

Vanguard Canadian Ultra-Short Government Bond Index ETF

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of Vanguard Canadian Ultra-Short Government Bond Index ETF (the “ETF”) is to track, to the extent reasonably possible and before fees and expenses, the performance of the Bloomberg Canadian Short Treasury 1-12M Float Adjusted Index (or any successor thereto) (the “Index” or the “Benchmark”). The Index is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade government fixed income securities issued in Canada with maturities of less than 365 days.

To achieve its investment objective, the ETF employs a “passive management,” or “indexing,” investment approach designed to track the performance of the Index by holding a broadly diversified subset of securities that, in the aggregate, approximates the full Index in terms of primary risk factors, including duration, yield, quality, sector distribution and issue exposure, as well as other key characteristics of the Index. The ETF maintains a dollar-weighted average maturity consistent with that of the Index, less than 365 days.

Risk

The risks associated with an investment in the ETF remain as discussed in the ETF’s most recent prospectus. During the period that began January 1, 2025, and ended June 30, 2025, there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF.

Results of Operations

The Fund commenced operations on September 9, 2024. Canadian law does not allow the display of performance data for investment funds less than one year old.

Recent Developments

There are no recent developments to report.

Related Party Transactions

Vanguard Investments Canada Inc. (the “Manager”) is the manager, trustee, portfolio manager and promoter of the ETF, and is entitled to receive a management fee for its services that is paid by the ETF to the Manager (see “Management Fees” below).

From time to time, the Manager may, on behalf of the ETF, enter into transactions or arrangements with or involving certain persons or companies that are related to the Manager when, in the discretion of the Manager, it would be in the best interests of the ETF to do so. The purpose of this section is to provide a brief description of any transaction or arrangement with or involving the ETF and a related party.

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the ETF. You can obtain a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 1-877-410-7275, by writing to us at 22 Adelaide Street West, Suite 2500, Toronto, ON M5H 4E3 or by visiting our website at vanguard.ca or SEDAR+ at sedarplus.com. You may also contact us using one of these methods to request a copy of the ETF’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Sub-Advisor

Vanguard Global Advisers, LLC ("VGA"), an affiliate of the Manager, has been retained by the Manager to act as sub-advisor to the Manager in connection with the ETF. As sub-advisor, VGA manages the investment portfolio of the ETF, provides analysis and makes investment decisions, subject to continuing oversight by the Manager. VGA is a registered investment advisor in the United States with offices based in Valley Forge, Pennsylvania. As compensation for its services as sub-advisor, VGA is entitled to receive a portion of the management fee that is paid by the ETF to the Manager.

With respect to the continuing oversight of the affiliate by the Manager, the Manager has relied on a positive recommendation and standing instruction that it has received from the ETF's Independent Review Committee ("IRC"). The standing instruction requires the Manager to comply with its current policy and procedures on monitoring services provided by the sub-advisor of the ETF and to report periodically to the IRC, describing each instance in which the Manager relied on the standing instruction and its compliance with the policy and procedures.

Inter-Fund Trades

During the six months ended June 30, 2025, the Manager relied on an approval and standing instruction provided by the ETF's IRC to conduct an inter-fund trade. In accordance with the IRC's approval and standing instruction, in making a decision to cause the ETF to make an inter-fund trade, the Manager and the sub-advisor are required to comply with the Manager's written policies and procedures governing inter-fund trades (the "Policies") and provide a written report to the IRC on an annual basis describing the Manager's compliance with the Policies, the sub-advisor's compliance with the Policies, the sub-advisor's rationale for conducting the inter-fund trade, and such further information as the IRC may reasonably request.

The Policies are designed to ensure, among other things, that the inter-fund trade is made free from any influence of the Manager or sub-advisor and without taking into account any considerations relevant to the Manager or sub-advisor, represents the business judgment of the Manager or sub-advisor or both, uninfluenced by considerations other than the best interests of the ETF, and achieves a fair and reasonable result for the ETF.

Management Fees

As set out under Related Party Transactions, the Manager is the manager, trustee, portfolio manager and promoter of the ETF. As compensation for its services, the Manager is entitled to receive a maximum annual management fee of 0.10%, payable monthly, calculated based on the daily net asset value ("NAV") of the ETF.

The major services paid for out of the management fee include fees payable to the custodian, registrar and transfer agent, as well as fees payable to other service providers, including the index providers, retained by the Manager.

The Manager may, in its discretion, agree to charge the ETF and/or certain unitholders a reduced management fee as compared with the management fee that it otherwise would be entitled to receive, provided that the amount of the reduced management fee is distributed periodically by the ETF to the unitholder as a management fee distribution. Any reduction will depend on a number of factors, including the amount invested, the NAV of the ETF and the expected amount of account activity. Any tax consequences of a management fee distribution will generally be borne by the unitholder who receives the distribution.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help readers understand the ETF's financial performance for the period indicated.

