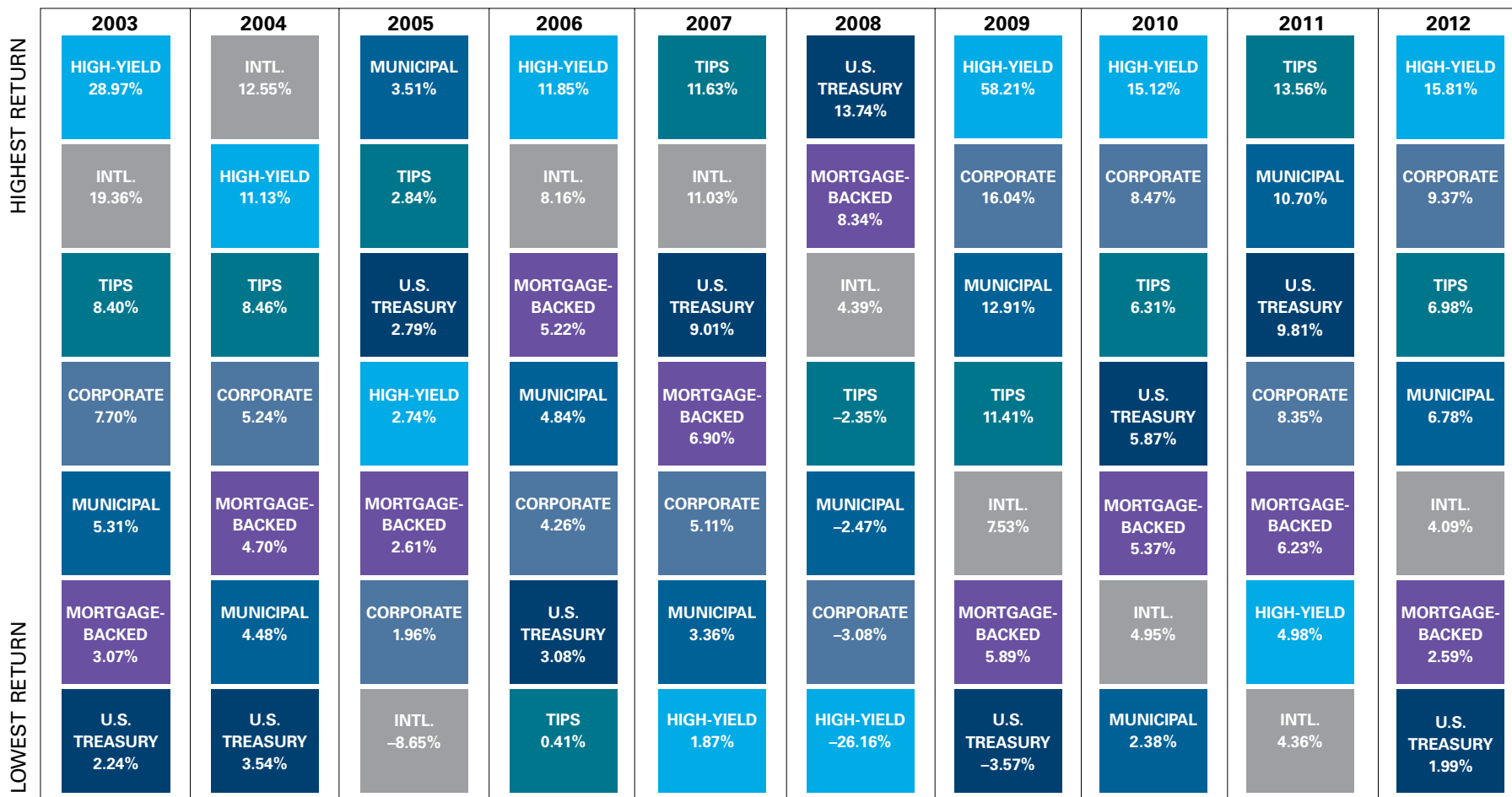




Diversification among bond funds makes good sense

The best performers among bond categories can change each year. Diversification can help you avoid unnecessary risk.

