Company's consent except when the redemption of Shares has been temporarily suspended.

**Redemption requests for Investor "Euro" Shares, Institutional "Euro" Shares, Investor "Euro" Income Shares, and Institutional "Euro" Income Shares will be paid in euros. Redemption requests for Investor "U.S. Dollar" Shares, Institutional "U.S. Dollar" Shares, Investor "U.S. Dollar" Income Shares, and Institutional "U.S. Dollar" Income Shares will be paid in U.S. dollars. Redemption requests for "Pound Sterling" Income Shares, and "Pound Sterling" Accumulation Shares will be paid in pounds sterling.**

**No redemption proceeds will be made to investors until the Administrator has received the original subscription agreement, all of the necessary anti-money laundering checks have been completed, and original wiring instructions have been received.**

**All redemption proceeds will be paid to an account in the name of the investor. No third-party payments are permitted.**

### ***Cutoff Time for Redemptions***

The Administrator must receive a properly completed Redemption Form by 11.00 a.m. (Irish time) or 12.00 p.m. (Central European Time) (the "Dealing Deadline") on the relevant Dealing Day. Redemption requests received after these times will usually be treated as if received on the next Business Day.

Redemption proceeds will normally be paid on the third Business Day after the relevant Dealing Day.

### ***Redemption Price***

Shares are redeemed at a price equal to the Net Asset Value per Share on the relevant Dealing Day after receipt of the redemption request.

### ***Redemption - Holding Over and Redemption In Kind***

If a Shareholder requests the redemption of Shares equal to 5% or more of the total number in issue in the Fund on any Dealing Day, the Directors may, in their sole discretion, satisfy the request by distributing Fund assets in kind, provided that the asset allocation is subject to the approval of the Custodian, that such distribution does not materially prejudice the interest of other Shareholders, and that the redeeming Shareholder has the right to instruct the Directors to sell such assets on their behalf. The Shareholder shall receive the proceeds of any such sale net of all duties and charges incurred.

If outstanding redemption requests from Shareholders on any Dealing Day total in aggregate 10% or more of the total number of Shares of the Fund or class then in issue,



the Directors may, in their sole discretion, refuse to redeem such number of the Shares of the Fund or class in excess of such 10% as they may determine.

See the **Redeeming Shares** section of the Prospectus for more information.

### ***Mandatory Redemptions***

A Shareholder's investment may be compulsorily redeemed in the following circumstances:

- If a redemption order would result in the Net Asset Value of the Shares held by a Shareholder falling below \$50,000, €50,000, £50,000 or the equivalent in another currency the Company may treat the redemption order as an order to redeem the entire Shareholding. If the Fund has a redemption fee, that redemption fee will apply to all such redemptions, unless the Manager determines otherwise.
- If the Net Asset Value of the Fund falls below \$15 million or its equivalent in another currency.

See the **Redeeming Shares** section of the Prospectus for more information.

## **Exchanging and Converting Shares**

### ***Exchanges Between Funds***

Shareholders may exchange their Shares into the same class of Shares of any other Vanguard fund.

A purchase fee may be payable on an exchange of Shares between the Fund and another fund if there is a fee for subscription for the new fund. If applicable, a redemption fee also may be payable. Exchanges of Shares between funds whose base currencies are not the same will be facilitated by the Administrator. The investor will bear the risks and costs of the currency exchange transaction. The costs will be deducted from the subscription amount. Any request for an exchange of Shares received or deemed to be received by the Company may be withdrawn only with the consent of the Directors.

### ***Conversions Between Share Classes***

If the value of a Shareholder's Institutional Shares falls below €500,000 (for the "Euro" Shares) or \$500,000 (for the "U.S. Dollar" Shares), the Company may mandatorily convert the Shareholder's holdings to Investor Shares. If the value of a Shareholder's Investor Shares reaches or surpasses €500,000 (for the "Euro" Shares), \$500,000 (for the "U.S. Dollar" Shares), the Shareholder may convert the holdings to Institutional Shares.

See the **Conversions and Exchanges** and the **Costs and Market-Timing** sections of the Prospectus for further details on the Company's transaction policies.

## **Other Rules**

### ***Written Instructions***

The Directors, and the Administrator as their delegate, reserve the right to require satisfactory proof of authority in relation to any application for Shares, and may reject an application for Shares for any reason in whole or in part, in which event the application monies or any balance thereof will be returned to the applicant by transfer to the applicant's account.

### ***Responsibility for Fraud***

Under the terms of the subscription agreement, a Shareholder authorises the Company to act on any fax or other written instructions from any person (or persons in the case of joint holdings) representing himself or herself to be an authorised person and reasonably believed to be genuine.

The Company and the Administrator will not be liable for any losses, costs or expenses arising out of, or in connection with, any unauthorised or fraudulent instructions.

### ***Closing of the Fund to further subscriptions or exchanges***

At the discretion of the Directors, the Fund may be closed to subscriptions or exchanges into the Fund (but not to redemptions or exchanges out of the Fund). The Fund may be closed in such circumstances without prior notice to Shareholders, but notification of such closing will be provided in the next report. Similarly, at the discretion of the Directors, the Fund may be re-opened for such subscriptions or exchanges without prior notice to Shareholders, but notification thereof will be provided in the next report.



**Unusual Circumstances**

An application for Shares or a redemption order received during a period when the Share dealings have been temporarily suspended will be treated as received on the first Business Day after dealings have recommenced, unless the application is withdrawn.

