

GLOBAL CREDIT BOND FUND

Quarterly update

LOW-COST ACTIVE
FIXED INCOME

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

- The first quarter of 2024 saw a reversal in fixed income markets.
- Government bond yields broadly rose across the board.
- Investment-grade spreads tightened.
- The Vanguard Global Credit Bond Fund outperformed its benchmark over the quarter.

Market overview

Over the quarter, fixed income markets reversed course from their December rally. Developed market yields pushed higher, as more robust inflation, growth and labour market data, particularly in the US, led investors to pare back their previous expectations for interest rate cuts. Events in the Red Sea region escalated, leading to concerns around supply-chain disruptions and increased shipping costs. Oil prices rose, owing to tensions in the Middle East. Gold prices surged, as investors moved to hedge the risk of higher US inflation.

In the US, nonfarm payrolls rose more than expected, increasing by 275,000 in February, and average wages rose by 4.3% year-over-year. While economic growth in the US remained strong, data in the UK confirmed the country had entered into a technical recession in the second half of 2023, with GDP falling consecutively in both the third and fourth quarters of 2023 by 0.1% and 0.4%, respectively. In Europe, German manufacturing slumped to its lowest level since October 2023.

In the US, headline inflation rose slightly to 3.2% while core inflation, which excludes volatile energy and food prices, fell to 3.8%. In the UK,

headline inflation fell by more than expected to 3.4%, its lowest level in more than two years, while core inflation remained at 4.5%. In Europe, headline and core inflation slowed to 2.6% and 3.1%, respectively.

At their March meetings, the US Federal Reserve (Fed), Bank of England (BoE) and European Central Bank (ECB) left their key interest rates unchanged at 5.5%, 5.25% and 4%, respectively. The Bank of Japan (BoJ) ended its yield curve control policy and, in March, the bank lifted its short-term policy rate to 0-0.1%, its first interest rate hike in 17 years.

Government bond yields pushed higher over the quarter. In the US, 2-year and 10-year Treasury yields rose by 21 basis points (bps) and 25 bps, respectively¹. In Europe, 2- and 10-year yields rose by 44 bps and 35 bps, respectively¹. In the UK, 2- and 10-year yields rose by 24 bps and 48 bps, respectively¹.

In credit, investment-grade (IG) spreads broadly tightened over the quarter, with US, euro and sterling spreads tightening by 13 bps, 31 bps and 24 bps, respectively¹. Emerging market (EM) IG yields remained flat, while EM high yield (HY) yields tightened by 93 bps¹.

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

Fund performance and positioning

The Vanguard Global Credit Bond Fund returned 0.07% over the quarter. This compared with a return of 0.05% for its benchmark, the Bloomberg Global Aggregate Credit Index Hedged USD².

The largest contributors to the fund's outperformance included an underweight positioning in duration, which benefited the fund as rates sold off, and allocations to European corporates. The largest detractors during the quarter included allocations to North American corporates, such as Boeing and Northrop.

In terms of positioning, we remain cautiously overweight in high-quality credit sectors, with a view to adding more as IG issuance picks up. Our focus remains on well-capitalised companies with strong balance sheets.

We are starting to see European IG outperform US IG, though we continue to see more value in European IG and have an overweight holding relative to US IG. Further, we continue to have a bias towards non-cyclicals versus cyclicals and financials versus non-financials. We continue to be underweight risk in US IG, as spreads remain compressed, but have been adding back exposure via attractively priced names and bottom-up security selection.

We remain cautiously underweight in Japanese and Australian rates.

Outlook

While central banks have continued to hold key rates steady, markets have revised their views on when, and by how much, they will begin easing rates. The soft-landing narrative has continued as US growth remains resilient, but softer growth data in Europe and the UK suggest a divergence in economic strength between the regions.

In HY corporates, we are seeing an uptick in default activity and expect this to continue as fundamentals weaken, although many companies are starting from a strong base and margins are benefitting from falling input costs. The technical backdrop for the sector is improving, driven by a lack of new HY supply.

If a recessionary scenario were to occur, lower-quality credit sectors would become more vulnerable; although, at current levels, yields would likely offset some of the spread-widening that would occur. We view CCC-rated credits as more attractive than other HY sectors 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 HY where we have conviction in the names.

