

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

- Emerging market (EM) bond returns were negative in the fourth quarter of 2024.
- Rising yields on US Treasuries contributed to the decline in EM bonds.
- The Vanguard Emerging Markets Bond Fund outperformed its benchmark.
- The greatest contributor to returns was currency trading gains related to market volatility around the US presidential election in November.
- We believe EM bonds can continue to outperform US Treasuries in 2025.

Market overview

Financial conditions tightened in the fourth quarter of 2024, as strong labour market data in the US and expectations around the impact of potential new policy under the new US administration caused US Treasury yields to rise.

Emerging market (EM) credit declined -1.94%¹ over the quarter, driven by US Treasury losses. Credit spreads compressed, despite a deterioration in risk appetite in global markets. However, spread compression was not enough to overcome the decline in US rates.

EM sovereign credit returned 6.5% for the full year 2024, with strong high-yield returns (13%) contributing the majority of the gains, while investment-grade returns were only modestly positive (0.3%)².

The technical backdrop presented a contrast between investment-grade and high-yield sovereign issuers in 2024, which contributed in part to the divergent returns. Investment-grade issuers took advantage of low yields and tight spreads to finance budgets and proactively extend maturities, particularly in the first half of the year. While the improving risk sentiment in the second half of the year allowed many high-yield issuers to return to the market, the net supply for high-yield over the full year was negative.

Strategy, performance and positioning

The Vanguard Emerging Markets Bond Fund declined -1.78% over the fourth quarter but outperformed its benchmark, the J.P. Morgan EMBI Global Diversified Index, which declined -1.94%³.

The largest contributor to performance was currency trading gains related to market volatility around the US presidential election. The fund's underweight allocation to Romania also contributed to returns, as Romanian bond spreads widened in response to volatility around local elections in the country. An underweight position in Panama also contributed, on the back of weaker growth and rising deficits.

The largest detractor from performance over the quarter was an underweight allocation to Lebanon, whose sovereign bonds rallied following developments in the Middle East.

In terms of positioning, the fund is focused on selection opportunities in countries where US policy risks are limited or already priced in. We are generally cautious around EM foreign exchange but remain opportunistic depending on valuations. We see opportunities in EM duration/rates and EM high-yield, and we have been adding to our high-yield allocation on an idiosyncratic basis. With the value cushion gone, it is important to differentiate between names where fundamental improvements can be sustained.

^{1,3} Source: Vanguard and JP Morgan, based on the JP Morgan Emerging Market Bond Index (EMBI) Global Diversified, for the period 30 September 2024 to 31 December 2024. Calculations in USD.

² Source: Vanguard and JP Morgan, based on the JP Morgan Emerging Market Bond Index (EMBI) Global Diversified, for the period 31 December 2023 to 31 December 2024. Calculations in USD.

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Outlook

EM credit spreads have been tight for some time but have continued compressing, even if much of this comes from the high-yield component of the index. A 'soft landing' in the US, coupled with modest but definitive easing of interest rates by the US Federal Reserve (Fed), would likely be supportive of EM economies and risk appetite from investors.

In the US, the change in administration is likely to imply a stronger US dollar and higher US Treasury yields and may result in a more prolonged firm economic cycle. This may prompt some recalibration of expected rate cuts by the Fed, but it is not yet clear if this will be inflationary, so some uncertainty around Fed easing should remain in play. Overall, there is still reason to believe that EM credit can continue to perform well, although there are clear areas of risk from tariffs and other foreign policy factors. China and Mexico, and to a lesser degree parts of Eastern Europe, are likely to be the most at risk.

Geopolitics remains a latent rather than an acute risk for EM in our view (in the absence of a much larger shock or event, such as a closure of the Strait of Hormuz).

Supply is likely to be extremely front-loaded in 2025. This may cause some cheapening in higher-quality generic names. A shift to negative supply later in the year could result in broad outperformance, and we should see names with lower issuance outperform others.

EM rates/duration have outperformed their US Treasury equivalents in recent weeks. Under a soft landing scenario and weaker US dollar outlook, we think this will continue. Both investment-grade and high-yield fundamentals are improving in EM, and we do not anticipate major credit distress in the EM sovereign sphere in 2025.