See the **Temporary Suspension of Dealings** section of the Prospectus for more information.

**Investing With the Company Through Other Firms**

Financial entities not related to the Company, such as banks, insurance companies, independent financial advisors and financial intermediaries, may advise investors to invest in the Fund or may execute transactions in the Fund on behalf of their clients. These entities may charge fees (which are payable directly by the investor and not out of subscription monies) for these services in addition to those indicated above.

We advise investors to ask the intervening financial entity about additional fees, special terms, additional service features or other policies.

## Fund and Account Updates

**Contract Notes**

Shareholders who purchase, redeem or exchange Shares will receive a contract note confirming the trade date and amount of the transaction. No Share certificates will be issued.

**Portfolio Summaries**

Shareholders will receive a monthly portfolio summary showing account balances as well as all purchases, sales and exchanges for the statement period.

**Annual and Semi-annual Reports**

Comprehensive financial reports about the Fund will be published every April and August and mailed to Shareholders.

## Contacting the Company

**For Service Information and Literature Requests**

Visit <http://global.vanguard.com>, 24 hours a day, 7 days a week, or call the number below during business hours.

**Postal Address**

Vanguard Investment Series plc - Vanguard U.K. Investment Grade Bond Index Fund  
 % J.P. Morgan Administration Services (Ireland) Limited  
 JP Morgan House  
 International Financial Services Centre  
 Dublin 1  
 Ireland

**Telephone and Fax Numbers**

**Telephone:** 353-1-612-3226  
**Fax:** 353-1-612-3067

## General

None of the Directors has any unspent convictions, has been declared bankrupt or has been the subject of an individual voluntary arrangement or a receivership of any assets held by such person. None of the Directors was a director with an executive function of any company at the time of or within the 12 months preceding its bankruptcy, receivership administration, creditors' voluntary liquidation, company voluntary arrangement, or composition or arrangement with its creditors generally. There have been no public criticisms of any of the Directors by any statutory or regulatory authority and no Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company. No Director was a partner of any partnership at the time of or within the 12 months preceding its compulsory liquidation, administration or partnership voluntary arrangement. No Director has had a receiver appointed over any of his assets or over any of the assets of a partnership of which he was a partner within the 12 months after he ceased to be a partner of that partnership.

A memorandum detailing the names of all companies and partnerships of which the Directors of the Company have been directors or partners in the past five years, together with an indication of whether or not they are still directors or partners, is available for inspection at the Offices of Goodbody Stockbrokers, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland.

## Glossary of Investment Terms

### Active Management

An investment approach that seeks to exceed the average returns of the financial markets. Active managers rely on research, market forecasts and their own judgment and experience in selecting securities to buy and sell.

### Bond

A debt security (IOU) issued by a corporation, government or government-related agency in exchange for the money you lend it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

### Capital Gains Distribution

Payment to fund shareholders of gains realised on securities that a fund has sold at a profit, minus any realised losses.

### Corporate Bond

An IOU issued by a business that wants to borrow money. As with other types of bonds, the issuer promises to repay the borrowed money on a specific date and to make interest payments in the meantime.

### Coupon

The interest rate paid by the issuer of a debt security until its maturity, it is expressed as an annual percentage of the face value of the security.

### Currency Risk

The chance that the value of an investment will decrease because of unfavourable changes in currency exchange rates.

### Dividend Distribution

Payment to fund shareholders of income from interest or dividends generated by a fund's investments.

### Expense Ratio

The percentage of a fund's average net assets used to pay its expenses during a fiscal year. The expense ratio includes management expenses-such as advisory fees, reporting, accounting, legal and other administrative expenses-and any distribution fees. It does not include the transaction costs of buying and selling portfolio.

### Face Value

The amount to be paid at a bond's maturity; also known as par value or principal.

### Fixed Income Security

An investment, such as a bond, which pays a fixed coupon, or a preferred stock, which pays a fixed dividend.

### Index

An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

### Investment-Grade

A fixed income security whose credit quality is considered by independent bond-rating agencies, or through independent analysis conducted by a fund's advisor, to be sufficient to ensure timely payment of principal and interest under current economic circumstances. Fixed income securities rated in one of the four highest categories are considered "investment-grade"; other fixed income securities may be considered by the advisor to be investment-grade.

### Net Asset Value (NAV)

The market value of a fund's total assets, minus liabilities, divided by the number of shares outstanding. The value of a single share is also called its share value or share price.

### Passive Management

A low-cost investment strategy in which a fund attempts to track-rather than outperform-a specified market benchmark or "index"; also known as indexing.

### Principal

The amount of money you put into an investment.

### Securities

Stocks, bonds, money market securities and other investment vehicles.

### Total Return

A percentage change, over a specified time period, in a fund's net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

### UCITS

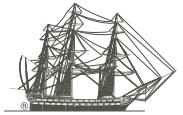
An Undertaking for Collective Investment in Transferable Securities within the meaning of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

### Volatility

The fluctuations in value of a fund or other security. The greater a fund's volatility, the wider the fluctuations in its returns.

### Yield

Income (interest or dividends) earned by an investment, expressed as a percentage of the investment's price.



**Vanguard** INVESTMENTS™

© J.P. Morgan Administration  
Services (Ireland) Limited  
JPMorgan House  
International Financial  
Services Centre  
Dublin 1  
Ireland

**Investor Information  
and Services (Ireland)**

Fax: 353-1-612-3067  
Phone: 353-1-612-3226

**World Wide Web**

<http://global.vanguard.com>

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