

**Vanguard®**

Vanguard® Global Enhanced Equity Fund

An Index-Related Fund

30 June 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 in USD
	Net of expenses	Gross of expenses	Institutional Shares
1 month	-4.28%	-4.24%	-3.43%
3 months	-13.56	-13.46	-12.67
Year to date	-11.34	-11.12	-9.84
1 year	9.72	10.27	10.20
3 years	-11.34	-10.90	-11.46
Since inception	-10.03	-9.58	-10.16

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	18 April 2007
USD	
Purchase fee	0.20%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VANGEEI
ISIN	IE00B1P1JL82
Sedol	B1P1JL8
Vanguard Fund Code	VEEUS
Minimum initial investment	500,000
USD	
Domicile	Currencies
Ireland	USD
Trading frequency	Settlement
Daily (11.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 61	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 30 June 2010

- In the second quarter, the Global Enhanced Equity Fund (–13.56%), which uses an industry-neutral, quantitative fundamental approach to choose investments, underperformed its benchmark, the MSCI World Free Index (–12.67%).
- The fund's performance was hindered by weak stock selection in the United States (–12.8% in the fund, compared with –11.6% in the index). The fund's stock selection in the U.S. financial and consumer discretionary sectors in particular proved to be a headwind for the fund. An example is the fund's overweight position in Goldman Sachs, which returned –23%.
- In the United Kingdom, an overweight position in energy company BP PLC (–50%), dampened performance, as the stock suffered because of the recent crisis in the Gulf of Mexico.
- On a positive note, an underweight in the utilities, materials, and energy sectors in France aided the fund's performance as investors grew increasingly concerned about conditions across the continent. From a sector perspective, the fund benefited from strong selection among American information technology companies, including Apple (+7%) and IBM (–3%).
- For the 12 months ended 30 June, the fund (+9.72%) underperformed its benchmark index (+10.20%). The fund was hurt by weak stock selection in industrials (+12.9% in the fund, compared with +20.4% in the index) and energy (–4.7% in the fund, compared with +1.2% in the index). The fund benefited from strong selection in Japanese financial companies (+9.0% in the fund, compared with –17.7% in the index).

All returns are based in U.S. dollars.

Fund characteristics

	Global Enhanced Equity Fund	MSCI World Free Index
Number of stocks	274	1,657
Median market cap	\$25.2B	\$30.8B
Price/earnings ratio	12.1x	16.5x
Price/book ratio	1.5x	1.7x
Return on equity	18.9%	18.8%
Earnings growth rate	5.9%	4.1%
Cash investments	0.8%	—
Turnover rate	107%	—
Equity yield (dividend)	2.8%	2.7%

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

	Global Enhanced Equity Fund
Apple Inc.	1.7%
Microsoft Corp.	1.4
International Business Machines Corp.	1.4
JPMorgan Chase & Co.	1.3
Chevron Corp.	1.2
Vodafone Group PLC	1.1
Hewlett-Packard Co.	1.1
GlaxoSmithKline PLC	1.0
Exxon Mobil Corp.	1.0
Merck & Co. Inc./NJ	1.0
Total	12.2%

Sector diversification (% of common stock)

	Global Enhanced Equity Fund	MSCI World Free Index
Consumer Discretionary	9.8%	9.9%
Consumer Staples	10.0	10.5
Energy	9.6	10.0
Financials	20.0	20.5
Health Care	11.2	10.2
Industrials	11.7	11.0
Information Technology	11.9	12.0
Materials	7.8	7.3
Telecommunication Services	3.8	4.2
Utilities	4.2	4.4
Total	100.0%	100.0%

Market diversification

	Global Enhanced Equity Fund	MSCI World Free Index
Europe		
United Kingdom	16.5	9.5
France	4.5	4.4
Germany	2.8	3.5
Spain	2.4	1.6
Netherlands	2.1	1.2
Italy	1.4	1.3
Sweden	1.3	1.3
Norway	0.9	0.3
Switzerland	0.8	3.6
Austria	0.5	0.1
Belgium	0.4	0.4
Portugal	0.3	0.1
Greece	0.2	0.1
Denmark	0.1	0.5
Ireland	0.1	0.1
Finland	0.0	0.5
Subtotal	34.3	28.5
Pacific		
New Zealand	0.0	0.1
Japan	8.5	10.5
Australia	2.5	3.7
Hong Kong	1.3	1.2
Singapore	1.2	0.8
Subtotal	13.5	16.3
Middle East		
Israel	0.0	0.4
Subtotal	0.0	0.4
North America		
United States	47.9	49.6
Canada	4.3	5.2
Subtotal	52.2	54.8
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Institutional Shares	0.99	1.01

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

For more information

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