Bond fund categories ranked by performance, December 31, 2002–December 31, 2012



Source: Vanguard.

- **CORPORATE = Barclays US Credit Index:** Includes investment-grade corporate and international dollar-denominated bonds.
- **HIGH-YIELD = Barclays US Corp High Yield Index:** Includes mainly corporate bonds considered below-investment-grade.
- **INTL. = Barclays Global Agg Index ex USD:** Provides a broad measure of the international investment-grade bond market, excluding U.S. bonds.
- **MORTGAGE-BACKED = Barclays US Mort-Backed Sec Index:** Includes U.S. agency mortgage-backed pass-through securities.
- **MUNICIPAL = Barclays Municipal Bond Index:** Includes most investment-grade, tax-exempt bonds that are issued by state and local governments.

- **TIPS = Barclays US Trsy Inflat Prtcd Index:** Includes the inflation-indexed securities within the Barclays US Treasury Index, which represents U.S. Treasury obligations with maturities of more than 1 year.
- **U.S. TREASURY = Barclays US Treasury Index:** Includes U.S. Treasury obligations with maturities of more than 1 year.

Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is not a guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Vanguard bond funds

Category	Short-term	Intermediate-term	Long-term
GOVERNMENT			
	Short-Term Treasury Short-Term Government Bond Index* Short-Term Federal Short-Term Inflation Protected Securities Index*	GNMA Inflation-Protected Securities Intermediate-Term Treasury Intermediate-Term Government Bond Index* Mortgage-Backed Securities Index*	Long-Term Treasury Long-Term Government Bond Index* Extended Duration Treasury Index*
BLEND			
	Short-Term Bond Index*	Intermediate-Term Bond Index* Total Bond Market Index*	Long-Term Bond Index*
INVESTMENT-GRADE			
	Short-Term Investment-Grade Short-Term Corporate Bond Index*	Intermediate-Term Investment-Grade Intermediate-Term Corporate Bond Index*	Long-Term Investment-Grade Long-Term Corporate Bond Index*
BELOW-INVESTMENT-GRADE			
		High-Yield Corporate	High-Yield Tax-Exempt
FEDERAL TAX-EXEMPT			
	Limited-Term Tax-Exempt Short-Term Tax-Exempt	Intermediate-Term Tax-Exempt	Long-Term Tax-Exempt
STATE TAX-EXEMPT			
		California Intermediate-Term Tax-Exempt	California Long-Term Tax-Exempt Florida Focused Long-Term Tax-Exempt Massachusetts Tax-Exempt New Jersey Long-Term Tax-Exempt New York Long-Term Tax-Exempt Ohio Long-Term Tax-Exempt Pennsylvania Long-Term Tax-Exempt

*Includes a Vanguard ETF®.

For more information on Vanguard funds and Vanguard ETF Shares, contact your financial advisor to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

Vanguard ETF Shares can be bought and sold only through a broker (who may charge a commission) and cannot be redeemed with the issuing fund. The market price for ETF Shares may be more or less than the net asset value.

All investments are subject to risk, which may result in the loss of principal. Investments in bond funds are primarily subject to interest rate, income, and credit risk. U.S. government backing of Treasury or agency securities applies only to the underlying securities and does not prevent share-price fluctuations. Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of credit risk than with other types of bonds. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax.

The Vanguard ETFs are not sponsored, endorsed, sold, or promoted by Barclays. Barclays does not make any representation regarding the advisability of Vanguard ETFs or the advisability of investing in securities generally. Barclays' only relationship with Vanguard is the licensing of the Index which is determined, composed, and calculated by Barclays without regard to Vanguard or the Vanguard ETFs. Barclays has no obligation to take the needs of Vanguard or the owners of the Vanguard ETFs into consideration in determining, composing, or calculating the Index. Barclays has no obligation or liability in connection with administration, marketing, or trading of the Vanguard ETFs.

Financial advisors: Visit advisors.vanguard.com or call 800-997-2798. Please note that some Vanguard products may not be available through your firm.

Talk with your advisor to learn more about the benefits of diversification.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value