We continue to see opportunities in the EM fixed income asset class, supported by a maturing monetary policy cycle, attractive yields and supportive supply and demand technicals. We believe yields still look attractive. Historically, yields at these levels have typically been followed by strong returns over the next 6 to 12 months.

²Vanguard and Bloomberg. Calculations are for the period 1 January 2024 to 31 March 2024 and are in USD, net of fees.

Vanguard Global Credit Bond Fund Investor USD Hedged

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Group

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index Hedged USD

Ongoing charges figure¹: 0.35%

Fund AUM: USD 1,046m

Number of holdings: 1,509

Yield to Worst: 4.89%

Average coupon: 4.2%

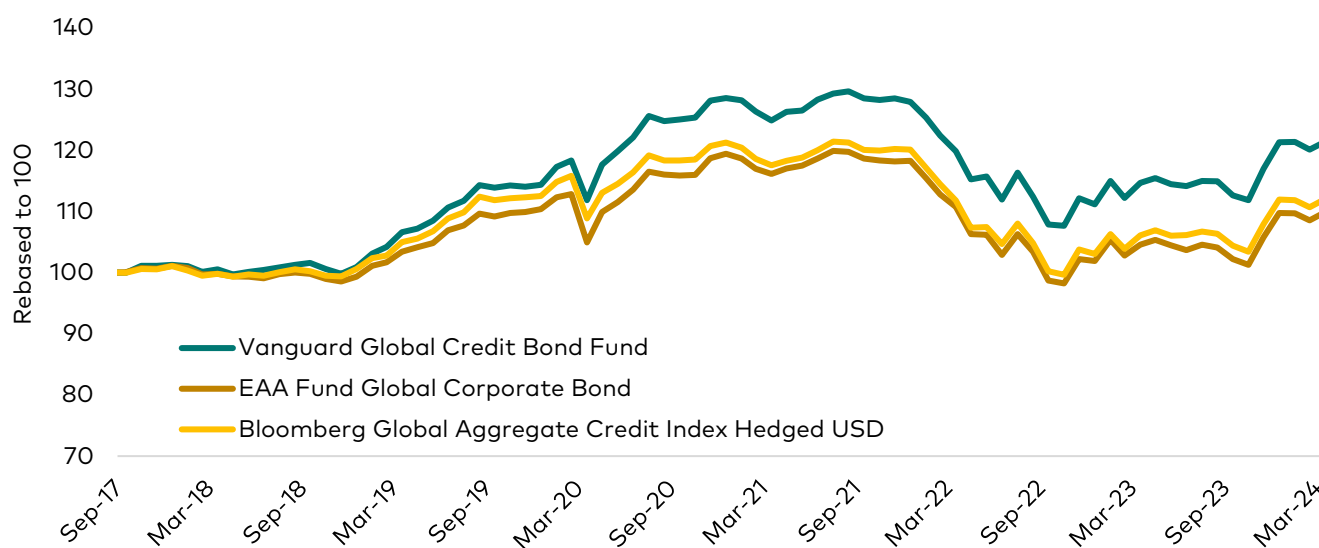
Average maturity: 8.8 years

Average quality: A-

Average duration: 5.8 years

ISIN: IE00BYV1RD15

Fund performance (Cumulative % growth, USD, 14 September 2017 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	0.07	0.07	5.85	-0.93	2.63	3.01
Peer group	-1.42	-1.42	4.72	-3.21	0.57	0.27
Benchmark	0.05	0.05	5.59	-1.58	1.31	1.75

Calendar year (%)	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

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	--	--	--	--	6.05	4.89	11.66	-4.03	-4.29	5.85
Peer group	-1.19	0.92	1.35	6.63	-0.11	-1.18	13.86	-6.35	-8.02	4.72
Benchmark	7.11	1.04	3.55	2.82	5.16	3.70	7.98	-4.90	-5.07	5.59

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 Corporate 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 Global Credit Bond Fund Institutional EUR Hedged