Vanguard Emerging Markets Bond Fund Investor USD

Key fund facts (as at 31 December 2024)

Investment manager: Vanguard Global Advisers, 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 1,605m

Number of holdings: 337

Yield to worst: 7.4%

Average coupon: 5.3%

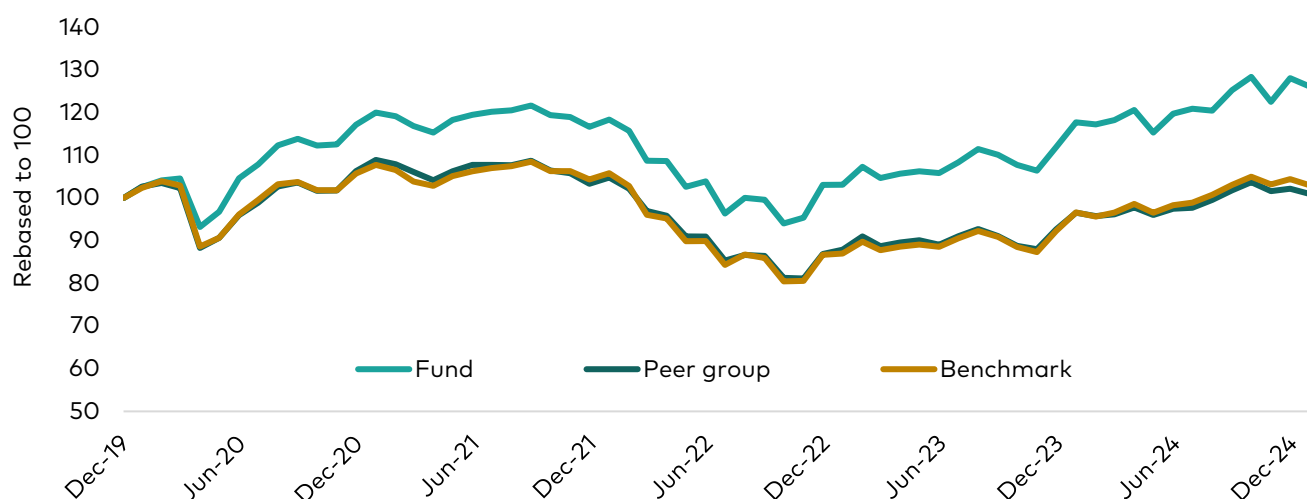
Average maturity: 11.0 years

Average quality: BB+

Average duration: 6.5 years

ISIN: IE00BKLWXM74

Fund performance (Cumulative % growth, USD, 3 December 2019 to 31 December 2024)



Cumulative return (%) as at 31 December 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	7.12	-1.78	7.12	2.13	4.22	4.67
Peer group	4.53	-2.68	4.53	-0.94	-0.14	0.18
Benchmark	6.54	-1.94	6.54	-0.91	0.12	0.57

Calendar year return (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	--	--	--	--	--	17.04	-1.37	-12.88	14.16	7.12
Peer group	-4.16	9.63	11.13	-6.24	11.27	6.11	-3.80	-16.12	9.87	4.53
Benchmark	1.18	10.15	10.26	-4.26	15.04	5.26	-1.80	-17.78	11.09	6.54

12 month return (%) to:	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024
Fund	--	--	--	--	--	17.04	-1.37	-12.88	14.16	7.12
Peer group	-4.16	9.63	11.13	-6.24	11.27	6.11	-3.80	-16.12	9.87	4.53
Benchmark	1.18	10.15	10.26	-4.26	15.04	5.26	-1.80	-17.78	11.09	6.54

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 31 December 2024)

