



Vanguard® Pacific ex-Japan Stock Index Fund

An Index-Related Fund

28 February 2011

Investment objective

The fund seeks to provide long-term growth of capital by tracking the performance of the Morgan Stanley Capital International ("MSCI") Pacific ex-Japan Index, which is made up of common stocks of companies located in Australia, Hong Kong, New Zealand and Singapore.

Investment strategy

The fund employs a "passive management"—or indexing—investment strategy designed to track the performance of the index by investing in all, or a representative sample, of the securities that make up the index, holding each stock in approximate proportion to its weighting in the index.

Fund returns***Vanguard Pacific ex-Japan Stock Index Fund—USD**

	Institutional Shares		MSCI Pacific ex Japan in USD	
	Net of expenses	Gross of expenses	Institutional Shares	
1 month	1.58%	1.61%	1.58%	
3 months	7.97	8.07	8.01	
Year to date	0.39	0.45	0.42	
1 year	21.89	22.38	22.14	
3 years	3.40	3.81	3.16	
5 years	10.76	11.20	10.42	
Since inception	11.49	11.94	11.15	

Total expense ratio

	Institutional Shares
Administrative and other expenses	0.11%
Investment management expenses	0.29
Total expense ratio	0.40%

Fund facts

	Institutional Shares
Inception date	
USD	22 July 2005
Purchase fee	0.10%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VAPEJSI
CUSIP	G9318T396
ISIN	IE0007218849
Sedol	0721884
Valoren	1924820
Vanguard Fund Code	VUPJS
Minimum initial investment	
USD	500,000
Domicile	Currencies
Ireland	USD
Trading frequency	Settlement
Daily T-1 (16.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 280	UCITS III
EUR (millions) 203	

Investment Manager

The Vanguard Group, Inc. (Vanguard)

Michael H. Buek, CFA, Principal
Portfolio manager.
Advised the fund since 2005.
Worked in investment management since 1987.
B.S., University of Vermont.
M.B.A., Villanova University.

*Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions.

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Quarterly fund commentary as at 31 December 2010

- Equities in Pacific markets excluding Japan finished the year on a high note, as the MSCI Pacific ex-Japan Index returned 8.29% during the fourth quarter. During this time, the Australian dollar (+4.8%) continued its strong run relative to the U.S. dollar and broke parity for the first time since becoming a freely exchanged currency in 1983. The rise in the Australian dollar's value aided results for U.S. dollar-based investors. The Pacific ex-Japan Stock Index Fund closely tracked the return of its benchmark index for the three months.
- The index's performance was driven by the materials sector (+19.0%), which advanced sharply as a result of rising prices for many commodities, such as copper (+20.5%) and silver (+42.1%). Australian mining companies BHP Billiton (+23%) and Rio Tinto (+18%) both benefited from the rise in commodity prices. Other strong performing sectors included information technology (+18.3%) and health care (+17.1%), which, when combined, account for less than three percent of the index's weight. The index's largest sector—financials (+5.3%)—was a notable underperformer for the quarter.
- From a market perspective, Australia (+9.8%) and New Zealand (+11.4%) performed best, whereas Hong Kong (+4.8%) and Singapore (+6.8%) struggled to keep pace.
- For the 12 months ended 31 December the index gained 16.91%. Industrials (+29.1%) and consumer discretionary (+26.6%) were the top-performing sectors, while Hong Kong (+23.2%) and Singapore (+22.1%) performed best among the Pacific markets. Australia (+14.5%) delivered positive results to U.S. dollar-denominated investors, largely driven by the 11.6% increase in the value of the Australian dollar.

All returns are based in U.S. dollars.

Fund characteristics

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Number of stocks	153	149
Median market cap	\$25.8B	\$27.7B
Price/earnings ratio	15.9x	15.9x
Price/book ratio	1.9x	1.9x
Return on equity	20.6%	20.6%
Earnings growth rate	5.5%	5.6%
Non-U.S. holdings	100.0%	0.0%
Cash investments	2.0%	—
Turnover rate	0%	—
Equity yield (dividend)	3.5%	3.5%

The PTR (Portfolio Turnover Rate) approach considers the total security purchases and sales, the total subscriptions and redemptions and the average net assets of the fund to calculate the turnover figure. Data as at 31 December 2010.

Ten largest stocks as % of total net assets

	Pacific ex-Japan Stock Index
BHP Billiton Ltd.	10.4%
Commonwealth Bank of Australia	5.5
Westpac Banking Corp.	4.7
Australia & New Zealand Banking Group Ltd.	4.1
National Australia Bank Ltd.	3.7
Rio Tinto Ltd.	2.5
Wesfarmers Ltd.	2.2
Woolworths Ltd.	2.2
Woodside Petroleum Ltd.	1.8
Newcrest Mining Ltd.	1.7
Total	38.8%

Sector diversification (% of common stock)

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Consumer Discretionary	5.1%	5.1%
Consumer Staples	7.3	7.3
Energy	4.4	4.4
Financials	46.8	46.8
Health Care	2.1	2.1
Industrials	8.4	8.4
Information Technology	0.6	0.6
Materials	19.7	19.7
Telecommunication Service	2.5	2.5
Utilities	3.1	3.1
Total	100.0%	100.0%

Market diversification

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Pacific		
Australia	66.2	66.2
Hong Kong	20.9	20.9
Singapore	12.1	12.1
New Zealand	0.8	0.8
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Institutional Shares	1.00	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the MSCI Pacific ex Japan in EUR.

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