

Vanguard Short-Term Bond Index

Overall Morningstar Rating™
★★★★
Out of 385 Short-Term Bond funds. **An investment's overall Morningstar Rating, based on its risk-adjusted return, is a weighted average of its applicable 3-, 5-, and 10-year Ratings. See disclosure for details.**

Morningstar Return
Above Average

Morningstar Risk
Average

Investment Strategy from investment's prospectus

The investment seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity.

The fund invests by sampling the index. It invests at least 80% of assets in bonds held in the index. The fund's dollar-weighted average maturity is not expected to exceed 3 years.

Category Description: Short-Term Bond

Short-term bond funds have durations between one and 3.5 years, thus making them attractive to fairly conservative investors. These funds invest in a variety of bonds, from the most creditworthy, such as Treasury bonds, to mortgages and corporates. On rare occasions, they may even invest in more speculative high-yield and emerging-markets debt.

Broad Asset Class: Short-term Bonds

Investment-grade IOU's with an average duration of more than 1 but less than 3.5 years or an average effective maturity of more than 1 but less than 4 years.

Notes

This material is authorized for client use only when preceded or accompanied by a Disclosure Statement and a fund prospectus and/or informational brochure containing more complete information. These can be obtained from your investment professional or your plan's website and should be read carefully before investing or sending money.

Morningstar ratings reflect the reduction of the fund's expense ratio. However, your plan may charge an administrative fee and/or plan-level fee, which is not reflected in this rating.

To determine a fund's star rating for a given period, the fund's Morningstar risk score is subtracted from its Morningstar return score. If the fund scores in the top 10% of its respective Morningstar category, it receives five stars; if it falls in the next 22.5%, it receives four stars; a place in the middle 35% earns it three stars; those in the next 22.5% receive two stars; and the bottom 10% get one star.

NOT A DEPOSIT – NOT FDIC INSURED – NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY – NOT GUARANTEED BY THE INSTITUTION – MAY GO DOWN IN VALUE

The Broad Asset Class identifies a fund's investment style. The Broad Asset Class was developed by Nationwide in conjunction with Ibbotson Associates for asset allocation. Asset Allocation does not assure a profit or guarantee against loss in a declining market.

*Portfolio comparisons to the S&P 500 index are calculated against the iShares S&P 500 Index ETF.

Morningstar Proprietary Statistics

	YTD	1-Year	3-Year	5-Year	10-Year
Morningstar Rating	—	—	★★★★	★★★★	★★★★
Fund Rank Percentile	64	83	16	17	17
Out of # of Investments	451	428	385	317	171

Portfolio Analysis as of 12-31-09

Composition as of 12-31-09

	% Assets
U.S. Stocks	0.0
Non-U.S. Stocks	0.0
Bonds	92.8
Cash	7.1
Other	0.2

Morningstar Style Box™ as of 12-31-09

	High	Med	Low	
Avg Eff Duration	2.57			
Avg Eff Maturity	2.70			
Avg Credit Quality	AAA			
Avg Wtd Coupon	3.60			
Avg Wtd Price	103.50			

Short Intern Long

Top 15 Holdings as of 12-31-09

	% Assets
US Treasury Note 0.875% 02-28-11	1.88
United States Treas Nts 1.125% 12-15-12	1.69
United States Treas Nts 08-15-12	1.54
United States Treas Nts	1.46
United States Treas Nts 2.625% 07-31-14	1.46
United States Treas Nts 2.75% 10-31-13	1.42
United States Treas Nts 3.125% 09-30-13	1.40
US Treasury Note 1.875% 04-30-14	1.34
US Treasury Note 2.625% 06-30-14	1.34
United States Treas Nts 1.375% 05-15-12	1.31
United States Treas Nts 2.125% 11-30-14	1.23
CMT Market Liquidity Rate	1.19
United States Treas Nts 2.25% 05-31-14	1.17
United States Treas Nts 1% 12-31-11	1.16
US Treasury Note 02-28-14	1.15
Total Number of Stock Holdings	0
Total Number of Bond Holdings	1164
Annual Turnover Ratio %	77
Total Fund Assets (\$mil)	13,491.33

Operations

Fund Inception Date	03-01-94
Initial Share Class	03-01-94
Inception Date	
Advisor	Vanguard Group, Inc.
Subadvisor	—

Fees and Expenses as of 04-24-09

Gross Prosp Exp Ratio	0.22%
Net Prosp Exp Ratio	0.22%

Waiver Data

	Type	Exp. Date	%
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Portfolio Manager(s)

Gregory Davis, CFA, B.S., Pennsylvania State University, M.B.A., University of Pennsylvania. Since 2005.

Risk Measures as of 03-31-10

	Port Avg	Rel BC Aggr	Rel Cat
3 Yr Std Dev	2.66	0.64	0.79
3 Yr Beta	0.55	—	1.53
3 Yr Sharpe Ratio	1.39	1.34	2.01
3 Yr Alpha	1.31	—	5.95
3 Yr R-squared	75.64	—	2.24

Morningstar Sectors as of 12-31-09

	% Fund	% Category
U.S. Credit	24.03	43.82
Non-U.S. Credit	9.59	11.72
Mortgage	1.02	20.27
U.S. Government	65.35	24.19

Credit Analysis as of 12-31-09

	% Bonds
AAA	76
AA	6
A	11
BBB	8
BB	0
B	0
Below B	0
NR/NA	0

Volatility Analysis

Investment

Low	Moderate	High
Category		

In the past, this investment has shown a relatively small range of price fluctuations relative to other investments. Based on this measure, currently more than two thirds of all investments have shown higher levels of risk. Consequently, this investment may appeal to investors looking for a conservative investment strategy.