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Group

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index
Hedged in EUR

Ongoing charges figure¹: 0.3%

Fund AUM: EUR 969m

Number of holdings: 1,509

Yield to Worst: 4.89%

Average coupon: 4.2%

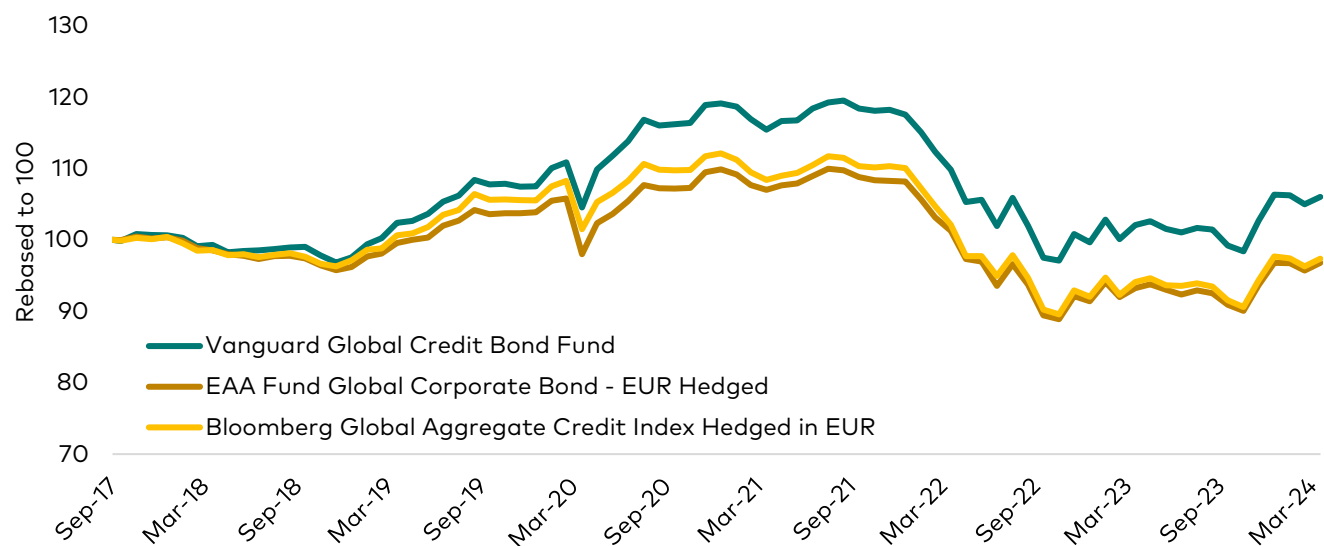
Average maturity: 8.8 years

Average quality: A-

Average duration: 5.8 years

ISIN: IE00BF7MPP31

Fund performance (Cumulative % growth, EUR, 14 September 2017 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	-0.28	-0.28	3.85	-2.80	0.70	0.90
Peer group	-0.03	-0.03	3.78	-3.16	-0.37	-0.50
Benchmark	-0.32	-0.32	3.48	-3.52	-0.66	-0.41

Calendar year (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	-3.06	10.21	10.80	-1.30	-15.22	6.68
IA sector	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

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	--	--	--	--	3.10	2.13	10.41	-4.87	-7.04	3.85
Peer group	5.65	-0.89	2.83	0.40	1.03	-1.58	9.24	-5.40	-7.91	3.78
Benchmark	7.08	0.36	1.89	0.61	2.10	0.88	6.77	-5.79	-7.87	3.48

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 Corporate Bond - EUR Hedged. 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.

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Vanguard Global Credit Bond Fund Investor GBP Hedged

Key fund facts (as at 31 March 2024)

