Vanguard® Emerging Markets Bond Fund

Product Summary

Seeks total return while generating a moderate level of current income.
Invests in fixed income securities of issuers that are tied economically to emerging market countries. Generally excludes Australia, Canada, Japan, New Zealand, the United States, the United Kingdom, and most European Monetary Union countries’ bonds. Majority of its assets denominated in or hedged back to the U.S. dollar.

Quarterly Commentary

Even with the human toll of COVID-19 mounting, unemployment running high, and global economic activity remaining below its pre-pandemic level, stocks worldwide continued to rebound in the fourth quarter of 2020 from their precipitous fall earlier in the year. Investor sentiment was buoyed by the rollout of vaccines and supportive monetary and fiscal policies. With some signs that the global economy might recover sooner than previously anticipated, and with the Federal Reserve keeping interest rates low, the U.S. taxable bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, returned 0.67%, outpacing U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Treasury Index (~0.83%). In this low-rate environment, credit spreads continued to tighten as investors sought higher yield in riskier assets.

Emerging-market governments around the world continued to wrestle locally in managing their response to COVID-19. Developed-market central bank policy has delivered second-order benefits to portions of emerging-market countries. Despite the economic shock experienced in 2020, the market returned 5.26% for the 12 months ended December 31, as measured by the JP Morgan EMBI Global Diversified, the benchmark index for Vanguard Emerging Markets Bond Fund. Although emerging markets were broadly a positive story, investors had to navigate idiosyncratic distressed issues such as Sri Lanka, Ecuador, Lebanon, and Argentina.

For the fourth quarter, the fund outperformed its benchmark (+5.80%). Contributors to performance included strong country selection within Latin America, specifically Brazil and Mexico. Modest underweightings of Sub-Saharan African countries detracted given the rally in oil and commodity prices.

For the 12 months ended December 31, the fund significantly outperformed its benchmark. Strong security selection helped the fund’s results.

People and Process

Vanguard Emerging Markets Bond Fund seeks to provide total return while generating a moderate level of current income through investing in bonds in emerging economies. Under normal circumstances, the fund will invest at least 80% of its assets in fixed income securities of issuers that are tied economically to emerging market countries. The fund seeks to have a majority of its assets denominated in or hedged back to the U.S. dollar but has the ability to invest in local currency denominated bonds on an unhedged basis. Emerging market countries include countries whose economies or bond markets are less developed, which includes most countries except for Australia, Canada, Japan, New Zealand, the United States, the United Kingdom, and most European Monetary Union countries.

Vanguard Fixed Income Group

Launched in 1975, The Vanguard Group, Malvern, Pennsylvania, is among the world’s largest equity and fixed income managers. As chief investment officer, Gregory Davis, CFA, oversees Vanguard’s Equity Index, Quantitative Equity, and Fixed Income Groups. John Hollyer, CFA, principal and global head of Fixed Income Group, has direct oversight responsibility for all money market, bond, and stable value portfolios managed by the Fixed Income Group. The Fixed Income Group offers actively managed investments in U.S. Treasury, corporate, and tax-exempt securities, as well as passively managed index portfolios. Since 1981, it has refined techniques in total-return management, credit research, and index sampling to seek to deliver consistent performance with transparency and risk control. The group has advised Vanguard Emerging Markets Bond Fund since 2016.

Investment Manager Biographies


As of December 31, 2020
## Total Returns

<table>
<thead>
<tr>
<th>Fund/Index</th>
<th>Expense Ratio</th>
<th>Quarter</th>
<th>Year to Date</th>
<th>1 Year</th>
<th>3 Years</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerald Markets Bond Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investor Shares (3/10/2016)</td>
<td>0.60%</td>
<td>6.54%</td>
<td>14.98%</td>
<td>14.98%</td>
<td>10.29%</td>
<td>11.15%</td>
</tr>
<tr>
<td>Admiral Shares (12/6/2017)</td>
<td>0.45</td>
<td>6.56</td>
<td>15.17</td>
<td>15.17</td>
<td>10.46</td>
<td>10.37</td>
</tr>
<tr>
<td>J.P. Morgan EMBI Global Diversified Index</td>
<td>—</td>
<td>5.80</td>
<td>5.26</td>
<td>5.26</td>
<td>5.05</td>
<td>36.60 1</td>
</tr>
<tr>
<td>Emerald Markets Hard Currency Debt Funds Average</td>
<td>—</td>
<td>7.27</td>
<td>5.72</td>
<td>5.72</td>
<td>4.11</td>
<td>34.13 2</td>
</tr>
</tbody>
</table>

