Vanguard

Q2 2021

VANGUARD 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

- Riskier assets rallied through the second quarter despite increasing inflationary concerns.
- Government bond yields suffered as indications of monetary policy tightening emerged.
- Credit spreads continued to tighten led by emerging market debt and high-yield corporates.
- The Vanguard Global Credit Bond Fund outperformed its index over the quarter.
- Tight valuations and the potential for rising inflation are among reasons for caution.

Market overview

Riskier assets rallied in the second quarter despite increasing concerns about inflation and a less dovish tone from central banks. Potentially earlier-than-expected monetary policy tightening also served to send bond yields lower. A further catalyst for this trend was progress in the global roll-out of vaccinations.

The US Federal Reserve (Fed) signalled a potential tightening of monetary policy after April's month-on-month US inflation reading hit 0.80% its highest monthly level since 1981[1]. The Federal Open Market Committee left its benchmark interest rate unchanged but then surprised the market in June with news that its governors had started discussions about winding down its asset purchasing programme. However, the update did not spark a sell-off; instead, the yield on the 10-year US Treasury bond fell below 1.30%[2] in early July.

The European Central Bank also kept policy rates on hold and confirmed its intention to continue asset purchases through the third quarter to preserve favourable financing conditions. The Bank of England raised its expectations for GDP growth and inflation while keeping monetary policy unchanged. The revisions were slightly higher than market expectations, owing to the Bank's view that the economic implications of delays to the relaxation of national Covid-19 restrictions would be relatively minor.

US and UK government bond yield curves saw some flattening, driven by longer-maturity bond yields falling, while European bond yields remained relatively unchanged.

In the corporate bonds markets, second-quarter earnings expectations continued to rise following very strong first-quarter results in both the US and Europe. European financials outperformed analysts' expectations, with earnings results for banks ahead of consensus forecasts. Insurers also issued generally good results with capital levels appearing to have mostly recovered from the challenges of the first half of last year.

Supply in the second quarter, in both euro and US dollars, was in line with prior years[3], although significantly below the level of the second quarter of 2020. Demand for new issues remained robust with high book coverage ratios and limited new-issue premiums.

[1] Source: Bloomberg and U.S. Bureau of Labor Statistics as at 12 May 2021.
[2] Source: Bloomberg as at 8 July 2021.
[3] Source: Bloomberg as at 30 June 2021.

Fund performance and positioning

The Vanguard Global Credit Bond Fund returned 2.73% over the quarter. This compared with a return of 2.10% for its benchmark, the Bloomberg Barclays Global Aggregate Credit Index Hedged[4].

Security selection within US investment-grade credit and the emerging markets was a positive contributor to overall performance. Issuer selection within the BBB-rated European investment-grade segment, more specifically the selection of bonds in sectors such as transportation, also added value. Country selection within emerging markets was also positive for performance.

The fund's relative-value positioning in core government bonds was a slight detractor from performance this quarter.

In terms of positioning, the fund's overweight to credit risk was reduced relative to earlier this year, although we remain selectively positioned across those pockets of the market that we believe are likely to benefit from strong investor demand and a steadily improving macroeconomic backdrop.

We have maintained the fund's overweight to BBB-rated issuers, as well as its overweight in European investment-grade bonds. The fund also remained selectively invested in emerging market debt and high-yield corporate bonds.

Outlook

Although still high, valuations have become tighter across the fixed income market. We expect alpha opportunities to be more challenging given those high valuations and the seasonal decline in liquidity over the summer months.

Vaccine roll-outs continue to support a constructive macroeconomic outlook, although our belief is that much of the good news has already been priced in by the market, with the risk of a market overshoot and further tightening persisting.

In the near term, risk sentiment is strong but weakening. Against this background and the vaccine roll-out, a 'risk-on' reflation trade is a possibility. We see few catalysts for significant credit spread tightening, although there is a small possibility of significant spread widening.

We have become gradually more cautious on the market, owing to tightening valuations, the narrative around rising inflation and the Fed's likely pivot towards tighter monetary policy over the coming year.

The fund is positioned to benefit from reflation based on the possibility that the Fed takes a less benign path towards the winding down of its asset purchasing programme and monetary policy.

We continue to look for credits that have already repriced on the back of issuance pressures and are wary of those that have not. In the high-yield segment, technical factors around supply are likely to be very important in the second half of this year, as many investors are still meaningfully overweight in this part of the market.

[4] Source: Bloomberg Barclays and Vanguard as at 30 June 2021. See page 3 for more information on performance.

