

## 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 excess return over the long term.**

**Highlights**

- Emerging market bonds delivered positive returns in the first quarter.
- The Vanguard Emerging Markets Bond Fund returned 2.36% and outperformed its benchmark.
- The fund's top-performing holdings included bonds issued by the Dominican Republic and Pemex, Mexico's state-owned energy firm.

**Market overview**

Emerging market (EM) credit returned 2.2%<sup>1</sup> in the first quarter of 2025, broadly in line with other fixed income asset classes. A decline in risk appetite, driven by heightened US policy uncertainty, led to a widening in EM credit spreads over the quarter. This was offset by a 3.2%<sup>2</sup> return from US Treasuries, as growing concerns over a potential global economic slowdown prompted risk-off market sentiment.

EM high-yield (HY) sovereign bonds came under pressure amid heightened investor risk aversion and weaker credit fundamentals, declining -1.3% during the quarter. This compared with a more modest decline of -0.2% in EM investment-grade (IG)<sup>3</sup> credit over the same period. The declines in EM HY were driven by a series of country-specific shocks, including: Lebanon (-18.5%), where bonds faced a sharp sell-off following renewed political conflict; Ecuador (-8.9%), whose sovereign bonds repriced amid election uncertainty; and Ukraine (-10.2%), whose bonds remained under strain due to stalling ceasefire negotiations. These events underscore the sensitivity of EM HY to geopolitical disruptions<sup>1</sup>.

EM corporate bonds outperformed EM sovereign debt in the first quarter, supported by the more modest widening in corporate spreads, particularly in EM HY corporate bonds. The segment's outperformance stemmed from improving corporate fundamentals.

EM local-currency bonds were a standout performer (+4.4%<sup>2</sup>). EM rates kept up with the rally in US Treasuries, and EM currencies appreciated overall against the US dollar. We were well-positioned in our EM local-currency exposure over the quarter, employing a relative-value strategy in expectation of a pronounced dispersion in returns.

**Strategy, performance and positioning**

The Vanguard Emerging Markets Bond Fund returned 2.37% over the quarter and outperformed its benchmark, the JP Morgan EMBI Global Diversified Index, which returned 2.24%<sup>1</sup>.

The largest contributors to the fund's performance over the quarter were positions in mid- and low-rated EM issuers, including overweight exposures to the Dominican Republic and Pemex, Mexico's state-owned energy provider, as well as an underweight to Romania. Additionally, our duration exposure, particularly a long position to US Treasuries, was a positive contributor as yields moved lower amid the ongoing uncertainty surrounding trade tariffs. Within developed-market rates, our short position in German bunds also added value, as yields rose following Germany's fiscal stimulus announcement. However, the fund's beta positioning detracted from relative performance, as the portfolio had a slight tilt towards higher-yielding countries, which underperformed relative to higher-quality issuers.

<sup>1</sup> Vanguard and JP Morgan, based on the JP Morgan EMBI Global Diversified Index, for the period 31 December 2024 to 31 March 2025. Calculations in USD.

<sup>2</sup> Source: Vanguard and JP Morgan for the period 31 December 2024 to 31 March 2025.

<sup>3</sup> Vanguard and Bloomberg, for the period 31 December 2024 to 31 March 2025. Calculations in USD.

We have increased exposure to mid- and higher-quality names as growth shocks tend to affect HY fundamentals more than IG. However, we continue to hold overweight positions in countries like Zambia and, to a lesser extent, Ghana, where compelling credit fundamentals and attractive idiosyncratic risk factors persist.

As valuations in lower-rated names became increasingly expensive, we reallocated capital into mid-quality credits such as Mexico, Romania, the Dominican Republic and Paraguay, which offered greater resilience and more balanced risk-adjusted return potential, in our view.

We maintain a bias towards core EM duration. We also see select opportunities in EM rates, particularly where valuations are compelling, such as South Africa, or where further monetary policy easing is likely.

