

EMERGING MARKETS BOND FUND

Quarterly update

LOW-COST ACTIVE
FIXED INCOME

Marketing communication

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

- All emerging market bond sectors posted strong returns in the third quarter.
- The US Federal Reserve's rate cut in September helped US Treasuries rally, while US economic data allayed recession fears.
- The Vanguard Emerging Markets Bond Fund gained 6.14% — marginally underperforming its benchmark, the J.P. Morgan Emerging Markets Bond Index, which gained 6.15%.
- The greatest contributor to fund performance was security selection in Romania, Mexico and Poland.

Market overview

The start of global monetary policy easing cycles is historically accompanied by periods of outperformance for emerging market (EM) fixed income. When rates are falling, the asset class is attractive, due to its long duration profile and relatively wide spreads relative to other credit sectors. In the third quarter, EM bonds delivered exactly that, returning 6.2%¹ for the quarter, outpacing most other areas of fixed income.

The US Federal Reserve's (Fed's) first interest rate cut in more than four years in September helped 10-year US Treasuries rally 62 basis points (bps) during the third quarter. Meanwhile, risk appetite improved as supportive monetary policy and better-than-expected US economic data helped allay concerns of an imminent recession. This attracted inflows into EM fixed income, as investors sought to lock in the asset class's higher yields on offer compared with those available in other fixed income markets. The last week in September saw the largest inflows into EM bonds in 18 months², helping offset a sizeable wave of EM sovereign new issuance by the likes of Turkey, Indonesia and China.

EM corporate bonds performed in line with EM sovereigns during the quarter, but with notable differences between the primary and secondary credit markets. New bond issuance was particularly heavy, with 37 corporate issuers pricing \$35 billion of bonds during the quarter³. While BBB/BB rated EM credit spreads were generally 1-3 bps tighter, new issues by EM corporates were pricing in a 20-30 bps premium.

EM local-currency bonds delivered a standout performance in the third quarter, gaining 9.0%⁴, boosted by EM currency gains of 4.8%. The rally in EM currencies and rising risk appetite helped EM rates outperform relative to US Treasuries, as investors anticipated EM central banks accelerating policy easing following the onset of the Fed's rate-cutting cycle.

Strategy, performance and positioning

The Vanguard Emerging Markets Bond Fund returned 6.14% over the quarter, marginally underperforming its benchmark, the JPM EMBI Global Diversified index, which returned 6.15%⁵.

¹Source: Vanguard and Bloomberg. Based on the J.P. Morgan Emerging Markets Bond Index, for the period 30 June 2024 to 30 September 2024.

²Source: Vanguard and Bloomberg.

³Source: Vanguard, for the period 30 June 2024 to 30 September 2024.

^{4,5}Source: Vanguard and JP Morgan, for the period 30 June 2024 to 30 September 2024.

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The main detractors from returns were currency positions, including a short position in the Thai baht versus US dollar, and the fund's short US Treasury positions, as US Treasury yields unexpectedly rallied over the quarter. The largest contributor to relative performance over the quarter was security selection within Romania, Mexico and Poland. The fund's underweight to Venezuela also contributed, after a turbulent election period weighed on the performance of Venezuelan bonds.

In sovereign credit, we took advantage of volatility in August and early September to add exposure to names where spreads had widened sufficiently and implemented relative-value positions at attractive levels.

In local-currency bonds, strong returns over the quarter led us to take profits in select local rates names. Geopolitical risks may look prominent, but the market has so far absorbed these well and is not pricing in much tail risk around current events in the Middle East or a renewed China-US trade dispute.

We are positioned in issuers where monetary policy expectations have the greatest potential to reprice in the event of a global growth slowdown, including names with a high correlation to US Treasuries given the elevated likelihood of an accelerated Fed easing.

The US elections are the next major risk event for EM and markets more broadly – we will remain slightly defensive until we gain a better sense of the outcome in November.

Outlook

The Fed has started its rate-cutting cycle, even if the market is likely pricing in an overly aggressive easing path. US data remain firm, supporting the notion of a soft economic landing. This scenario would be positive for EM. Signs of fresh stimulus in China, possibly leading to improved macroeconomic stabilisation, also bodes well for EM, but we await details of what a Chinese support programme will look like.