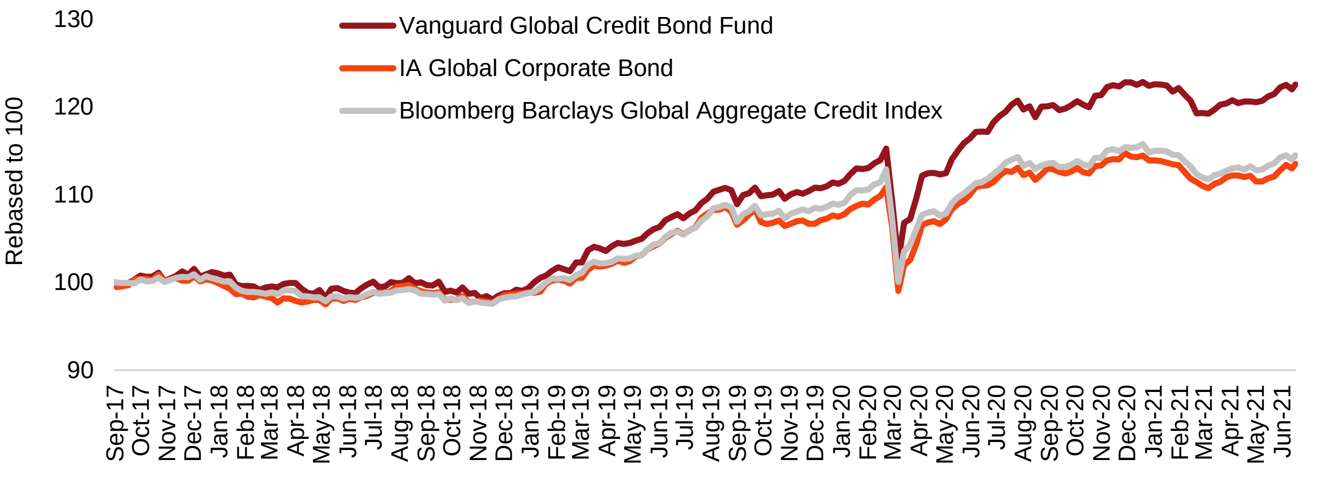
Vanguard

Key fund facts (as at 30 June 2021)

Investment manager: Vanguard Group
Inception date: 14 September 2017
Domicile: Ireland
Benchmark: Bloomberg Barclays Global Aggregate Credit Index
Ongoing charges figure[1]: 0.35%
Fund AUM: GBP 355m

Number of holdings: 1,275
Average coupon: 2.9%
Average maturity: 9.1 years
Average quality: A-
Average duration: 7.0 years
ISIN: IE00BYV1RG46

Fund performance (as at 30 June 2021)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	-0.25	2.73	4.60	7.26	--	5.51
Peer Group	-3.11	2.39	-2.76	4.35	3.26	2.73
Benchmark	-1.09	2.10	2.72	5.20	3.26	3.63

Year on year (%)	1 Jul 2016 - 30 Jun 2017	1 Jul 2017 - 30 Jun 2018	1 Jul 2018 - 30 Jun 2019	1 Jul 2019 - 30 Jun 2020	1 Jul 2020 - 30 Jun 2021
Fund	--	--	8.23	8.99	4.60
Peer Group	6.39	-2.25	9.94	6.83	-2.76
Benchmark	1.46	-0.63	7.44	5.50	2.72

Past performance is not a reliable indicator of future results.
Source: Vanguard and Morningstar, as at 30 June 2021. 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.

[1]The 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.

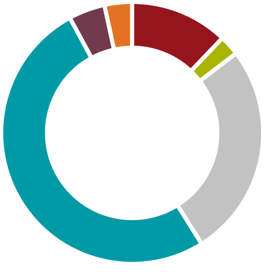
Fund breakdown (as at 30 June 2021)

Distribution by issuer (% of bonds)

Characteristics	Fund %
Industrials	37.2
Financial Institutions	30.7
Treasury/Federal	12.3
Sovereign	6.8
Utilities	6.3
Cash	3.4
Agencies	2.3
Other	0.6
Asset Backed Security	0.2
Provincials/Municipals	0.2
Commercial Mortgage Backed Security	0.0
Local Authority	0.0
Supranational	0.0

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 issuer (% of bonds)



AAA	12.1
AA	2.5
A	26.5
BBB	51.0
Less than BBB	4.5
NR	3.4

Credit quality ratings for each issue are obtained from Bloomberg Barclays 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 June 2021.