1. Since the fund’s inception, 3/10/2016
2. Since the fund’s inception, 3/10/2016

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors’ shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Note: Admiral class shareholders are required to maintain specific minimum balances and meet other special criteria.
## Quarterly Returns: Investor Shares

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
<th>Emerging Markets Bond Fund</th>
<th>JP Morgan EMBI Global Diversified</th>
<th>Assets (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-10.30%</td>
<td>16.13%</td>
<td>3.61%</td>
<td>6.54%</td>
<td>14.98%</td>
<td>5.26%</td>
<td>$229</td>
</tr>
<tr>
<td>2019</td>
<td>8.68</td>
<td>4.34</td>
<td>1.23</td>
<td>2.54</td>
<td>17.71</td>
<td>15.04</td>
<td>78</td>
</tr>
<tr>
<td>2018</td>
<td>-0.42</td>
<td>-2.19</td>
<td>3.01</td>
<td>-1.22</td>
<td>-0.88</td>
<td>-4.26</td>
<td>25</td>
</tr>
<tr>
<td>2017</td>
<td>4.49</td>
<td>2.84</td>
<td>3.36</td>
<td>2.04</td>
<td>13.35</td>
<td>10.26</td>
<td>36</td>
</tr>
<tr>
<td>2016</td>
<td>1.54</td>
<td>5.84</td>
<td>5.63</td>
<td>-3.66</td>
<td>9.36</td>
<td>6.88</td>
<td>11</td>
</tr>
</tbody>
</table>

3 Since inception of the share class, 3/10/2016.

## Quarterly Returns: Admiral Shares

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
<th>Emerging Markets Bond Fund</th>
<th>JP Morgan EMBI Global Diversified</th>
<th>Assets (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-10.26%</td>
<td>16.10%</td>
<td>3.73%</td>
<td>6.56%</td>
<td>15.17%</td>
<td>5.26%</td>
<td>$1,292</td>
</tr>
<tr>
<td>2019</td>
<td>8.67</td>
<td>4.42</td>
<td>1.24</td>
<td>2.60</td>
<td>17.86</td>
<td>15.04</td>
<td>414</td>
</tr>
<tr>
<td>2018</td>
<td>-0.39</td>
<td>-2.09</td>
<td>3.03</td>
<td>-1.17</td>
<td>-0.70</td>
<td>-4.26</td>
<td>59</td>
</tr>
<tr>
<td>2017</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.43</td>
<td>0.43</td>
<td>0.37</td>
<td>7</td>
</tr>
</tbody>
</table>

4 Since inception of the share class, 12/6/2017.

## Fund Facts

<table>
<thead>
<tr>
<th></th>
<th>Investor Shares</th>
<th>Admiral Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Number</td>
<td>1431</td>
<td>1531</td>
</tr>
<tr>
<td>Ticker</td>
<td>VEMBX</td>
<td>VEGBX</td>
</tr>
<tr>
<td>Newspaper Listing</td>
<td>EmMktBdInv</td>
<td>EmMktBdAdm</td>
</tr>
<tr>
<td>CUSIP Number</td>
<td>922020821</td>
<td>922020813</td>
</tr>
<tr>
<td>Assets (millions)</td>
<td>$229</td>
<td>$1,292</td>
</tr>
<tr>
<td>(Total $1,521)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inception</td>
<td>3/10/2016</td>
<td>12/6/2017</td>
</tr>
<tr>
<td>Expense Ratio (as of 1/2020)</td>
<td>0.60%</td>
<td>0.45%</td>
</tr>
</tbody>
</table>

