

GLOBAL CREDIT BOND FUND

Quarterly update

LOW-COST ACTIVE
FIXED INCOME

Marketing communication

The Vanguard Global Credit Bond Fund is an actively managed fixed income solution investing primarily in a diversified portfolio of global investment-grade fixed income securities. The fund is managed by Vanguard's Fixed Income Group and aims to generate a diversified, consistent level of return and income over the long term.

Highlights

- Fixed income markets broadly gained in the third quarter, against a backdrop of slower growth and falling government bond yields.
- Investment-grade spreads marginally tightened over the quarter.
- The Vanguard Global Credit Bond Fund outperformed its benchmark over the quarter.
- The fund remains cautiously overweight to high-quality credit.

Market overview

Fixed income markets broadly gained in the third quarter, against a backdrop of softer inflation and growth data.

In the US, the labour market continued to show signs of softening, as jobless claims picked up in September and fewer jobs were added than expected. However, unemployment for the quarter marginally fell to 4.2%, and retail sales data were stronger than expected. In the euro area, growth continued to show signs of slowing. The Purchasing Managers' Index (PMI), a key measure of productivity, fell into contractionary territory, largely driven by weak manufacturing data from France and Germany.

Inflation in developed markets broadly slowed in the third quarter. In the US, headline inflation surprised to the downside, falling to 2.5% in August. In the euro area, inflation continued to slow, from 2.5% in June to 2.2% and 1.8% in August and September, respectively. In the UK, after falling to 2.0% in May and June, inflation inched up slightly, to 2.2%, in both July and August.

In September, the US Federal Reserve (Fed) delivered a 50 basis points (bps) interest rate cut. Fed Chairman Jerome Powell noted the cut was a proactive move to support the US labour market, which had shown signs of weakening, rather than an indication of a struggling

economy. The announcement was accompanied by a fall in the Fed's "dot-plot" forecast, a widely-used indicator of the bank's interest rate expectations for 2025, which declined to 3.4% in its forecast, versus 4.1% in its June forecast.

The European Central Bank delivered a second 25 bps rate cut in September, while stressing that the central bank will continue to be "data dependent" and that "a declining path is not pre-determined". The Bank of England cut interest rates by 25 bps in August in its first reduction of the cycle, but kept rates unchanged in September. Meanwhile, the Bank of Japan unexpectedly raised rates by 15 bps to 0.25% in July.

Government bond yields broadly fell over the quarter. US two- and 10-year yields fell by 111 bps and 62 bps, respectively¹. In the UK, two- and 10-year yields fell by 24 bps and 17 bps, respectively². In the euro area, two- and 10-year yields fell by 77 bps and 38 bps, respectively³.

In credit, investment-grade spreads were little changed over the quarter. US dollar-, euro- and sterling-denominated investment-grade spreads tightened by 5 bps, 3 bps and 2 bps, respectively⁴. In emerging market (EM) investment-grade and high-yield, spreads tightened by 15 bps and 39 bps, respectively⁵.

^{1, 2, 3, 4, 5} Source: Vanguard and Bloomberg, for the period from 30 June 2024 to 30 September 2024.

Fund performance and positioning

The Vanguard Global Credit Bond Fund returned 5.11% in the third quarter, outperforming its benchmark, the Bloomberg Global Aggregate Credit Index (USD Hedged), which returned 4.85%⁶.

Rates were the largest contributor to returns during the quarter, as government bond yields broadly fell. The fund's allocations to European real estate investment trusts (REITs) such as Aroundtown and the Blackstone REIT also contributed to returns. The largest detractors were primarily due to idiosyncratic security selection rather than broader market themes. For example, allocations to Yorkshire Water Finance detracted from returns.

We have a bias towards European rates versus US rates and remain cautiously underweight to Australian and Japan rates. We maintain a short position in Japan rates at the front-end of the yield curve.