The ETF's Net Assets Per Unit¹

	Period Ended June 30, 2025	Financial Period Ended December 31, 2024 ²
Net assets, beginning of period	\$50.26	\$50.00
Increase (decrease) from operations		
Total investment income	0.72	0.52
Total expenses	(0.03)	(0.02)
Realized gains (losses) for the period	0.02	0.02
Unrealized gains (losses) for the period	(0.02)	0.11
Total increase (decrease) from operations³	0.69	0.63
Distributions		
From income (excluding dividends)	(0.55)	(0.36)
Return of capital	—	(0.01)
Total annual distributions ⁴	(0.55)	(0.37)
Net assets at end of period	\$50.43	\$50.26

1 The financial highlights are derived from the financial statements prepared in accordance with IFRS Accounting Standards, which allow net assets to be calculated based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. There may be differences between the net assets calculated for the purpose of processing unitholder transactions and the net assets attributable to holders of redeemable units used for financial statement reporting purposes as at June 30, 2025 and December 31, 2024.

2 The information shown in this column is for the period beginning September 9, 2024 (the ETF's commencement date), and ending December 31, 2024.

3 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

4 Distributions were paid in cash or certain distributions were reinvested in additional units of the ETF. Immediately following such reinvestment, the number of units outstanding was consolidated so that the net asset value per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid. Actual distributions may vary slightly owing to rounding.

Ratios and Supplemental Data

	Period Ended June 30, 2025	Financial Period Ended December 31, 2024 ¹
Total net asset value (000's) ²	\$69,336	\$28,900
Number of units outstanding (000's) ²	1,375	575
Management expense ratio ³	0.12% ⁴	0.11% ⁴
Management expense ratio before waivers or absorptions	0.12% ⁴	0.13% ⁴
Portfolio turnover rate ⁵	0.00%	0.00%
Trading expense ratio ⁶	0.00% ⁴	0.00% ⁴
Net asset value per unit ²	\$50.43	\$50.26
Closing market price ²	\$50.43	\$50.25

1 The information shown in this column is for the period beginning September 9, 2024 (the ETF's commencement date), and ending December 31, 2024.

2 This information is provided as at June 30, 2025, and December 31 of the year shown, as applicable.

3 Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as a percentage of daily average net asset value during the period.

4 Annualized.

5 The ETF's portfolio turnover rate indicates how actively the ETF's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net assets during the period. If, during the period, the ETF charged a fee to designated broker/dealers to offset the impact of certain transaction costs associated with a purchase or redemption of units of the ETF, the transaction costs used in the trading expense ratio would have been reduced by those fees.

Past Performance

The Fund commenced operations on September 9, 2024.
Canadian law does not allow the display of performance data for investment funds less than one year old.

Summary of Investment Portfolio

Sector Allocation

As at June 30, 2025

	% of Net Asset Value
Short-term	67.4%
Government	37.9
Other assets and liabilities (net)	(5.3)
	100.0

Top 25 Holdings

As at June 30, 2025

The following Top Holdings table shows the 25 largest holdings (or all holdings if the total number of holdings is less than 25).

	% of Net Asset Value
Government of Canada Treasury Bill 2.67% Aug 27/25	7.6%
Government of Canada Treasury Bill 2.69% Aug 13/25	7.3
Government of Canada Treasury Bill 2.67% Sep 10/25	6.9
Government of Canada 4.00% May 01/26	6.6
Government of Canada Treasury Bill 2.66% Sep 24/25	6.5
Government of Canada 4.50% Feb 01/26	6.1
Government of Canada 2.13% Sep 01/25	6.0
Government of Canada Treasury Bill 2.73% Jul 02/25	5.9
Government of Canada 4.50% Nov 01/25	5.2
Government of Canada 2.33% Mar 01/26	3.6
Government of Canada Treasury Bill 2.65% Nov 19/25	3.2
Government of Canada 3.50% Aug 01/25	3.2
Government of Canada Treasury Bill 2.62% May 20/26	3.2
Government of Canada Treasury Bill 2.66% Oct 22/25	3.0
Government of Canada Treasury Bill 2.62% Apr 22/26	2.9
Government of Canada 3.00% Apr 01/26	2.8
Government of Canada 3.00% Oct 01/25	2.8
Government of Canada Treasury Bill 2.64% Feb 25/26	2.7
Government of Canada Treasury Bill 2.63% Mar 25/26	2.7
Government of Canada Treasury Bill 2.64% Jan 28/26	2.6
Government of Canada Treasury Bill 2.66% Nov 05/25	2.6
Government of Canada Treasury Bill 2.65% Dec 31/25	2.6
Government of Canada Treasury Bill 2.66% Oct 08/25	2.5
Government of Canada Treasury Bill 2.65% Dec 03/25	2.5
Government of Canada 1.08% Jun 01/26	1.6
	102.6
Total net asset value	\$69,335,601

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