We are constructive on Mexican assets, as the country has so far been spared at least some of the anticipated tariffs on its imports into the US.

It is difficult to take a strong view on EM foreign exchange (FX), which typically underperforms in a growth slowdown. As a result, we will continue to take an opportunistic approach to any EM FX exposures for now.

## Outlook

Valuations in EM sovereign credit remain tight, offering limited protection against any potential macroeconomic or fundamental shocks, despite relatively attractive all-in yields. Elevated investor cash positions and demand for credit protection—as evidenced by the widening in credit default swap spreads—suggest that some investors have

been actively de-risking. However, the recent unwinding of the crowded local duration trade in bonds issued by Turkey underscores the importance of careful position sizing, especially in trades with tail risk and concentrated positioning.

Signs of a US economic slowdown are growing, with markets pricing in a higher risk of a recession, even though the potential for an actual recession remains uncertain. The escalation of US tariff policies, particularly those targeting China, add to the slowdown risk, especially if the US' trading partners retaliate with tariffs on US imports. Additionally, the likelihood of near-term inflationary effects due to tariffs could stall reductions in developed market rates. This points to a potential 'stagflation' scenario, which would present downside risks to EM and fixed income returns, and requires close monitoring. Going forward, we anticipate that rates in Asia and Europe will benefit the most from any slowdown in global trade. This would put pressure on the US dollar, which faces headwinds due to its stretched valuation.

Meanwhile, we are closely monitoring the credit trajectories of Romania and Panama, both of which are at risk of having their credit ratings cut to below-investment-grade status by the rating agencies. A downgrade could prompt forced selling by investors. While we believe there is still scope to avoid such downgrades, current credit spreads already factor in a considerable degree of downgrade risk. Navigating these situations accurately will be key, given the potential impact on performance and investor flows.

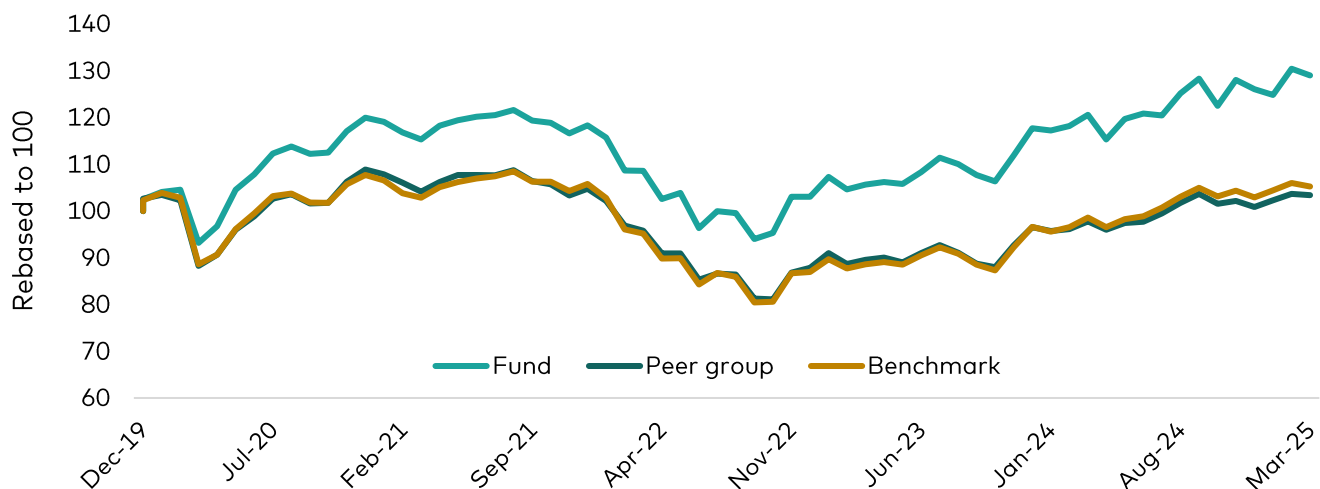
## Vanguard Emerging Markets Bond Fund Investor USD

