

EMERGING MARKETS BOND FUND

Quarterly update

LOW-COST ACTIVE
FIXED INCOME

The Vanguard Emerging Markets Bond Fund is an actively managed fixed income solution investing primarily in emerging market sovereigns. The fund is managed by Vanguard's Fixed Income Group and aims to generate a diversified, consistent level of return over the long term.

Highlights

- Emerging market (EM) bonds performed well in the first quarter.
- Returns were driven by positive risk sentiment amid continued expectations of a soft landing.
- The Vanguard Emerging Markets Bond Fund outperformed its benchmark.
- Strong demand for EM credit helped foster a favourable supply-demand dynamic.

Market overview

Emerging market (EM) credit returned 2.0% in the first quarter of 2024¹. Market optimism continued as the global economy posted better-than-expected growth, while the market dialled back its expectations of rate cuts by the US Federal Reserve (Fed) off the back of stronger inflationary data.

A robust risk appetite in markets helped EM high yield (HY) gain 3.0% during the first quarter, outperforming EM investment-grade (IG), which increased 1.2%². EM HY spreads compressed 93 basis points (bps) with half of the compression occurring in March alone³, driven by positive risk sentiment in markets. Several EM HY countries benefited from material fundamental improvements during the quarter, including Ecuador and Argentina, which were boosted by tax reforms and fiscal consolidation efforts.

EM local-currency bonds returned -2.1% in the first quarter³ as local-currency returns were not enough to offset the impact of a US dollar rally over the same time period. EM local-currency bonds are an attractive asset class amid falling inflation and high real yields, yet remain vulnerable to a US real rate sell-off.

In-line with Vanguard's expectations, strong supply and demand technicals proved to be a tailwind for EM credit over the quarter. High levels of new

issuance in January and February were well-absorbed by investors seeking exposure to the asset class. A drop-off in the pace of new issuance in March set up a strong supply-demand mismatch amid continuing robust demand for EM credit. With more than half of this year's total expected new issuance completed in the first quarter, we expect EM credit will be well-supported by positive technicals, especially if investors maintain a robust risk appetite.

Strategy, performance and positioning

The Vanguard Emerging Markets Bond Fund returned 2.47% in the first quarter, outperforming its benchmark, the J.P. Morgan EMBI Global Diversified Index, which returned 2.04%⁴.

The largest contributors to performance were the fund's beta exposure—as spreads tightened over the quarter—and security selection in high-quality names. The main detractors from fund performance were underweight holdings in Ghana and Argentina.

We raised our risk exposures at the end of 2023 and into 2024, focusing on new issues from EM IG countries and adding to a selection of EM HY issuers, including countries such as Egypt, Turkey and Ivory Coast.

¹Vanguard and Bloomberg, for the period 1 January 2024 to 31 March 2024.

²Vanguard and Bloomberg. Based on the investment-grade and high-yield segments of the J.P. Morgan EMBI Global Diversified Index for the period 1 January 2024 to 31 March 2024. Returns are calculated in USD, net of fees.

³Vanguard and Bloomberg, for the period 1 January 2024 to 31 March 2024. Calculations in USD.

⁴Source: Vanguard and JP Morgan, for the period 1 January 2024 to 31 March 2024. Calculations in USD.

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Following the recent rally, valuations in EM credit are looking less compelling going forward. Consequently, our focus has turned to relative-value opportunities and rotating into more defensive sectors.

We are constructive on EM local-currency bonds as real yields in certain local markets are higher relative to the US and Europe. This should allow EM central banks to continue cutting rates, with some level of immunity to any actions by the Fed. However, we are more cautious on EM exposure to foreign exchange (FX) fluctuations given the continued strong US economy and the more recent reassessment of Fed rate cuts, although we will continue to tactically trade certain EM FX situations.

We have pared back certain local market positions early in the second quarter, maintaining positions exclusively in markets where local fundamentals continue to justify a deep rate-cutting cycle or where sensitivity to US rate moves are lower.