Investment manager: Vanguard Global Advisers, LLC

Inception date: 03 December 2019

Domicile: Ireland

Benchmark: JPM EMBIG Diversified EUR Hedged

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

Ongoing charges figure¹: 0.6%

Fund AUM: EUR 1,550m

Number of holdings: 337

Yield to worst: 7.4%

Average coupon: 5.3%

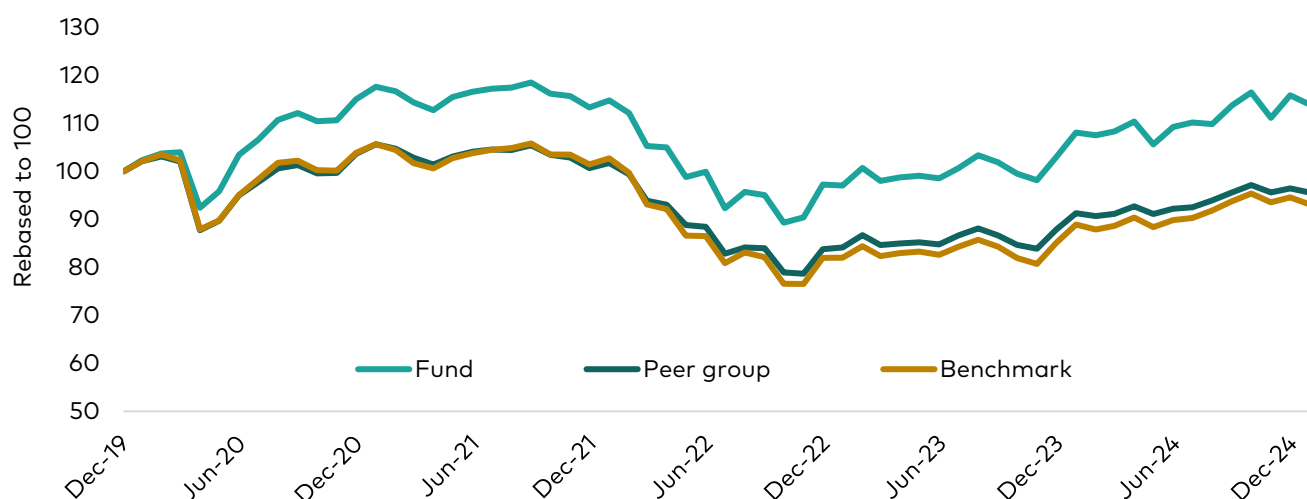
Average maturity: 11.0 years

Average quality: BB+

Average duration: 6.5 years

ISIN: IE00BKLWXS37

Fund performance (Cumulative % growth, EUR, 3 December 2019 to 31 December 2024)



Cumulative return (%) as at 31 December 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	5.34	-2.20	5.34	-0.27	2.16	2.59
Peer group	4.72	-1.62	4.72	-1.90	-1.21	-0.89
Benchmark	4.68	-2.41	4.68	-3.22	-1.83	-1.40

Calendar year return (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	--	--	--	--	--	14.97	-2.41	-15.47	11.40	5.34
Peer group	-2.04	8.55	6.97	-7.83	9.46	3.46	-3.69	-17.28	8.46	4.72
Benchmark	0.74	8.32	8.21	-7.04	11.66	3.50	-2.82	-20.14	8.43	4.68

12 month return (%) to:	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024
Fund	--	--	--	--	--	14.97	-2.41	-15.47	11.40	5.34
Peer group	-2.04	8.55	6.97	-7.83	9.46	3.46	-3.69	-17.28	8.46	4.72
Benchmark	0.74	8.32	8.21	-7.04	11.66	3.50	-2.82	-20.14	8.43	4.68

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 31 December 2024)

Investment manager: Vanguard Global Advisers, 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 1,282m