EM fundamentals are generally well-placed at this point in the cycle and provide some resilience to shocks. Overall EM spreads are tight across both

investment-grade and high-yield, but this doesn't necessarily prevent them from grinding ever tighter – EM offers investors duration and higher all-in yields than other fixed income asset classes.

We believe EM credit can remain well-supported by flows into the asset class, as well as by continued global monetary policy easing.

Vanguard Emerging Markets Bond Fund Investor USD

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 03 December 2019

Domicile: Ireland

Benchmark: JP Morgan Emerging Markets Bond Index Global Diversified

Peer group: EAA Fund Global Emerging Markets Bond

Ongoing charges figure¹: 0.6%

Fund AUM: USD 1,730m

Number of holdings: 339

Yield to worst: 6.7%

Average coupon: 5.6%

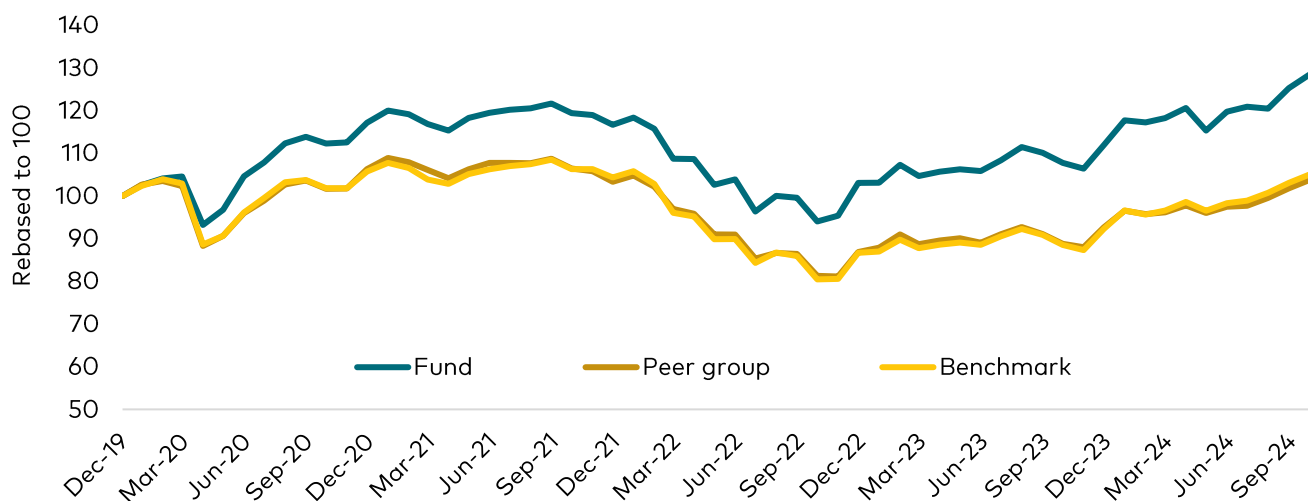
Average maturity: 11.1 years

Average quality: BB+

Average duration: 7.0 years

ISIN: IE00BKLWXM74

Fund performance (Cumulative % growth, USD, 3 December 2019 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	9.07	6.14	19.14	2.44	--	5.31
Peer group	7.41	6.13	16.80	-0.65	0.83	0.75
Benchmark	8.64	6.15	18.60	-0.40	0.87	1.01

Calendar year return (%)	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

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	--	--	--	--	--	--	6.36	-21.25	14.60	19.14
Peer group	-8.13	14.50	6.00	-4.13	6.93	1.75	4.68	-23.62	9.23	16.80
Benchmark	-0.62	16.20	4.61	-1.92	11.57	1.29	4.36	-24.28	10.01	18.60

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 Emerging Markets Bond Fund Investor EUR Hedged