### Key fund facts (as at 31 March 2025)

**Investment manager:** Vanguard Global Advisers, LLC  
**Inception date:** 03 December 2019  
**Domicile:** Ireland  
**Benchmark:** JP Morgan EMBI Global Diversified  
**Peer group:** EAA Fund Global Emerging Markets Bond  
**Ongoing charges figure<sup>1</sup>:** 0.6%  
**Fund AUM:** USD 1,681m

**Number of holdings:** 296  
**Yield to worst:** 7.4%  
**Average coupon:** 5.6%  
**Average maturity:** 10.9 years  
**Average quality:** BB+  
**Average duration:** 7.2 years  
**ISIN:** IE00BKLWXM74

### Fund performance (Cumulative % growth, USD, 3 December 2019 to 31 March 2025)



Cumulative return (%) as at 31 March 2025	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	2.37	2.37	6.99	5.92	6.73	4.91
Peer group	2.45	2.45	5.75	2.76	3.41	0.63
Benchmark	2.24	2.24	6.75	3.41	3.49	0.96

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 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021	31 Mar 2022	31 Mar 2023	31 Mar 2024	31 Mar 2025
Fund	--	--	--	--	--	23.73	-5.80	-2.71	14.17	6.99
Peer group	1.25	8.90	6.09	-1.03	-9.07	17.98	-8.00	-6.54	9.16	5.75
Benchmark	4.19	8.92	4.30	4.21	-6.84	16.00	-7.44	-6.92	11.28	6.75

#### 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. <sup>1</sup>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.

