



Vanguard® Emerging Markets Stock Index Fund

An Index-Related Fund

31 January 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 25 emerging markets in Europe, Asia, Africa, Latin America and Russia.

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 Investor Shares
	Net of expenses	Gross of expenses	
1 month	-5.81%	-5.76%	-5.58%
3 months	2.28	2.45	2.37
Year to date	-5.81	-5.76	-5.58
1 year	80.60	81.78	80.19
3 years	3.23	3.90	3.49
Since inception	5.43	6.12	5.77

Vanguard Emerging Markets Stock Index Fund—EUR

	Investor Shares		Spliced Emerging Markets Index EUR Investor Shares
	Net of expenses	Gross of expenses	
1 month	-2.78%	-2.72%	-2.53%
3 months	8.57	8.75	8.66
Year to date	-2.78	-2.72	-2.53
1 year	66.51	67.60	66.13
3 years	0.94	1.59	1.19
Since inception	6.87	7.56	7.23

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	Ireland	Currencies	USD, EUR
Trading frequency	Daily T-1 (16.00 GMT cutoff)	Settlement	T+3
Total assets	USD (millions) 3,906 EUR (millions) 2,810	Structure	UCITS III

Investment Manager

Vanguard Investments Europe SA

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.

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An Index-Related Fund

Quarterly fund commentary as at 31 December 2009

- The MSCI Emerging Markets Index rose 10.59% in the fourth quarter, slowing the pace set in previous quarters despite continued positive economic news. Absolute gains were distributed across the cyclical and noncyclical sectors as investors' preference for cyclical sectors began to subside. For the period, the Emerging Markets Stock Index Fund closely tracked the results for its benchmark.
- Materials, financials, and energy were the top-contributing sectors for the quarter. Materials and energy rallied as commodities benefited from the improving economic climate across the emerging world. Brazil (+15%), whose economy is largely dependent on the energy and materials sectors, benefited from rising commodity prices and was the largest contributor by country. Diversified metals and mining company Vale (+26%), along with energy firms OGX Petroleo (+31%) and Petrobras (+10%), added the most value to the country's return. China and Taiwan were also top contributors for the quarter. China's returns were driven by financials, while the information technology sector led the Taiwan market.
- Nearly all emerging economies participated in the rally that started in early March, after unprecedented fiscal and monetary stimulus measures were put into place around the world. For the 12 months ended 31 December, the index returned 72.9%. Brazil (+120%), China (+57%), South Korea (+65%) and Taiwan (+74%) were among the largest contributors. While cyclical sectors led the emerging-markets rally, all ten sectors posted double-digit gains for the year.

All returns are based in euro.

Fund characteristics

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Number of stocks	796	761
Median market cap	\$15.4B	\$14.7B
Price/earnings ratio	20.9x	21.6x
Price/book ratio	2.1x	2.2x
Return on equity	22.4%	22.2%
Earnings growth rate	19.9%	19.9%
Cash investments	0.0%	—
Turnover rate	3%	—
Equity yield (dividend)	2.0%	2.0%

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 of 31 December 2009.

Ten largest holdings

Samsung Electronics Co. Ltd.	2.5%
Gazprom OAO ADR	1.9
China Mobile Ltd.	1.9
Teva Pharmaceutical Industries Ltd.	1.7
Taiwan Semiconductor Manufacturing Co. Ltd.	1.5
Petroleo Brasileiro SA Prior Pfd.	1.4
America Movil SAB de CV	1.3
Vale SA Prior Pfd.	1.2
Petroleo Brasileiro SA	1.2
China Construction Bank Corp.	1.1
Total	15.7%

Sector diversification (% of common stock)

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Consumer Discretionary	5.7%	5.6%
Consumer Staples	5.7	5.6
Energy	14.6	14.5
Financials	24.0	24.0
Health Care	2.4	2.4
Industrials	6.8	6.8
Information Technology	13.5	13.2
Materials	14.6	14.7
Telecommunication Services	8.9	8.9
Utilities	3.8	3.8
Total	100.0%	100.0%

Market diversification

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Emerging Markets		
Morocco	0.0	0.2
China	17.6	17.4
Brazil	16.1	15.9
Korea	12.9	12.8
Taiwan	11.2	11.3
India	7.6	7.5
South Africa	7.0	6.9
Russia	6.9	6.9
Mexico	4.3	4.3
Israel	3.0	2.9
Malaysia	2.9	2.8
Indonesia	2.1	2.0
Turkey	1.7	1.6
Chile	1.5	1.5
Thailand	1.4	1.3
Poland	1.4	1.3
Hungary	0.6	0.6
Peru	0.5	0.6
Czech Republic	0.5	0.5
Philippines	0.5	0.4
Egypt	0.2	0.6
Colombia	0.1	0.7
Subtotal	100.0	100.0
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

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F9116EN_012010