

**Vanguard**[®]

Vanguard[®] Pacific ex-Japan Stock Index Fund

An Index-Related Fund

30 June 2010

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	-0.41%	-0.38%	-0.36%
3 months	-14.33	-14.24	-14.25
Year to date	-11.75	-11.58	-11.59
1 year	18.17	18.64	18.43
3 years	-5.31	-4.93	-5.61
Since inception	6.84	7.27	6.46

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	22 July 2005
USD	
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) 455	UCITS III
EUR (millions) 372	

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 30 June 2010

- For the first time in five quarters, equities in Pacific markets excluding Japan declined, as the MSCI Pacific ex-Japan Index returned -14.25% for the period. The Australian dollar (-7.0%) weakened relative to the U.S. dollar, creating a headwind for U.S. dollar-based investors. The Pacific ex-Japan Stock Index Fund closely tracked returns of its benchmark index for the three months.
- Australia (-19.0%) was the index's worst-performing country for the quarter, while Singapore (+0.0%) eked out a minuscule gain. Hong Kong (-5.8%) and New Zealand (-10.7%) declined for the quarter.
- From a sector perspective, performance was most negatively impacted by financials (-14.4%) and materials (-19.4%). At approximately 48% of the index, the performance of financials tends to drive the performance of the index. The materials sector, the index's second-largest sector at roughly 18% of assets, fell as the prices of many key commodities, such as zinc (-25.0%) and aluminum (-16.4%), declined. The only sector to generate positive returns was the defensive utilities (+2.1%) sector.
- For the 12 months ended 30 June 2010, the MSCI Pacific ex-Japan Index gained 18.42%. The consumer discretionary (+29.6%) sector was the top performer, though financials (+20.0%) also performed well. From a country perspective, Singapore (+29.0%) performed best, while Australia (+18.0%) continued to post strong results. For the period, the Australian dollar (+4.7%) appreciated against the U.S. dollar, boosting performance for U.S. dollar-denominated investors.

All returns are based in U.S. dollars.

Fund characteristics

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Number of stocks	150	148
Median market cap	\$21.4B	\$21.4B
Price/earnings ratio	18.2x	18.2x
Price/book ratio	1.8x	1.8x
Return on equity	21.0%	21.0%
Earnings growth rate	8.4%	8.4%
Cash investments	0.5%	—
Turnover rate	6%	—
Equity yield (dividend)	3.8%	3.8%

The PTR 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 2009.

Ten largest holdings

	Pacific ex-Japan Stock Index
BHP Billiton Ltd.	9.7%
Commonwealth Bank of Australia	5.7
Westpac Banking Corp.	4.8
Australia & New Zealand Banking Group Ltd.	4.2
National Australia Bank Ltd.	3.8
Woolworths Ltd.	2.6
Rio Tinto Ltd.	2.2
Wesfarmers Ltd.	2.2
Westfield Group	2.0
Sun Hung Kai Properties Ltd.	1.8
Total	39.0%

Sector diversification (% of common stock)

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Consumer Discretionary	5.2%	5.2%
Consumer Staples	7.8	7.8
Energy	4.5	4.5
Financials	47.5	47.5
Health Care	2.0	2.0
Industrials	8.1	8.1
Information Technology	0.6	0.6
Materials	17.4	17.4
Telecommunication Services	3.1	3.1
Utilities	3.8	3.8
Total	100.0%	100.0%

Market diversification

	Pacific ex-Japan Stock Index	MSCI Pacific ex-Japan
Pacific		
Australia	65.0	65.0
Hong Kong	20.5	20.5
Singapore	13.6	13.6
New Zealand	0.9	0.9
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.

For more information

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