We remain cautiously overweight to high-quality credit, with a view to adding attractive new issues. Our focus remains on well-capitalised companies with strong balance sheets and a focus on financial discipline. Within investment-grade, we are starting to see European investment-grade spreads mean-revert, although we continue to see more value in European issuers and have an overweight versus the US. We are also starting to see some value in Australian-dollar-denominated credit. We continue to be underweight risk in US investment-grade, as spreads remain compressed, but have been adding back via attractively-priced names and bottom-up security selection. Further, we continue to have a bias towards non-cyclicals versus cyclicals and financials versus non-financials.

Within high-yield, we think CCC-rated issuers look more attractive from a valuation perspective, although these names tend to be riskier given where we are in the economic cycle, and we remain opportunistic in this area of the market. We will look to add back risk in high-yield where we have conviction in the names.

Outlook

Growth and labour data have shown signs of softening in the US. However, we continue to see a healthy consumer, although the market is noting some dislocation between lower- and higher-income segments. Developed market central banks have begun to cut interest rates, with markets pricing in a total of 100 bps of Fed cuts in 2024. Global credit yields are currently higher than those available on cash, and would likely outperform cash considerably if further rate cuts were to be priced in. In credit, spreads are consistent with a soft-landing narrative.

In high-yield corporates, we are seeing a pickup in "rising-star" activity this year compared with "fallen angels"⁷, as the macroeconomic environment has been more favourable than expected. The technical backdrop in this sector is improving, driven by a lack of supply. A recessionary outcome would see lower-quality segments become more vulnerable, although yields at current levels are likely to mitigate any potential widening in spreads.

We are constructive on EM fixed income. Fundamentals remain strong, yields are attractive and we believe a US rate-cutting cycle should be supportive for the asset class, as long as global growth remains resilient. However, valuations are tight and there are risks around a slowing US economy. Historically, yields at today's levels have typically been followed by strong returns over the next six to 12 months.

⁶ Source: Bloomberg, for the period 30 June 2024 to 30 September 2024.

⁷ "Rising stars" refer to high-yield issuers whose credit ratings have been upgraded from sub-investment grade (Ba1/BB+ or lower) to investment-grade (Baa3/BBB- or above) by ratings agencies S&P, Moody's and Fitch. "Fallen angels" refer to investment-grade issuers whose ratings have been downgraded to below investment-grade. An increase in rising-star versus falling-angel activity can signal a strengthening economic environment and/or improved corporate fundamentals.