Outlook

The US economy remains strong and this has prompted the market to reconsider the timing and pace of Fed rate cuts. Some normalisation of rate policy is still likely, but this may be well into the second half of the year, with risks of further delays. We think the potential for a large move higher in US yields is limited, but there is a small risk that the Fed needs to tighten further and, until this is dispelled, the market will remain volatile.

Economic resilience, official funding flows and a reduction of cash balances by investors, together with attractive all-in yields, have supported strong performance of EM credit and brought attention back to the asset class. Strong demand for EM credit allowed EM issuers to front-load a record share of their full-year issuance, setting up a favourable supply-demand dynamic for EM credit in the near term.

As we enter the second quarter, spreads are looking tight, but could continue tightening. This is particularly relevant with the improvement in fundamentals in EM HY countries like Egypt, Nigeria and Kenya, which have undertaken important reforms that are attracting new inflows amid improving investor sentiment.

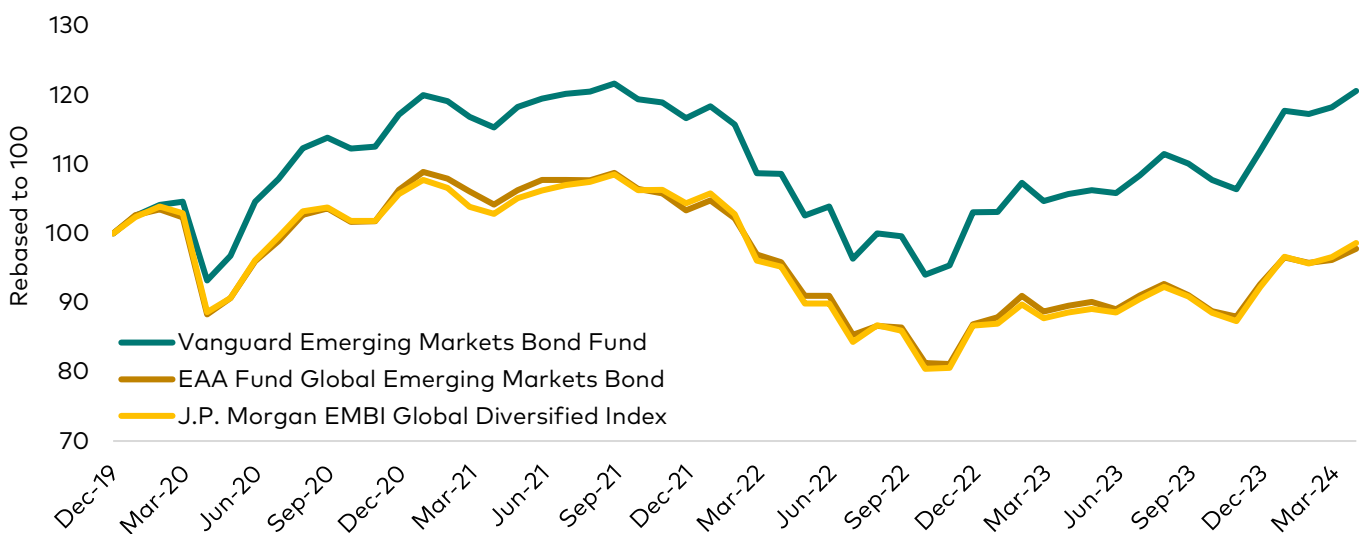
Vanguard Emerging Market Bond Fund Investor USD

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Fixed Income Group
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: J.P. Morgan EMBI Global Diversified Index
Ongoing charges figure¹: 0.60%
Fund AUM: USD 1,403m
Number of holdings: 280

Average yield to worst: 7.41%
Average coupon: 5.9%
Average maturity: 12.2 years
Average quality: BB
Average duration: 6.4 years
Turnover rate: 224.7%
ISIN: IE00BKLWXM74

Fund performance (Cumulative % growth, USD, 3 December 2019 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)				
Fund	2.47	2.47	14.13	1.51	--	4.43				
Peer group	1.28	1.28	9.17	-1.93	0.30	-0.52				
Benchmark	2.04	2.04	11.28	-1.40	0.71	-0.33				

