



Vanguard® Global Enhanced Equity Fund

An Index-Related Fund

28 February 2010

Investment objective

The fund seeks to provide a total return (income plus capital appreciation) greater than that of the Morgan Stanley Capital International ("MSCI") World Free Index, while maintaining a risk profile similar to that of the index. The index is a market-capitalisation-weighted index of common stocks of companies in developed countries.

Investment strategy

In pursuit of its investment objective, the Fund will generally invest at least 90% of its assets in the common stocks of the Index constituents. The investment manager will select securities that it believes offer a good balance between attractive valuations and attractive growth prospects relative to their peers through the use of proprietary quantitative investment approaches.

Fund returns*

Vanguard Global Enhanced Equity Fund—USD

	Institutional Shares		MSCI World Free Index USD
	Net of expenses	Gross of expenses	Institutional Shares
1 month	1.39%	1.43%	1.41%
3 months	-0.90	-0.77	-1.04
Year to date	-3.27	-3.19	-2.78
1 year	56.01	56.79	54.30
Since inception	-8.39	-7.93	-8.92

Total expense ratio

	Institutional Shares
Administrative and other expenses	0.21%
Investment management expenses	0.29
Total expense ratio	0.50%

Fund facts

	Institutional Shares
Inception date	
USD	18 April 2007
Purchase fee	0.20%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VANGEEI
ISIN	IE00B1P1JL82
Sedol	B1P1JL8
Vanguard Fund Code	VEEUS
Minimum initial investment	
USD	500,000
Domicile	Currencies
Ireland	USD
Trading frequency	Settlement
Daily (11.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 69	UCITS III
EUR (millions) 50	

Investment Manager

The Vanguard Group, Inc. (Vanguard)

James D. Troyer, CFA, Principal
Portfolio manager.
Advised the fund since 2007.
Worked in investment management since 1979.
A.B., Occidental College.

*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 31 December 2009

- The global equity markets, as measured by the MSCI All Country World Index (+4.63%), continued their climb during the fourth quarter, capping off a strong 2009 and providing a much needed reprieve for investors still feeling the pain of 2008 losses. U.S. equity markets also marched higher during the fourth quarter, continuing the intense rally that began in early March.
- The Global Enhanced Equity Fund (+5.53%), which uses an industry-neutral, quantitative fundamental approach to choose investments, slightly outperformed its benchmark, the MSCI World Free Index (+4.07%), for the period.
- The fund's performance was helped by the advisor's strong stock selection and underweighting in Japan (which returned +3.9% in the fund, compared with -2.8% in the index). The fund's underweighted position in Japanese financial firm Mitsubishi UFJ Financial Group (-10%) helped results. The advisor's overweight position and strong selection in the United Kingdom (+10.5% for the fund, +6.9% for the index) served the portfolio well.
- For the 12 months ended 31 December, the fund (+34.45%) outperformed the index (+29.99%). The fund benefited from strong stock selection in Singapore consumer staples holdings (which returned +143.7% in the fund, compared with +140.7% in the index). Moreover, strong selection and an overweight position in Hong Kong helped relative results.

All returns are based in U.S. dollars.

Fund characteristics

	Global Enhanced Equity Fund	MSCI World Free Index
Number of stocks	295	1,651
Median market cap	\$31.0B	\$34.7B
Price/earnings ratio	16.5x	23.9x
Price/book ratio	1.8x	1.8x
Return on equity	20.6%	19.1%
Earnings growth rate	9.8%	7.7%
Cash investments	0.0%	—
Turnover rate	107%	—
Equity yield (dividend)	2.7%	2.6%

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

	Global Enhanced Equity Fund
Microsoft Corp.	1.5%
Apple Inc.	1.4
International Business Machines Corp.	1.3
BP PLC	1.3
Chevron Corp.	1.2
Hewlett-Packard Co.	1.1
Pfizer Inc.	1.0
Exxon Mobil Corp.	1.0
Vodafone Group PLC	1.0
Johnson & Johnson	0.9
Total	11.7%

Sector diversification (% of common stock)

	Global Enhanced Equity Fund	MSCI World Free Index
Consumer Discretionary	9.2%	9.5%
Consumer Staples	11.0	10.4
Energy	10.4	10.7
Financials	20.2	20.7
Health Care	10.3	10.3
Industrials	11.1	10.6
Information Technology	12.4	11.9
Materials	7.5	7.3
Telecommunication Services	4.0	4.2
Utilities	3.9	4.4
Total	100.0%	100.0%

Market diversification

	Global Enhanced Equity Fund	MSCI World Free Index
Europe		
United Kingdom	15.6	9.7
France	3.8	4.9
Germany	3.0	3.5
Spain	3.0	1.8
Italy	2.0	1.5
Netherlands	1.9	1.2
Switzerland	1.4	3.7
Sweden	1.2	1.2
Norway	0.8	0.3
Belgium	0.7	0.5
Austria	0.5	0.1
Portugal	0.4	0.1
Greece	0.1	0.2
Denmark	0.1	0.4
Ireland	0.1	0.1
Finland	0.0	0.5
Subtotal	34.6	29.7
Pacific		
New Zealand	0.0	0.1
Japan	6.7	10.4
Australia	2.4	3.9
Hong Kong	1.5	1.1
Singapore	1.0	0.7
Subtotal	11.6	16.2
North America		
United States	49.1	49.2
Canada	4.7	4.9
Subtotal	53.8	54.1
Total	100.0%	100.0%

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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