Vanguard Global Credit Bond Fund Investor USD Hedged

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index Hedged in USD

Peer group: EAA Fund Global Corporate Bond - USD Hedged

Ongoing charges figure¹: 0.35%

Fund AUM: USD 1,479m

Number of holdings: 1,628

Yield to worst: 4.3%

Average coupon: 4.3%

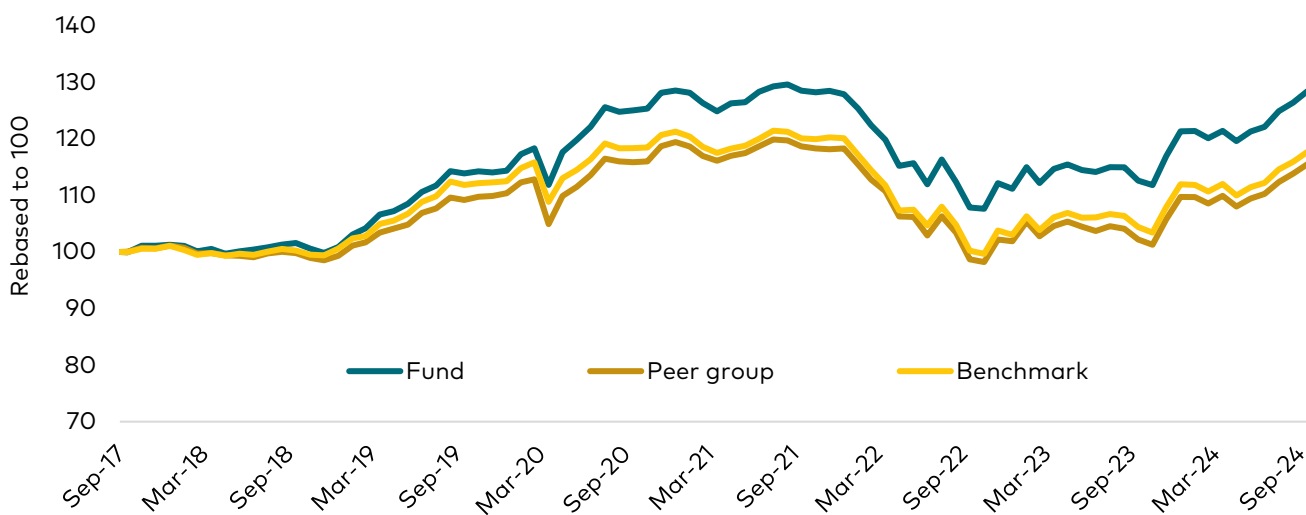
Average maturity: 8.8 years

Average quality: A-

Average duration: 6.1 years

ISIN: IE00BYV1RD15

Fund performance (Cumulative % growth, USD, 14 September 2017 to 30 September 2024)



Cumulative return (%) as at 30 September 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	5.81	5.08	13.97	-0.04	2.42	3.61
Peer group	4.68	6.10	13.99	-1.69	0.79	1.11
Benchmark	5.09	4.85	12.71	-0.67	1.02	2.33

Calendar year return (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	-0.39	13.38	12.39	-0.50	-13.09	9.14
Peer group	2.27	-4.22	3.56	9.25	-4.47	10.21	10.54	-3.34	-16.88	9.31
Benchmark	7.49	-0.13	5.69	5.36	-0.47	11.85	7.78	-0.95	-14.22	8.68

12 month return (%) to:	30 Sep 2015	30 Sep 2016	30 Sep 2017	30 Sep 2018	30 Sep 2019	30 Sep 2020	30 Sep 2021	30 Sep 2022	30 Sep 2023	30 Sep 2024
Fund	--	--	--	1.64	12.09	9.78	2.77	-16.06	4.41	13.97
Peer group	-3.95	7.13	3.58	-1.99	6.45	7.57	2.28	-22.44	6.73	13.99
Benchmark	1.43	8.20	1.88	0.26	11.60	5.80	1.46	-16.52	4.15	12.71

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar. 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. Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. As a result, returns may decrease or increase due to 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 Global Credit Bond Fund Institutional EUR Hedged