Investment manager: Vanguard Group

Inception date: 14 September 2017

Domicile: Ireland

Benchmark: Bloomberg Global Aggregate Credit Index
Hedged in GBP

Ongoing charges figure¹: 0.35%

Fund AUM: GBP 828m

Number of holdings: 1,509

Yield to Worst: 4.89%

Average coupon: 4.2%

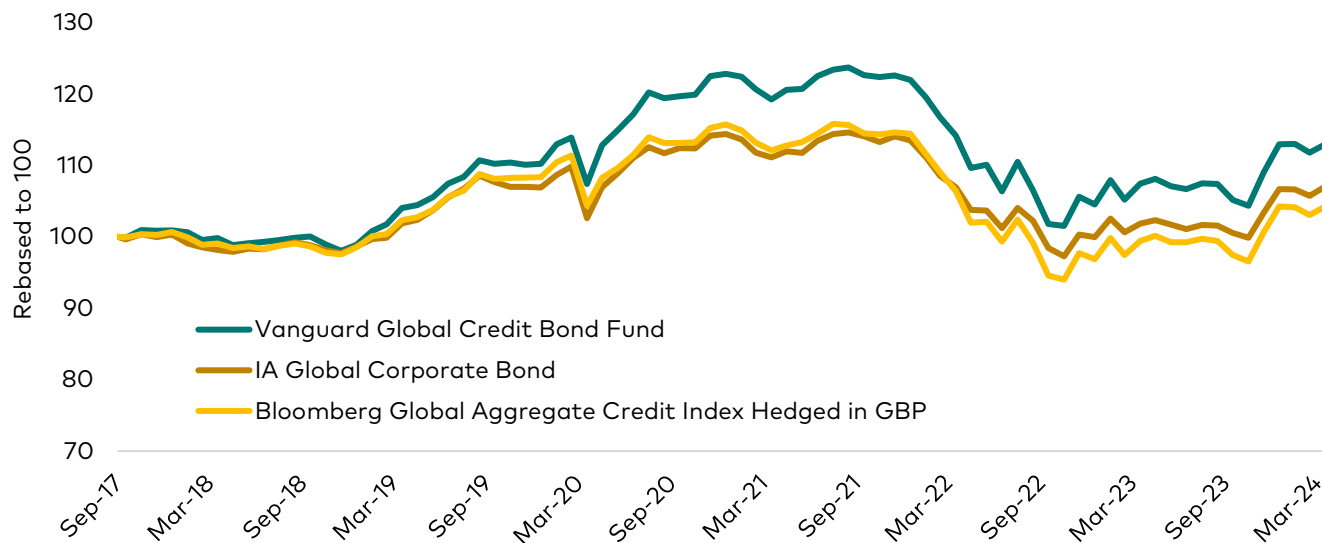
Average maturity: 8.8 years

Average quality: A-

Average duration: 5.8 years

ISIN: IE00BYV1RG46

Fund performance (Cumulative % growth, GBP, 14 September 2017 to 31 March 2024)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	0.01	0.01	5.15	-1.78	1.67	1.89
Peer group	0.37	0.37	5.15	-1.23	1.00	1.05
Benchmark	-0.01	-0.01	4.87	-2.39	0.38	0.64

Calendar year (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	--	--	--	--	-2.01	11.50	11.41	-0.68	-14.32	8.08
IA sector	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

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	--	--	--	--	4.24	3.24	11.03	-4.23	-5.91	5.15
Peer group	9.63	3.30	8.52	0.32	3.77	0.73	8.29	-3.75	-4.80	5.15
Benchmark	7.53	1.16	3.03	1.55	3.29	1.99	7.44	-5.10	-6.56	4.87

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Source: Vanguard and Morningstar, as at 31 March 2024. Peer group is IA Global Corporate 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 GBP, net of fees, and the return may increase or decrease as a result of currency fluctuations.

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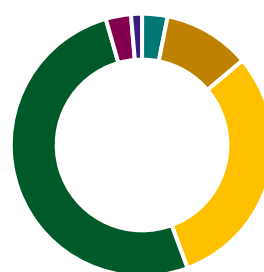
Fund breakdown (as at 31 March 2024)

Distribution by issuer (% of bonds)

	Fund %
Industrials	39.2
Financial institutions	31.4
Utilities	8.6
Sovereign	6.1
Treasury/federal	5.6
Supranational	3.7
Agencies	3.4
Cash	1.2
Local authority	0.9
Provincials/municipals	0.0
Other	0.1

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)



■ AAA	3.13
■ AA	10.74
■ A	30.51
■ BBB	51.17
■ Less than BBB	3.11
■ Not rated	1.35

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 31 March 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.

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.

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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