

**Vanguard®**

Vanguard® Emerging Markets Stock Index Fund

An Index-Related Fund

30 June 2010

Investment objective

The fund seeks to track the performance of the Morgan Stanley Capital International ("MSCI") Emerging Markets Index, a market-capitalisation-weighted index of companies in 22 emerging markets in Europe, Asia, Africa, Latin America and Middle East.

Investment strategy

The fund employs a "passive management" or indexing investment approach by investing all, or substantially all, of its assets in the common stocks included in the Index.

Fund returns***Vanguard Emerging Markets Stock Index Fund—USD**

	Investor Shares		MSCI Emerging Markets Index in USD Net
	Net of expenses	Gross of expenses	Investor Shares
1 month	-0.75%	-0.70%	-0.73%
3 months	-8.47	-8.32	-8.37
Year to date	-6.71	-6.41	-6.17
1 year	22.53	23.33	23.15
3 years	-2.89	-2.26	-2.50
Since inception	4.53	5.21	4.92

Vanguard Emerging Markets Stock Index Fund—EUR

	Investor Shares		Spliced Emerging Markets Index in EUR
	Net of expenses	Gross of expenses	Investor Shares
1 month	-0.58%	-0.52%	-0.56%
3 months	1.11	1.28	1.22
Year to date	9.27	9.62	9.91
1 year	40.32	41.23	41.02
3 years	0.32	0.98	0.73
Since inception	9.25	9.96	9.67

Total expense ratio

	Investor Shares
Administrative and other expenses	0.36%
Investment management expenses	0.29
Total expense ratio	0.65%

Fund facts

	Investor Shares
Inception date	
USD	08 November 2006
EUR	07 June 2006
Purchase fee	0.40%
Redemption fee	0.40%
Fund codes (USD)	
Bloomberg	VANEMUI
ISIN	IE0031786928
Sedol	3178692
Vanguard Fund Code	VUEMV
Fund codes (EUR)	
Bloomberg	VANEMSI
CUSIP	G9318R556
ISIN	IE0031786142
Sedol	3178614
Vanguard Fund Code	VEEMV
Minimum initial investment	
USD/EUR	100,000
Domicile	Currencies
Ireland	USD, EUR
Trading frequency	Settlement
Daily T-1 (16.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 5,172	UCITS III
EUR (millions) 4,222	

Investment Manager

The Vanguard Group, Inc. (Vanguard)

Christine Franquin
Portfolio manager.
Advised the fund since 2008.
Worked in investment management since 2000.
B.A., Universitaire Faculteiten Sint Ignatius, Antwerpen Belgium.
J.D., University of Liege Belgium.
Master of Science in Finance, Clark University, Massachusetts.

*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.

Spliced Emerging Markets Index: The benchmark for this portfolio was Select Emerging Markets Index, administered exclusively for Vanguard by MSCI, through 23 August 2006; MSCI Emerging Markets Index thereafter. Index returns are adjusted for withholding taxes applicable to Luxembourg holding companies.

Vanguard® Emerging Markets Stock Index Fund

An Index-Related Fund

Quarterly fund commentary as at 30 June 2010

- The MSCI Emerging Markets Index posted a modest return of 1.22% in second quarter, continuing a trend in which the pace of gains has lessened in each of the past four quarters. The MSCI Emerging Markets Stock Index Fund closely tracked the returns of its benchmark.
- Consumer staples (+10.8%), telecommunication services (+7.0%) and financials (+2.0%) were the top-contributing sectors for the quarter. Financials performed well across China +5.8%, India +7.9% and Indonesia +15.8%, while the sector lagged in eastern European countries amid the sovereign debt crisis. The materials (-4.9%) sector lost steam during the quarter, as global demand began to cool, particularly in China. Brazil (-6.2%), the largest detractor among countries for the quarter, suffered notably as it depends heavily on commodity exports.
- All emerging markets countries within the index have experienced positive returns since the stock market's trough in March 2009. For the 12 months ended 30 June, the index returned 41.02%, and the fund closely tracked the return of its benchmark. Brazil (+39%), South Korea (+52%) and China (+27%) were among the top contributors. Returns were distributed across both defensive and cyclical sectors, with all ten sectors posting returns in excess of 20% for the period.

All returns are based in euro.

Fund characteristics

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Number of stocks	797	748
Median market cap	\$14.6B	\$14.8B
Price/earnings ratio	15.4x	14.8x
Price/book ratio	2.0x	1.9x
Return on equity	21.3%	21.1%
Earnings growth rate	15.1%	15.2%
Cash investments	0.0%	—
Turnover rate	3%	—
Equity yield (dividend)	2.3%	2.3%

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

	Emerging Markets Stock Index Fund
Samsung Electronics Co. Ltd.	2.4%
China Mobile Ltd.	2.0
America Movil SAB de CV	1.5
Taiwan Semiconductor Manufacturing Co. Ltd.	1.4
Industrial & Commercial Bank of China	1.3
Petroleo Brasileiro SA Prior Pfd.	1.3
China Construction Bank Corp.	1.2
Vale SA Prior Pfd.	1.2
Gazprom OAO ADR	1.1
Petroleo Brasileiro SA	1.1
Total	14.5%

Sector diversification (% of common stock)

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Consumer Discretionary	6.6%	6.5%
Consumer Staples	6.9	7.0
Energy	14.1	14.1
Financials	25.2	25.2
Health Care	0.8	0.8
Industrials	6.9	6.9
Information Technology	13.1	12.9
Materials	14.2	14.2
Telecommunication Services	8.4	8.5
Utilities	3.8	3.9
Total	100.0%	100.0%

Market diversification

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Emerging Markets		
Morocco	0.0	0.2
China	19.2	19.1
Brazil	15.6	15.4
Korea	13.8	13.6
Taiwan	10.5	10.9
India	8.5	8.4
South Africa	7.3	7.2
Russia	6.5	6.3
Mexico	4.4	4.4
Malaysia	3.1	2.9
Indonesia	2.5	2.4
Turkey	1.7	1.6
Chile	1.6	1.6
Thailand	1.6	1.5
Poland	1.4	1.3
Peru	0.7	0.6
Philippines	0.5	0.5
Hungary	0.4	0.4
Czech Republic	0.4	0.4
Egypt	0.2	0.5
Colombia	0.1	0.8
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	1.00	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the MSCI Emerging Markets Index in USD Net.

For more information

Web: <http://global.vanguard.com>
 Email (global): international@vanguard.com
 Email (Europe): client.service@vanguard.be
 Tel (global): +1 610 669 6705
 Tel (Europe): +32 (0) 2 357 3030

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