**This is a marketing communication. 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.**

## Vanguard Emerging Markets Bond Fund Investor EUR Hedged

### Key fund facts (as at 31 March 2025)

**Investment manager:** Vanguard Global Advisers, LLC

**Inception date:** 03 December 2019

**Domicile:** Ireland

**Benchmark:** JP Morgan EMBI Global Diversified (EUR Hedged)

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

**Ongoing charges figure<sup>1</sup>:** 0.6%

**Fund AUM:** EUR 1,556m

**Number of holdings:** 296

**Yield to worst:** 7.4%

**Average coupon:** 5.6%

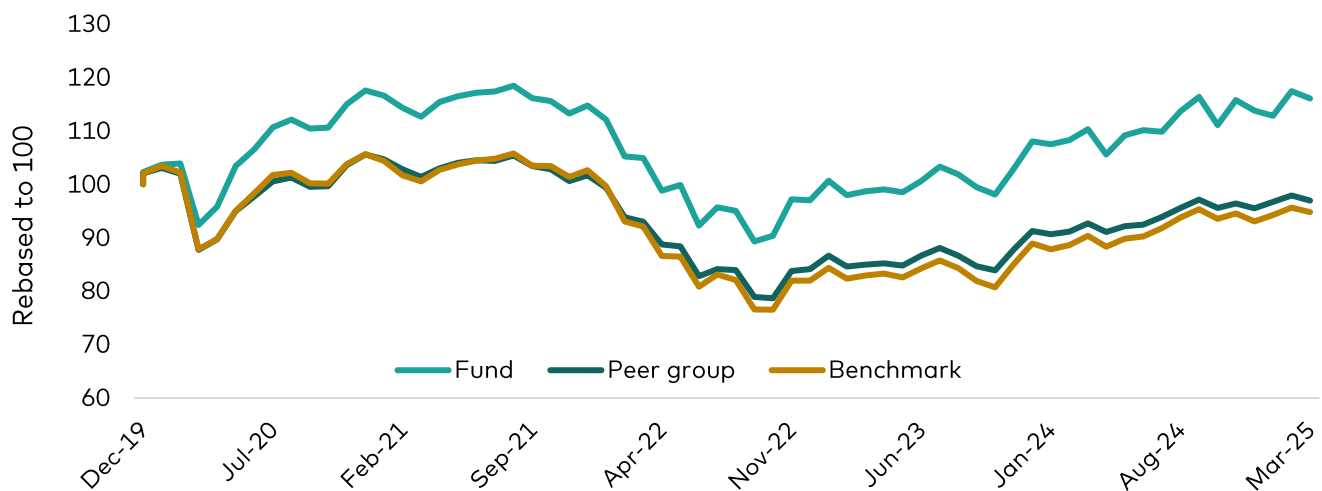
**Average maturity:** 10.9 years

**Average quality:** BB+

**Average duration:** 7.2 years

**ISIN:** IE00BKLWXS37

### Fund performance (Cumulative % growth, EUR, 3 December 2019 to 31 March 2025)



Cumulative return (%) as at 31 March 2025	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	1.98	1.98	5.18	3.41	4.67	2.84
Peer group	1.51	1.51	4.66	1.47	2.13	-0.57
Benchmark	1.88	1.88	4.92	0.97	1.53	-0.99

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	4.71
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 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021	31 Mar 2022	31 Mar 2023	31 Mar 2024	31 Mar 2025
Fund	--	--	--	--	--	21.98	-6.85	-5.96	11.81	5.18
Peer group	0.58	7.68	1.75	-1.51	-10.48	15.57	-8.26	-8.67	9.10	4.66
Benchmark	3.43	7.07	2.11	1.11	-9.46	14.46	-8.43	-9.94	8.94	4.92

#### 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. <sup>1</sup>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.