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 03 December 2019

Domicile: Ireland

Benchmark: JPM EMBIG Diversified EUR Hedged

Peer group: EAA Fund Global Emerging Markets Bond - EUR Biased

Ongoing charges figure¹: 0.6%

Fund AUM: EUR 1,550m

Number of holdings: 339

Yield to worst: 6.7%

Average coupon: 5.6%

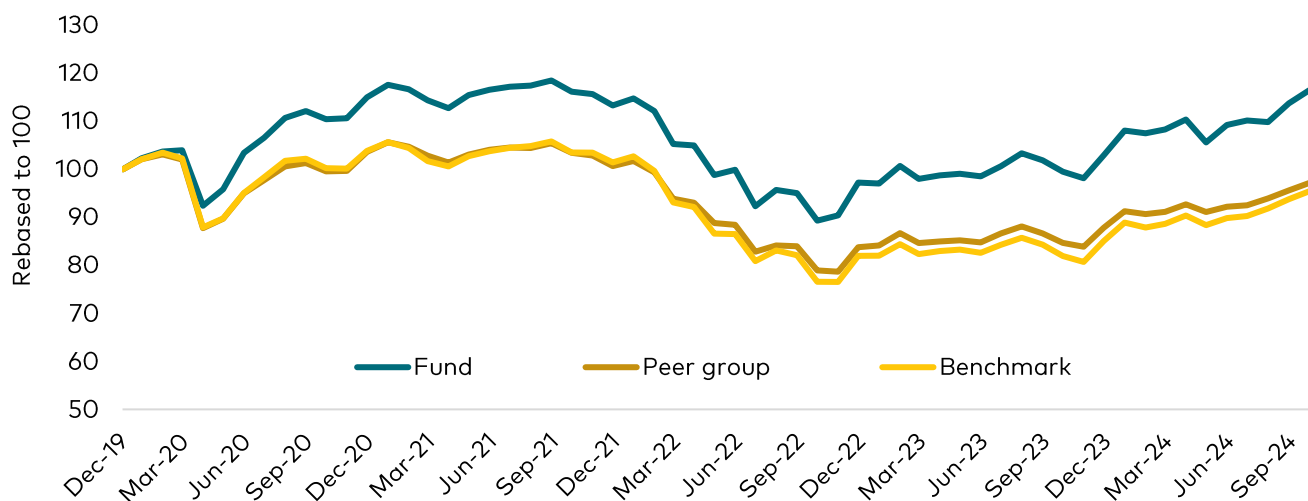
Average maturity: 11.1 years

Average quality: BB+

Average duration: 7.0 years

ISIN: IE00BKLWXS37

Fund performance (Cumulative % growth, EUR, 3 December 2019 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	7.72	5.63	16.98	0.07	--	3.20
Peer group	6.45	5.03	14.74	-1.91	-0.66	-0.60
Benchmark	7.28	5.67	16.43	-2.68	-1.13	-0.97

Calendar year return (%)	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

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	--	--	--	--	--	--	5.19	-23.11	11.41	16.98
Peer group	-4.90	13.31	2.95	-5.65	5.84	-1.11	3.88	-23.69	7.27	14.74
Benchmark	-1.10	14.89	2.55	-4.44	8.12	-0.75	3.25	-26.01	7.00	16.43

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 Emerging Markets Bond Fund Investor GBP Hedged

Key fund facts (as at 30 September 2024)

