



Vanguard[®] Global Enhanced Equity Fund

An Index-Related Fund

28 February 2011

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	3.51%	3.55%	3.50%	
3 months	14.68	14.82	13.62	
Year to date	6.73	6.82	5.84	
1 year	20.92	21.53	21.67	
3 years	0.10	0.60	-0.24	
Since inception	-1.57	-1.08	-1.83	

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
Valoren	2934154
Vanguard Fund Code	VGEUS
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) 63	UCITS III
EUR (millions) 46	

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 2010

- In the fourth quarter of 2010, the Global Enhanced Equity Fund (+8.17%), which uses an industry-neutral, quantitative fundamental approach to choose investments, slightly underperformed its benchmark, the MSCI World Free Index (+8.95%).
- Most of the fund's underperformance came from Europe where an overweight position and weak stock selection in France, Netherlands and Denmark acted as headwinds. France (-3.4% in the fund vs. +2.0% in the index), which accounted for, on average, 6.3% of the fund's capitalization over the period, was also the largest detractor. Overweight positions in financial companies BNP Paribas (-10%) and Natixis (-18%), in particular, hurt performance.
- In North America, stock selection among Canadian companies also added to the fund's underperformance. Specifically, stock selection struggled among materials and energy companies, both industries that experienced strong returns in the index.
- The fund was aided by the Pacific region, where strong selection in Hong Kong, Australia and Japan helped performance. In Hong Kong and Australia, the fund did especially well within the financials sector.
- For the 12 months ended 31 December, the fund (+9.58%) underperformed its benchmark index (+11.76%). The fund's performance was hurt by an overweight position and weak stock selection in the United States (13.4% in the fund, compared with 15.4% in the index). The fund's selection among industrials and financials companies proved to be a headwind. On the other hand, fund performance was aided by strong stock selection within the Pacific region (+19.8% in the fund, compared with +16.0% in the index).

All returns are based in U.S. dollars.

Fund characteristics

	Global Enhanced Equity Fund	MSCI World Free Index
Number of stocks	252	1,660
Median market cap	\$38.3B	\$40.9B
Price/earnings ratio	13.5x	16.2x
Price/book ratio	1.7x	1.9x
Return on equity	18.1%	18.6%
Earnings growth rate	0.8%	2.5%
Non-U.S. holdings	53.2%	0.0%
Cash investments	0.2%	—
Turnover rate	122%	—
Equity yield (dividend)	2.4%	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

	Global Enhanced Equity Fund
Exxon Mobil Corp.	2.2%
Apple Inc.	1.8
Chevron Corp.	1.4
International Business Machines Corp.	1.3
Microsoft Corp.	1.3
HSBC Holdings plc	1.3
JPMorgan Chase & Co.	1.3
Pfizer Inc.	1.1
Vodafone Group PLC	1.1
Oracle Corp.	1.0
Total	13.8%

Sector diversification (% of common stock)

	Global Enhanced Equity Fund	MSCI World Free Index
Consumer Discretionary	9.7%	10.3%
Consumer Staples	9.5	9.3
Energy	12.0	11.7
Financials	20.8	20.6
Health Care	9.9	9.1
Industrials	11.1	11.3
Information Technology	11.2	11.7
Materials	8.6	8.0
Telecommunication Service	3.6	4.1
Utilities	3.6	3.9
Total	100.0%	100.0%

Market diversification

	Global Enhanced Equity Fund	MSCI World Free Index
Europe		
Portugal	0.0	0.1
Greece	0.0	0.1
Austria	0.0	0.2
United Kingdom	14.6	9.7
France	6.3	4.5
Germany	3.2	3.8
Sweden	2.9	1.4
Italy	1.7	1.3
Switzerland	1.5	3.6
Netherlands	1.3	1.2
Denmark	1.3	0.5
Finland	1.0	0.5
Norway	0.8	0.4
Spain	0.6	1.6
Belgium	0.3	0.4
Ireland	0.3	0.1
Subtotal	35.8	29.4
Pacific		
Japan	8.6	10.0
Hong Kong	2.4	1.2
Australia	2.2	3.8
Singapore	1.2	0.7
Subtotal	14.4	15.7
Middle East		
Israel	0.0	0.3
North America		
United States	46.8	49.1
Canada	3.0	5.5
Subtotal	49.8	54.6
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Institutional Shares	0.99	1.02

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

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