



# Vanguard® Emerging Markets Stock Index Fund

## An Index-Related Fund

28 February 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
	Net of expenses	Gross of expenses	Investor Shares
1 month	0.13%	0.18%	0.35%
3 months	-1.84	-1.68	-1.50
Year to date	-5.69	-5.59	-5.25
1 year	91.42	92.66	91.63
3 years	3.50	4.17	3.82
Since inception	5.34	6.03	5.74

#### Vanguard Emerging Markets Stock Index Fund—EUR

	Investor Shares		Spliced Emerging Markets Index EUR
	Net of expenses	Gross of expenses	Investor Shares
1 month	1.99%	2.04%	2.21%
3 months	7.99	8.17	8.36
Year to date	-0.85	-0.74	-0.38
1 year	78.14	79.31	78.34
3 years	2.38	3.05	2.69
Since inception	7.29	7.99	7.71

### 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
<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
Vanguard Fund Code	VUEMV
<b>Fund codes (EUR)</b>	
Bloomberg	VANEMSI
CUSIP	G9318R556
ISIN	IE0031786142
Sedol	3178614
Vanguard Fund Code	VEEMV
<b>Fund codes (GBP)</b>	
<b>Minimum initial investment</b>	
USD/EUR/GBP	100,000

<b>Domicile</b>	Ireland	<b>Currencies</b>	USD, EUR, GBP
<b>Trading frequency</b>	Daily T-1 (16.00 GMT cutoff)	<b>Settlement</b>	T+3
<b>Total assets</b>	USD (millions) 4,894	<b>Structure</b>	UCITS III
	EUR (millions) 3,586		

### 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 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	805	761
Median market cap	\$15.5B	\$15.5B
Price/earnings ratio	20.3x	20.1x
Price/book ratio	2.1x	2.1x
Return on equity	22.5%	22.3%
Earnings growth rate	19.4%	19.8%
Cash investments	0.0%	—
Turnover rate	3%	—
Equity yield (dividend)	2.1%	2.1%

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

	Emerging Markets Stock Index Fund
Samsung Electronics Co. Ltd.	2.3%
China Mobile Ltd.	2.0
Teva Pharmaceutical Industries Ltd.	1.8
Petroleo Brasileiro SA Prior Pfd.	1.6
Gazprom OAO ADR	1.4
Vale SA Prior Pfd.	1.4
America Movil SAB de CV	1.3
Taiwan Semiconductor Manufacturing Co. Ltd.	1.3
Petroleo Brasileiro SA	1.3
China Construction Bank Corp.	1.1
<b>Total</b>	<b>15.5%</b>

### Sector diversification (% of common stock)

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Consumer Discretionary	5.8%	5.7%
Consumer Staples	5.8	5.8
Energy	14.4	14.4
Financials	23.8	24.1
Health Care	2.5	2.5
Industrials	6.9	6.9
Information Technology	13.1	12.8
Materials	15.2	15.1
Telecommunication Services	8.9	9.0
Utilities	3.6	3.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Market diversification

	Emerging Markets Stock Index Fund	MSCI Emerging Markets Index
Emerging Markets		
Morocco	0.0	0.2
China	17.9	17.7
Brazil	16.7	16.6
Korea	12.7	12.6
Taiwan	10.8	10.8
India	7.6	7.6
South Africa	6.9	6.9
Russia	6.5	6.5
Mexico	4.5	4.5
Israel	3.0	3.0
Malaysia	2.9	2.8
Indonesia	2.0	1.9
Chile	1.5	1.5
Thailand	1.5	1.4
Turkey	1.5	1.4
Poland	1.3	1.3
Peru	0.6	0.6
Hungary	0.6	0.6
Philippines	0.5	0.4
Czech Republic	0.4	0.4
Egypt	0.2	0.6
Colombia	0.1	0.7
Subtotal	99.7	100.0
<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 in USD Net.

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

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For any such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds.

The information contained herein does not constitute an offer or solicitation and may not be treated as an offer or solicitation in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. This provides information about sub-funds of Vanguard Investment Series plc. The performance data shown represent past performance. Past performance may not be a reliable guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of a fund. Income may fluctuate in accordance with market conditions and taxation arrangements.  
*The sale of Vanguard Investment Series plc funds is subject to conditions stipulated in the prospectus, supplements to the prospectus, simplified prospectuses, and, in some countries, local addenda. These documents can be obtained free of cost at the office of the administrator in JPMorgan House, International Financial Services Centre, Dublin 1, Ireland. These documents contain detailed information on the management, costs, possible limitations and investments risks associated with investing in the Vanguard Investment Series plc funds and should be carefully read before investing. Vanguard Investment Series plc has been authorised in Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 as amended. The difference between the sale and re-purchase price of units in Vanguard Investment Series plc (taking in account of possible portfolio transaction charges) means that any investment should be viewed as medium to long-term. Investors should also note that, in certain circumstances set out in the prospectus, a redemption charge may become payable. Vanguard Investments Europe SA is a Distributor of the Vanguard Investment Series plc.*

These materials are for professional clients and not intended for distribution to retail investors. VIE=investment company regulated by CBFA.