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index Hedged in EUR

Peer group: EAA Fund Global Corporate Bond - EUR Hedged

Ongoing charges figure¹: 0.30%

Fund AUM: EUR 1,325m

Number of holdings: 1628

Yield to worst: 4.3%

Average coupon: 4.3%

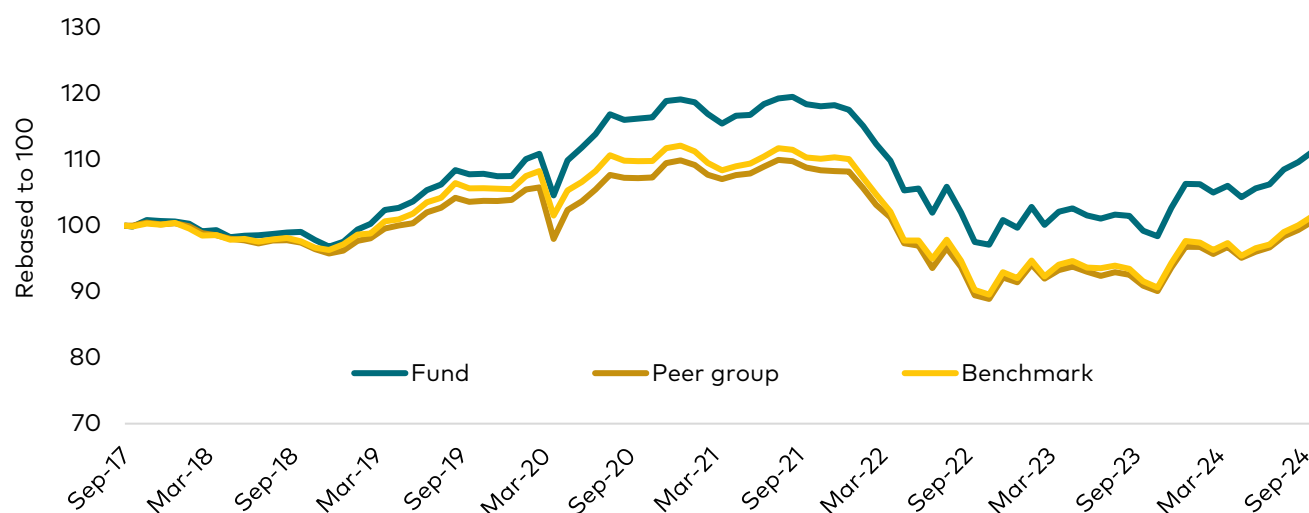
Average maturity: 8.8 years

Average quality: A-

Average duration: 6.1 years

ISIN: IE00BF7MPP31

Fund performance (Cumulative % growth, EUR, 14 September 2017 to 30 September 2024)



Cumulative return (%) as at 30 September 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	4.55	4.59	12.02	-2.08	0.62	1.51
Peer group	3.91	4.03	10.64	-2.46	-0.44	0.08
Benchmark	3.78	4.36	10.72	-2.78	-0.82	0.19

Calendar year return (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	-3.06	10.21	10.80	-1.30	-15.22	6.68
Peer group	5.81	-1.04	4.09	3.17	-4.13	7.98	5.76	-1.54	-15.51	5.90
Benchmark	7.42	-0.44	4.08	3.32	-3.24	8.61	6.27	-1.83	-16.39	6.13

12 month return (%) to:	30 Sep 2015	30 Sep 2016	30 Sep 2017	30 Sep 2018	30 Sep 2019	30 Sep 2020	30 Sep 2021	30 Sep 2022	30 Sep 2023	30 Sep 2024
Fund	--	--	--	-0.80	8.82	7.81	1.89	-17.65	1.77	12.02
Peer group	-0.33	6.68	0.54	-2.57	6.36	3.46	1.50	-17.80	1.65	10.64
Benchmark	1.24	6.96	-0.10	-2.26	8.21	3.90	0.51	-18.20	1.45	10.72

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar. 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. Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. As a result, returns may decrease or increase due to 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 Global Credit Bond Fund Investor GBP Hedged