Investment manager: Vanguard Global Advisors, LLC

Inception date: 03 December 2019

Domicile: Ireland

Benchmark: JPM EMBIG Diversified GBP Hedged

Peer group: IA Global Emerging Markets Bond - Hard Currency

Ongoing charges figure¹: 0.6%

Fund AUM: GBP 1,290m

Number of holdings: 339

Yield to worst: 6.7%

Average coupon: 5.6%

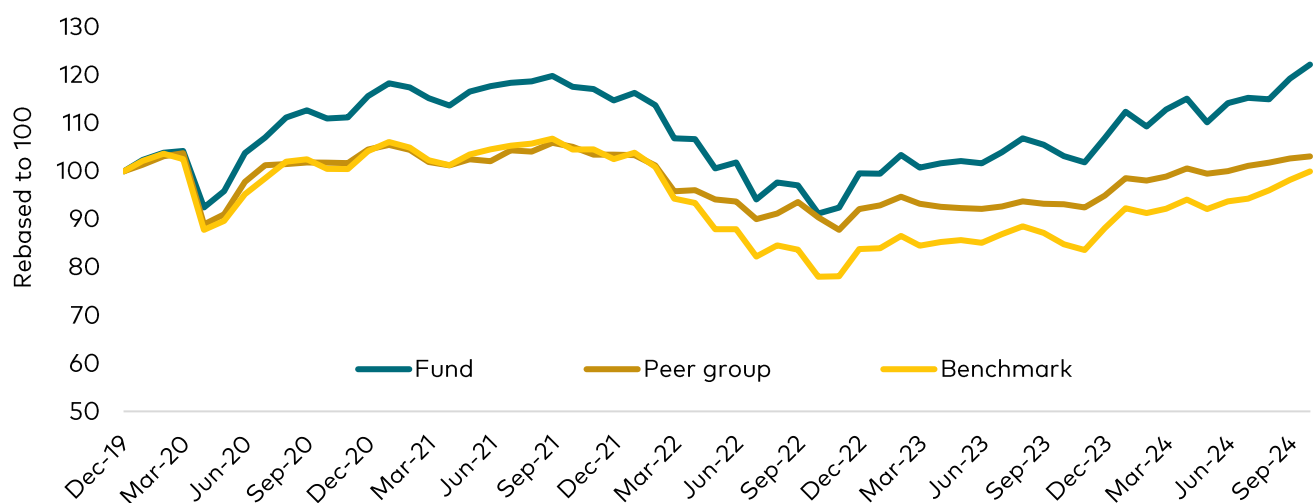
Average maturity: 11.1 years

Average quality: BB+

Average duration: 7.0 years

ISIN: IE00BKLWXPO6

Fund performance (Cumulative % growth, GBP, 3 December 2019 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	8.75	5.96	18.44	1.30	--	4.24
Peer group	4.59	1.96	10.70	-0.64	0.11	0.63
Benchmark	8.31	5.98	17.88	-1.48	-0.16	-0.01

Calendar year return (%)	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

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	--	--	--	--	--	--	5.92	-22.44	13.14	18.44
Peer group	0.32	25.30	3.67	-2.10	11.68	-0.74	3.25	-13.98	3.01	10.70
Benchmark	-0.42	16.06	3.61	-3.51	9.40	-0.24	3.99	-25.33	8.64	17.88

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 Emerging Markets Bond Fund

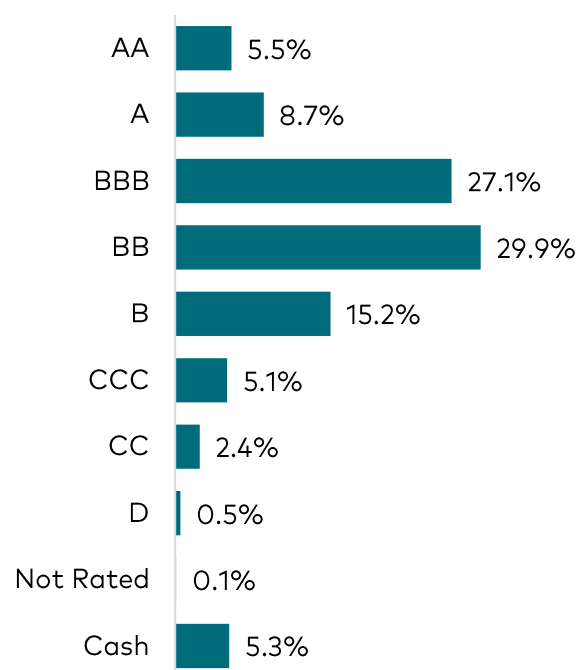
Fund breakdown (as at 30 September 2024)

Distribution by issuer (% of bonds)

	Fund %
Sovereign	69.4
Agencies	14.6
Treasury/federal	5.2
Industrials	3.9
Utilities	0.8
Supranational	0.4
Financial institutions	0.4
Local authority	0.1
Other	-0.2
Cash	5.3

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.

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.

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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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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