## Volatility Measures

<table>
<thead>
<tr>
<th></th>
<th>R-Squared</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Morgan EMBI Global Diversified</td>
<td>0.96</td>
<td>0.94</td>
</tr>
</tbody>
</table>

## Distribution by Credit Quality

<table>
<thead>
<tr>
<th>Credit Quality</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government</td>
<td>52.5%</td>
</tr>
<tr>
<td>Aaa</td>
<td>0.0</td>
</tr>
<tr>
<td>Aa</td>
<td>2.6</td>
</tr>
<tr>
<td>A</td>
<td>3.9</td>
</tr>
<tr>
<td>Baa</td>
<td>39.6</td>
</tr>
<tr>
<td>Ba</td>
<td>21.2</td>
</tr>
<tr>
<td>B</td>
<td>13.7</td>
</tr>
<tr>
<td>Caa</td>
<td>2.4</td>
</tr>
<tr>
<td>Ca</td>
<td>0.0</td>
</tr>
<tr>
<td>C</td>
<td>0.2</td>
</tr>
<tr>
<td>Not Rated</td>
<td>11.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
### Fixed Income Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Emerging Markets Bond Fund</th>
<th>JP Morgan EMBI Global Diversified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of bonds</td>
<td>190</td>
<td>861</td>
</tr>
<tr>
<td>Average effective maturity</td>
<td>11.3 years</td>
<td>11.8 years</td>
</tr>
<tr>
<td>Average duration</td>
<td>7.3 years</td>
<td>8.3 years</td>
</tr>
<tr>
<td>Short-term reserves</td>
<td>11.6%</td>
<td>—</td>
</tr>
</tbody>
</table>

### Distribution by Effective Maturity

<table>
<thead>
<tr>
<th></th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1 Year</td>
<td>11.9%</td>
</tr>
<tr>
<td>1 to 3 Years</td>
<td>2.4%</td>
</tr>
<tr>
<td>3 to 5 Years</td>
<td>13.7%</td>
</tr>
<tr>
<td>5 to 7 Years</td>
<td>17.4%</td>
</tr>
<tr>
<td>7 to 10 Years</td>
<td>25.3%</td>
</tr>
<tr>
<td>10 to 20 Years</td>
<td>10.5%</td>
</tr>
<tr>
<td>20 to 30 Years</td>
<td>15.2%</td>
</tr>
<tr>
<td>Over 30 Years</td>
<td>3.6%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### Distribution by Issuer

<table>
<thead>
<tr>
<th></th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset-Backed</td>
<td>0.0%</td>
</tr>
<tr>
<td>Commercial Mortgage-Backed</td>
<td>0.0</td>
</tr>
<tr>
<td>Finance</td>
<td>0.7</td>
</tr>
<tr>
<td>Foreign</td>
<td>78.3</td>
</tr>
<tr>
<td>Government Mortgage-Backed</td>
<td>0.0</td>
</tr>
<tr>
<td>Industrial</td>
<td>1.8</td>
</tr>
<tr>
<td>Short-Term Reserves</td>
<td>11.5</td>
</tr>
<tr>
<td>Treasury/Agency</td>
<td>6.9</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.7</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
### Market allocation (% of Bonds)

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Allocation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pacific</strong></td>
<td>Other</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td>Mexico</td>
<td>8.3%</td>
</tr>
<tr>
<td></td>
<td>Colombia</td>
<td>5.3%</td>
</tr>
<tr>
<td></td>
<td>Morocco</td>
<td>5.1%</td>
</tr>
<tr>
<td></td>
<td>Brazil</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>4.0%</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td>3.6%</td>
</tr>
<tr>
<td></td>
<td>Peru</td>
<td>3.2%</td>
</tr>
<tr>
<td></td>
<td>Ecuador</td>
<td>2.2%</td>
</tr>
<tr>
<td></td>
<td>Saudi Arabia</td>
<td>2.0%</td>
</tr>
<tr>
<td></td>
<td>United Arab Emirates</td>
<td>1.9%</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td>Chile</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td>Trinidad And Tobago</td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>49.7%</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>United States</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>Israel</td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>43.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>
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