Calendar year (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	--	--	17.04	-1.37	-12.88	14.16
Peer group	-0.13	-4.16	9.63	11.13	-6.24	11.27	6.11	-3.80	-16.12	9.87
Benchmark	7.43	1.18	10.15	10.26	-4.26	15.04	5.26	-1.80	-17.78	11.09

Year on year (%)	1-Apr-14 to 31-Mar-15	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24
Fund	--	--	--	--	--	--	23.73	-5.80	-2.71	14.13
Peer group	-2.93	1.25	8.90	6.09	-1.03	-9.07	17.98	-8.00	-6.54	9.17
Benchmark	5.65	4.19	8.92	4.30	4.21	-6.84	16.00	-7.44	-6.92	11.28

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 31 March 2024. Peer group is EAA Fund Global Emerging Markets Bond. 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. Basis of index performance is total return. All performance is calculated in USD, net of fees. ¹The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

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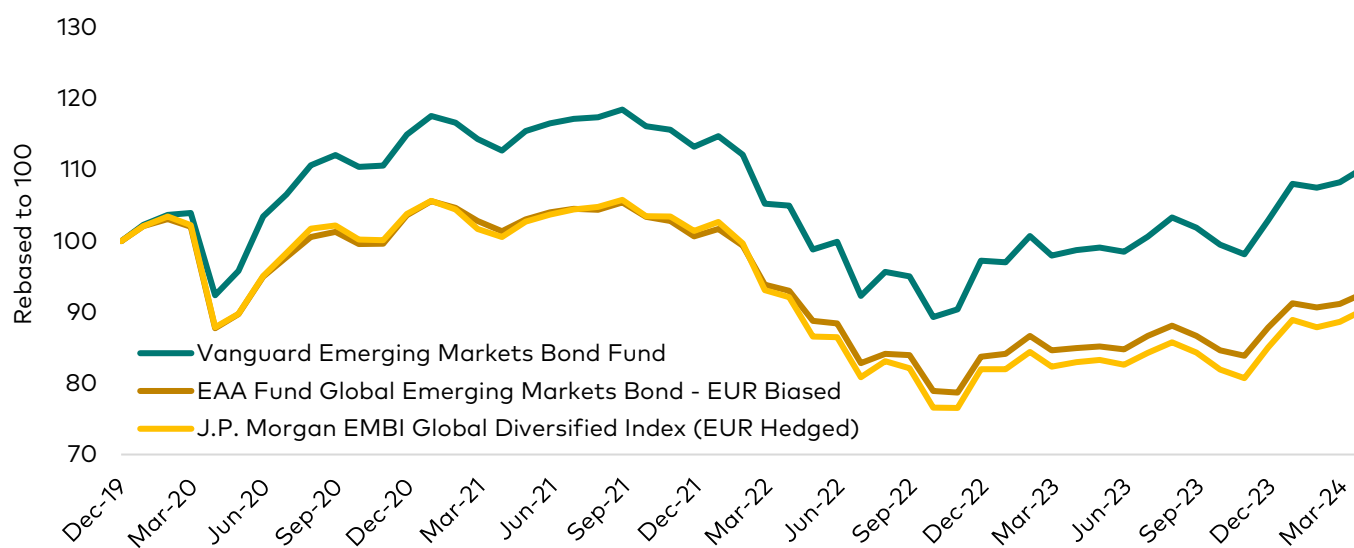
Vanguard Emerging Market Bond Fund Investor EUR Hedged

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Fixed Income Group
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: J.P. Morgan EMBI Global Diversified Index (EUR Hedged)
Ongoing charges figure¹: 0.60%
Fund AUM: EUR 1,299m
Number of holdings: 280

Average yield to worst: 7.41%
Average coupon: 5.9%
Average maturity: 12.2 years
Average quality: BB
Average duration: 6.4 years
Turnover rate: 224.7%
ISIN: IE00BKLWXS37

Fund performance (Cumulative % growth, EUR, 3 December 2019 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	2.10	2.10	11.77	-0.70	--	2.30
Peer group	1.57	1.57	9.10	-2.79	-1.02	-1.74
Benchmark	1.64	1.64	8.94	-3.51	-1.42	-2.31