Vanguard

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.

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.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only.

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.

Important Information

This is an advertising document. For professional investors only (as defined under the MiFID II Directive) investing for their own account (including management companies (fund of funds) and professional clients investing on behalf of their discretionary clients). In Switzerland for professional investors only. Not to be distributed to the public.

The information contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares, and the receipt of distribution from any investment.

Vanguard Investment Series plc has been authorised by the Central Bank of Ireland as a UCITS and has been registered for public distribution in certain EEA countries and the UK. Prospective investors are referred to the Funds' prospectus for further information. Prospective investors are also urged to consult their own professional advisers on the implications of making an investment in, and holding or disposing shares of the Funds and the receipt of distributions with respect to such shares under the law of the countries in which they are liable to taxation.

The Manager of Vanguard Investment Series plc is Vanguard Group (Ireland) Limited. Vanguard Asset Management, Limited is a distributor of Vanguard Investment Series plc.

For further information on the fund's investment policies, please refer to the Key Investor Information Document (“KIIDs”). The KIID for this fund is available in local languages, alongside the prospectus via Vanguard’s website https://global.vanguard.com/

Vanguard

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. BARCLAYS® is a trademark and service mark of Barclays Bank Plc, used under license. Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL") (collectively, "Bloomberg"), or Bloomberg's licensors own all proprietary rights in the Bloomberg Barclays Indices.

The products are not sponsored, endorsed, issued, sold or promoted by “Bloomberg or Barclays”. Bloomberg and Barclays make no representation or warranty, express or implied, to the owners or purchasers of the products or any member of the public regarding the advisability of investing in securities generally or in the products particularly or the ability of the Bloomberg Barclays Indices to track general bond market performance. Neither Bloomberg nor Barclays has passed on the legality or suitability of the products with respect to any person or entity. Bloomberg’s only relationship to Vanguard and the products are the licensing of the Bloomberg Barclays Indices which are determined, composed and calculated by BISL without regard to Vanguard or the products or any owners or purchasers of the products. Bloomberg has no obligation to take the needs of the products or the owners of the products into consideration in determining, composing or calculating the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays is responsible for and has not participated in the determination of the timing of, prices at, or quantities of the products to be issued. Neither Bloomberg nor Barclays has any obligation or liability in connection with the administration, marketing or trading of the products.

For Swiss investors only: The Manager of Vanguard Investment Series plc is Vanguard Group (Ireland) Limited. Vanguard Investments Switzerland GmbH is a financial services provider, providing services in the form of purchase and sales according to Art. 3 (c)(1) FinSA. Vanguard Investments Switzerland GmbH will not perform any appropriateness or suitability assessment. Furthermore, Vanguard Investments Switzerland GmbH does not provide any services in the form of advice. Vanguard Investment Series plc has been authorised by the Central Bank of Ireland as a UCITS. Prospective investors are referred to the Funds' prospectus for further information. Prospective investors are also urged to consult their own professional advisors on the implications of making an investment in, and holding or disposing shares of the Funds and the receipt of distributions with respect to such shares under the law of the countries in which they are liable to taxation.Vanguard Investment Series plc has been approved for offer in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA). The information provided herein does not constitute an offer of Vanguard Investment Series plc in Switzerland pursuant to FinSA and its implementing ordinance. This is solely an advertisement pursuant to FinSA and its implementing ordinance for [Vanguard Investment Series plc/Vanguard Funds plc]*. The Representative and the Paying Agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich. Copies of the Articles of Incorporation, KIID, Prospectus, Declaration of Trust, By-Laws, Annual Report and Semiannual Report for these funds can be obtained free of charge from the Swiss Representative or from Vanguard Investments Switzerland GmbH via our website https://global.vanguard.com/

For Dutch investors only: The fund(s) referred to in this document are listed in the AFM register as defined in section 1:107 Dutch Financial Supervision Act (Wet op het financieel toezicht).For details of the Risk indicator for each fund listed in this document, please see the fact sheet(s) which are available from Vanguard via our website https://www.vanguard.nl/portal/instl/nl/en/product.html.

Issued in EEA by Vanguard Group (Ireland) Limited which is regulated in Ireland by the Central Bank of Ireland.
Issued in Switzerland by Vanguard Investments Switzerland GmbH.
Issued by Vanguard Asset Management, Limited which is authorised and regulated in the UK by the Financial Conduct Authority.