**This is a marketing communication. 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.**

## Vanguard Emerging Markets Bond Fund Investor GBP Hedged

### Key fund facts (as at 31 March 2025)

**Investment manager:** Vanguard Global Advisers, LLC

**Inception date:** 03 December 2019

**Domicile:** Ireland

**Benchmark:** JP Morgan EMBI Global Diversified (GBP Hedged)

**Peer group:** IA Global Emerging Markets Bond - Hard Currency

**Ongoing charges figure<sup>1</sup>:** 0.6%

**Fund AUM:** GBP 1,302m

**Number of holdings:** 296

**Yield to worst:** 7.4%

**Average coupon:** 5.6%

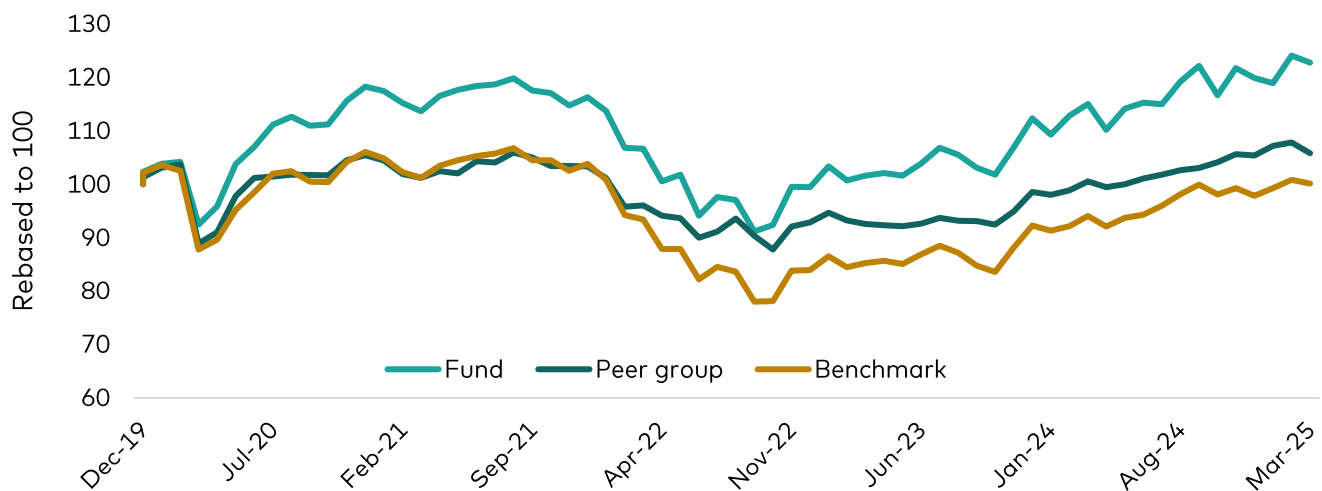
**Average maturity:** 10.9 years

**Average quality:** BB+

**Average duration:** 7.2 years

**ISIN:** IE00BKLWXP06

### Fund performance (Cumulative % growth, GBP, 3 December 2019 to 31 March 2025)



Cumulative return (%) as at 31 March 2025	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	2.42	2.42	6.66	4.80	5.84	3.93
Peer group	0.41	0.41	5.21	3.28	3.54	1.07
Benchmark	2.31	2.31	6.43	2.36	2.67	0.03

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 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021	31 Mar 2022	31 Mar 2023	31 Mar 2024	31 Mar 2025
Fund	--	--	--	--	--	22.96	-6.14	-4.73	13.29	6.66
Peer group	3.05	18.57	-1.99	4.94	-6.94	13.82	-5.10	-3.63	8.66	5.21
Benchmark	4.09	8.51	3.01	2.17	-8.76	15.34	-7.76	-8.70	10.36	6.43

#### 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 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. <sup>1</sup>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.

**This is a marketing communication. 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.**

## Vanguard Emerging Markets Bond Fund

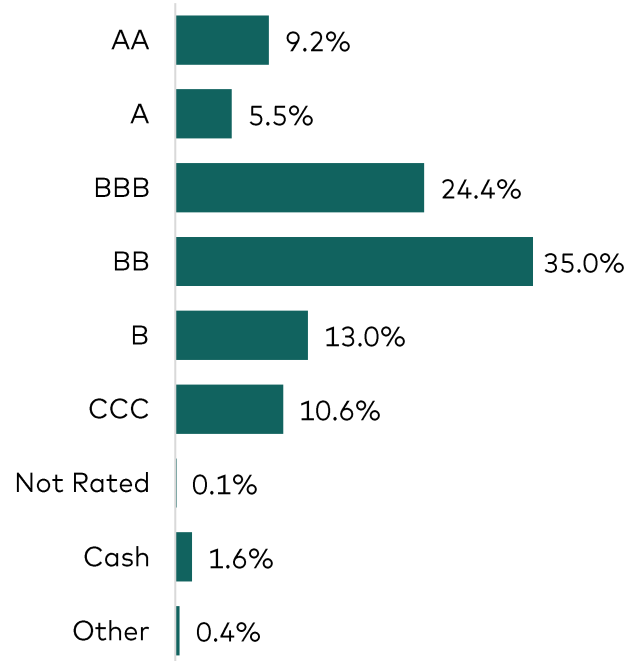
### Fund breakdown (as at 31 March 2025)

#### Distribution by issuer (% of bonds)

	Fund %
Sovereign	66.9
Agencies	12.1
Treasury/Federal	11.4
Industrials	2.8
Utilities	0.8
Financial institutions	0.2
Local authority	0.1
Other	0.1
Cash	5.5

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 March 2025.

## 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>.

## Important information

**This is a marketing communication.**

**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.**

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/>.

The information contained herein 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 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 /or units of, and the receipt of distribution from any investment.

**For Swiss professional investors:** Potential investors will not benefit from the protection of the FinSA on assessing appropriateness and suitability.

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 Swiss professional investors:** 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 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.

**For Swiss professional investors:** 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. 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, KID, 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/>.

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.

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index referenced herein is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval.

**For Dutch investors only:** The fund(s) referred to herein 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, please see the fact sheet(s) which are available from Vanguard via our website <https://www.nl.vanguard/professional/product>.

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.

© 2025 Vanguard Group (Ireland) Limited. All rights reserved.

© 2025 Vanguard Investments Switzerland GmbH. All rights reserved.

© 2025 Vanguard Asset Management, Limited. All rights reserved.

Reference number: 4463573