Calendar year (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	--	--	14.97	-2.41	-15.47	11.40
Peer group	3.43	-2.04	8.55	6.97	-7.83	9.46	3.46	-3.69	-17.28	8.46
Benchmark	7.09	0.74	8.32	8.21	-7.04	11.66	3.50	-2.82	-20.14	8.43

Year on year (%)	1-Apr-14 to 31-Mar-15	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24
Fund	--	--	--	--	--	--	21.98	-6.85	-5.96	11.77
Peer group	2.34	0.58	7.68	1.75	-1.51	-10.48	15.57	-8.26	-8.67	9.10
Benchmark	5.33	3.43	7.07	2.11	1.11	-9.46	14.46	-8.43	-9.94	8.94

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 31 March 2024. Peer group is EAA Fund Global Emerging Markets Bond - EUR Biased. 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. Basis of index performance is total return. All performance is calculated in EUR, net of fees, and the return may increase or decrease as a result of currency fluctuations.

¹The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

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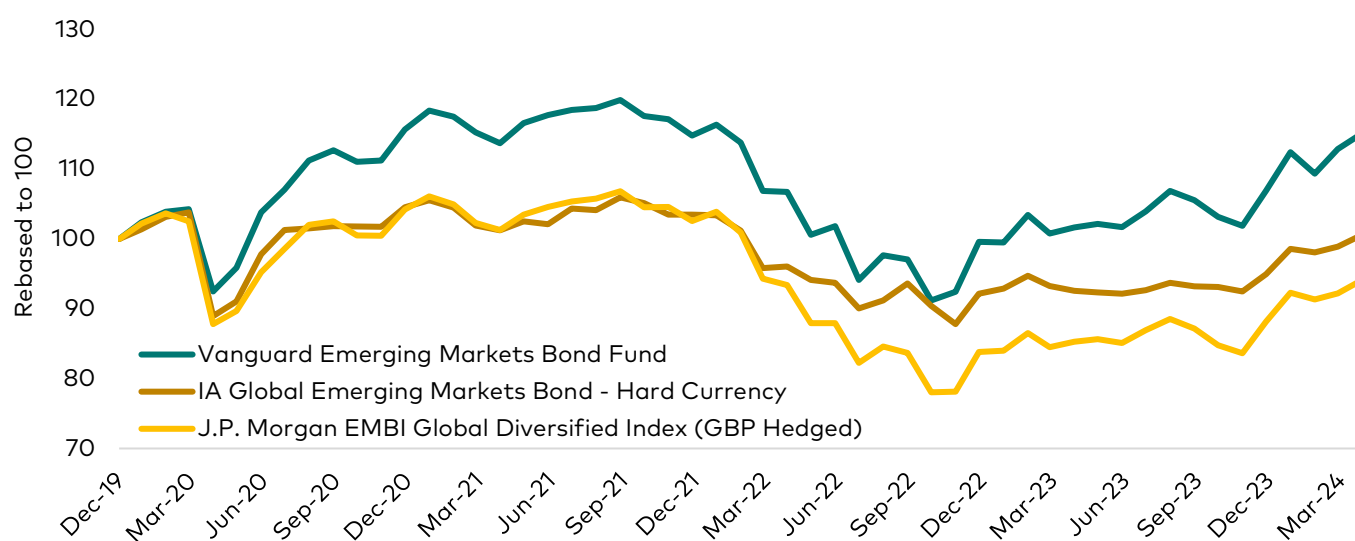
Vanguard Emerging Market Bond Fund Investor GBP Hedged

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Fixed Income Group
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: J.P. Morgan EMBI Global Diversified Index (GBP Hedged)
Ongoing charges figure¹: 0.60%
Fund AUM: GBP 1,110m
Number of holdings: 280

Average yield to worst: 7.41%
Average coupon: 5.9%
Average maturity: 12.2 years
Average quality: BB
Average duration: 6.4 years
Turnover rate: 224.7%
ISIN: IE00BKLWXPO6

