



# Vanguard® Emerging Markets Stock Index Fund

## An Index-Related Fund

28 February 2011

**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 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 net in USD	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	-0.99%	-0.94%	-0.93%	
3 months	3.06	3.22	3.26	
Year to date	-3.72	-3.62	-3.62	
1 year	20.36	21.14	20.91	
3 years	0.07	0.72	0.52	
Since inception	8.65	9.36	9.08	

**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	-1.72%	-1.67%	-1.66%	
3 months	-2.87	-2.72	-2.68	
Year to date	-6.49	-6.39	-6.39	
1 year	18.92	19.69	19.47	
3 years	3.28	3.95	3.73	
Since inception	9.65	10.36	10.09	

**Total expense ratio**

	Investor Shares
Administrative and other expenses	0.36%
Investment management expenses	0.29
<b>Total expense ratio</b>	<b>0.65%</b>

**Fund facts**

	Investor Shares
<b>Inception date</b>	
USD	08 November 2006
EUR	07 June 2006
<b>Purchase fee</b>	0.40%
<b>Redemption fee</b>	0.40%
<b>Fund codes (USD)</b>	
Bloomberg	VANEMUI
ISIN	IE0031786928
Sedol	3178692
Valoren	1924786
Vanguard Fund Code	VUEMV
<b>Fund codes (EUR)</b>	
Bloomberg	VANEMSI
CUSIP	G9318R556
ISIN	IE0031786142
Sedol	3178614
Valoren	1924785
Vanguard Fund Code	VEEMV
<b>Minimum initial investment</b>	
USD/EUR	100,000

<b>Domicile</b>	<b>Currencies</b>
Ireland	USD, EUR
<b>Trading frequency</b>	<b>Settlement</b>
Daily T-1 (16.00 GMT cutoff)	T+3
<b>Total assets</b>	<b>Structure</b>
USD (millions) 7,808	UCITS III
EUR (millions) 5,653	

**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 31 December 2010

- The MSCI Emerging Markets Index posted a return of 9.23% for the fourth quarter, despite inflation concerns in China, the largest country weighting in the index. The Emerging Markets Stock Index Fund closely tracked the return of its benchmark.
- All sectors posted positive returns during the quarter, with the more cyclical sectors leading. Information technology (+15.8%), materials (+13.0%), and energy (+12.7%), which combined for over 41% of the average weight in the index, were the best-performing sectors. Taiwan and South Korea were the top-contributing countries, with technology firms such as Taiwan Semiconductor (+24.9) and Samsung Electronics (+24.9) posting strong results.
- For the 12 months ended 31 December, the index returned 27.13%, with Hungary (representing only a half-percent weight in the index) the sole detracting country. South Korea (+35.0%) was the largest-contributing country despite several acts of aggression from North Korea. The finance (+25.4%) and materials sectors (+31.5%) were the top contributors for the year, boosting the returns of commodity-rich Brazil and South Africa. Rising inflation concerns cooled Chinese stocks. The fund lagged its index during the year, due to sampling.

All returns are based in euro.

### Fund characteristics

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Number of stocks	862	796
Median market cap	\$18.8B	\$18.9B
Price/earnings ratio	14.3x	14.3x
Price/book ratio	2.2x	2.1x
Return on equity	21.2%	21.0%
Earnings growth rate	13.7%	13.7%
Non-U.S. holdings	100.0%	0.0%
Cash investments	0.4%	—
Turnover rate	12%	—
Equity yield (dividend)	2.0%	2.3%

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

	Emerging Markets Stock Index Fund
Samsung Electronics Co. Ltd.	2.4%
Vale SA Prior Pfd.	1.5
America Movil SAB de CV	1.5
China Mobile Ltd.	1.5
Taiwan Semiconductor Manufacturing Co. Ltd.	1.5
Petroleo Brasileiro SA Prior Pfd.	1.4
Itau Unibanco Holding SA Prior Pfd.	1.2
Industrial & Commercial Bank of China	1.2
Petroleo Brasileiro SA	1.2
Vale SA	1.2
<b>Total</b>	<b>14.6%</b>

### Sector diversification (% of common stock)

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Consumer Discretionary	6.8%	6.7%
Consumer Staples	6.5	6.5
Energy	15.6	15.5
Financials	24.4	24.4
Health Care	0.9	1.1
Industrials	7.0	6.9
Information Technology	12.9	12.8
Materials	15.1	15.2
Telecommunication Service	7.4	7.5
Utilities	3.4	3.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Market diversification

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Emerging Markets		
China	17.7	17.5
Brazil	16.4	16.2
Korea	13.8	13.7
Taiwan	10.9	11.2
South Africa	7.7	7.6
Russia	7.4	7.3
India	7.2	7.1
Mexico	4.7	4.6
Malaysia	3.0	2.9
Indonesia	2.4	2.3
Poland	1.7	1.7
Thailand	1.7	1.7
Chile	1.6	1.5
Turkey	1.4	1.4
Peru	0.7	0.6
Philippines	0.5	0.5
Hungary	0.4	0.4
Czech Republic	0.4	0.4
Colombia	0.2	0.8
Egypt	0.2	0.4
Morocco	0.0	0.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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 net in USD.

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