Number of holdings: 337

Yield to worst: 7.4%

Average coupon: 5.3%

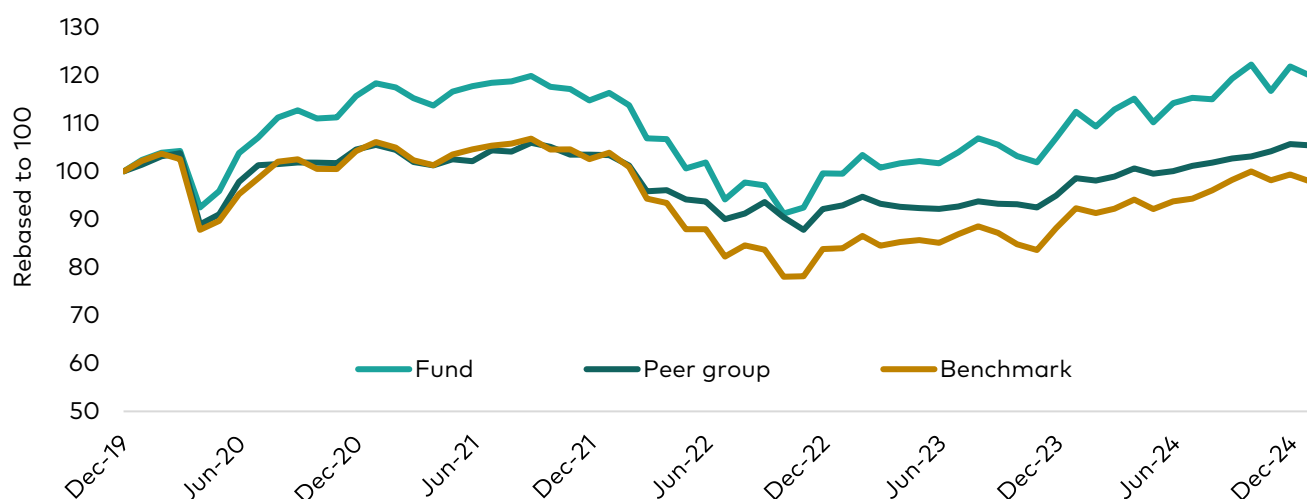
Average maturity: 11.0 years

Average quality: BB+

Average duration: 6.5 years

ISIN: IE00BKLWXP06

Fund performance (Cumulative % growth, GBP, 3 December 2019 to 31 December 2024)



Cumulative return (%) as at 31 December 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	6.70	-1.88	6.70	1.02	3.21	3.64
Peer group	6.93	2.24	6.93	0.65	0.79	1.04
Benchmark	6.09	-2.05	6.09	-1.95	-0.85	-0.42

Calendar year return (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	--	--	--	--	--	15.60	-1.70	-14.47	12.95	6.70
Peer group	2.27	21.94	4.40	-3.12	11.11	4.10	-2.02	-10.13	6.09	6.93
Benchmark	1.25	9.86	9.11	-6.02	12.95	3.83	-2.10	-19.14	9.88	6.09

12 month return (%) to:	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024
Fund	--	--	--	--	--	15.60	-1.70	-14.47	12.95	6.70
Peer group	2.27	21.94	4.40	-3.12	11.11	4.10	-2.02	-10.13	6.09	6.93
Benchmark	1.25	9.86	9.11	-6.02	12.95	3.83	-2.10	-19.14	9.88	6.09

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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

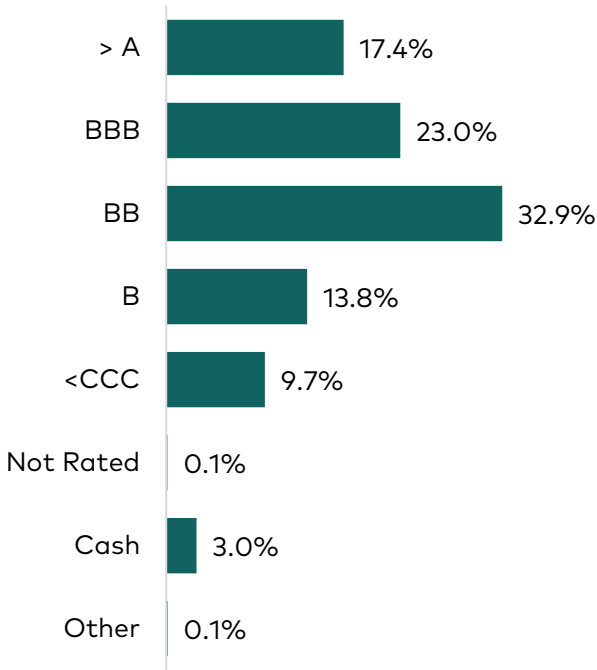
Fund breakdown (as at 31 December 2024)

Distribution by issuer (% of bonds)

	Fund %
Sovereign	69.1
Treasury/federal	12.7
Agencies	12.2
Industrials	2.0
Supranational	0.4
Financial institutions	0.3
Local authority	0.1
Other	0.1
Cash	3.0

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 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 31 December 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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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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