Fund performance (Cumulative % growth, GBP, 3 December 2019 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	2.43	2.43	13.25	0.42	--	3.30
Peer group	2.06	2.06	8.66	-0.21	1.03	0.14
Benchmark	1.98	1.98	10.36	-2.41	-0.44	-1.40

Calendar year (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	--	--	15.60	-1.70	-14.47	12.95
Peer group	8.89	2.27	21.94	4.40	-3.12	11.11	4.10	-2.02	-10.13	6.09
Benchmark	7.60	1.25	9.86	9.11	-6.02	12.95	3.83	-2.10	-19.14	9.88

Year on year (%)	1-Apr-14 to 31-Mar-15	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24
Fund	--	--	--	--	--	--	22.96	-6.14	-4.73	13.25
Peer group	11.59	3.05	18.57	-1.99	4.94	-6.94	13.82	-5.10	-3.63	8.66
Benchmark	5.87	4.09	8.51	3.01	2.17	-8.76	15.34	-7.76	-8.70	10.36

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 31 March 2024. Peer group is IA Global Emerging Markets Bond - Hard Currency. 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. Basis of index performance is total return. All performance is calculated in GBP, net of fees, and the return may increase or decrease as a result of currency fluctuations.

¹The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

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Fund breakdown (as at 31 March 2024)

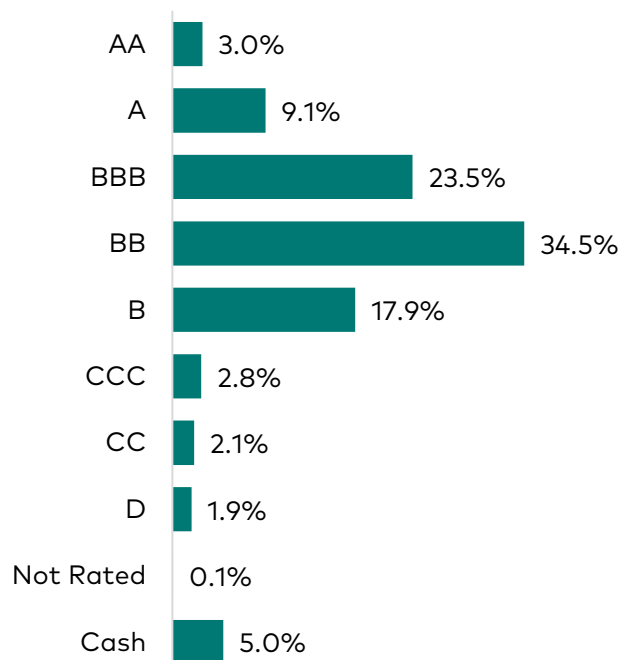
Distribution by issuer (% of bonds)

Characteristics	Fund %
Sovereign	69.3
Agencies	12.8
Treasury/federal	7.4
Cash	5.0
Industrials	4.2
Financial institutions	0.6
Supranational	0.5
Utilities	0.2
Other	0.0

Source: Vanguard, as at 31 March 2024.

The allocations are subject to circumstances such as timing differences between trade and settlement dates of underlying securities, that may result in negative weightings. The fund may also employ certain derivative instruments for cash management or risk management purposes that may also result in negative weightings. Allocations are subject to change. Cash includes physical cash on the account, cash like instruments (such as ultra-short term treasury bonds) and derivative instruments.

Distribution by credit quality (% of bonds)



Source: Vanguard, BlackRock Aladdin as at 31 March 2024.

Credit quality ratings for each issue are obtained from Bloomberg 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.

Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results.

Performance may be calculated in a currency that differs from the base currency of the fund. As a result, returns may decrease or increase due to currency fluctuations.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Vanguard Emerging Markets Bond Fund may use derivatives, including for investment purposes, in order to reduce risk or cost and/or generate extra income or growth. For all other funds they will be used to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Funds net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

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For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID (for UK, Channel Islands, Isle of Man investors) and to the KID (for European investors) before making any final investment decisions. The KIID and KID for this fund are available in local languages, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>.

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