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index Hedged in GBP

Peer group: IA Global Corporate Bond

Ongoing charges figure¹: 0.35%

Fund AUM: GBP 1,102m

Number of holdings: 1628

Yield to worst: 4.3%

Average coupon: 4.3%

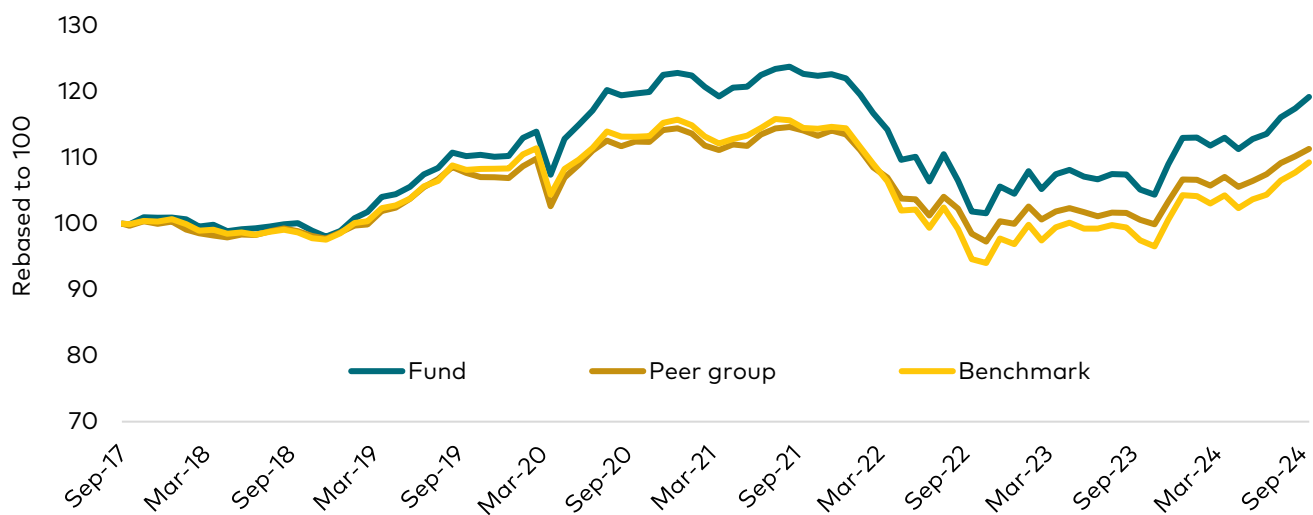
Average maturity: 8.8 years

Average quality: A-

Average duration: 6.1 years

ISIN: IE00BYV1RG46

Fund performance (Cumulative % growth, GBP, 14 September 2017 to 30 September 2024)



Cumulative return (%) as at 30 September 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	5.51	4.92	13.35	-0.95	1.58	2.53
Peer group	4.35	3.59	10.69	-0.82	0.67	1.54
Benchmark	4.78	4.70	12.11	-1.54	0.21	1.27

Calendar year return (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	-2.01	11.50	11.41	-0.68	-14.32	8.08
Peer group	8.66	1.08	13.39	3.31	-1.66	8.36	7.04	-0.79	-11.94	6.72
Benchmark	7.80	0.21	5.33	4.22	-2.13	9.97	6.83	-1.13	-15.34	7.64

12 month return (%) to:	30 Sep 2015	30 Sep 2016	30 Sep 2017	30 Sep 2018	30 Sep 2019	30 Sep 2020	30 Sep 2021	30 Sep 2022	30 Sep 2023	30 Sep 2024
Fund	--	--	--	0.17	10.13	8.59	2.49	-16.99	3.28	13.35
Peer group	2.91	15.94	1.52	-0.82	8.94	4.40	1.50	-13.71	2.14	10.69
Benchmark	1.89	8.07	0.85	-1.25	9.59	4.64	1.19	-17.38	3.05	12.11

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar. 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. Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. As a result, returns may decrease or increase due to 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 Global Credit Bond Fund

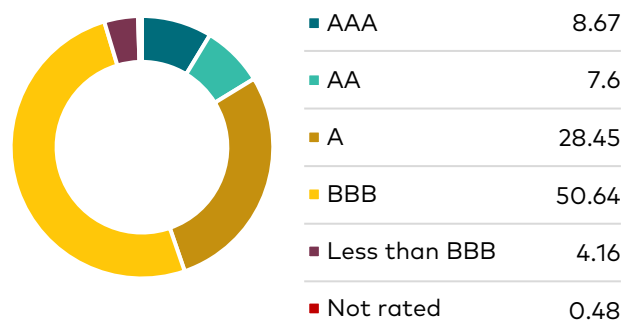
Fund breakdown (as at 30 September 2024)

Distribution by issuer (% of bonds)

	Fund %
Industrials	34.3
Financial institutions	30.7
Utilities	8.6
Supranational	7.3
Sovereign	6.8
Treasury/federal	5.7
Agencies	5.6
Local authority	0.8
Provincials/municipals	0.0
Asset-backed security	0.0
Other	-0.3
Cash	0.5

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)



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.

Source: Vanguard, as at 30 September 2024.

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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. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares.

Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. 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.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

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 Global Credit 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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The Manager of the Ireland domiciled funds may determine to terminate any arrangements made for marketing the shares in one or more jurisdictions in accordance with the UCITS Directive, as may be amended from time-to-time.

Important information

For investors in Ireland domiciled funds, a summary of investor rights can be obtained via <https://www.ie.vanguard/content/dam/intl/europe/documents/en/vanguard-investors-rights-summary-irish-funds-jan22.pdf> and is available in English, German, French, Spanish, Dutch and Italian.

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