

**Vanguard**[®]

Vanguard[®] Switzerland Stock Index Fund

An Index-Related Fund

28 February 2011

Investment objective

The fund seeks to provide returns consistent with the returns of Morgan Stanley Capital International ("MSCI") Switzerland Index.

Investment strategy

The fund employs a "passive management"—or indexing—investment strategy designed to track the performance of the index by investing in all, or a representative sample, of the securities that make up the index, holding each stock in approximate proportion to its weighting in the index.

Fund returns***Vanguard Switzerland Stock Index Fund— CHF**

	Institutional Shares		MSCI Switzerland Index in CHF
	Net of expenses	Gross of expenses	Institutional Shares
1 month	2.39%	2.42%	2.42%
3 months	4.86	4.96	4.96
Year to date	2.85	2.92	2.92
1 year	1.40	1.81	1.51
3 years	-2.52	-2.13	-2.49
5 years	-1.84	-1.45	-1.80
Since inception	3.50	3.92	3.60

Total expense ratio

	Institutional Shares
Administrative and other expenses	0.11%
Investment management expenses	0.29
Total expense ratio	0.40%

Fund facts

	Institutional Shares
Inception date	
CHF	02 February 2004
Purchase fee	0.05%
Redemption fee	0.00%
Fund codes (CHF)	
Bloomberg	VANSSII
ISIN	IE0007200417
Sedol	0720041
Valoren	1786405
Vanguard Fund Code	VSSIC
Minimum initial investment	
CHF	500,000
Domicile	Currencies
Ireland	CHF
Trading frequency	Settlement
Daily (11.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 262	UCITS III
EUR (millions) 190	
CHF (millions) 243	

Investment Manager**The Vanguard Group, Inc. (Vanguard)**Christine Franquin
Portfolio manager.

Advised the fund since 2004.

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.

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Quarterly fund commentary as at 31 December 2010

- Swiss stocks posted modest returns for the fourth quarter, in part due to regulatory proposals that could potentially affect the country's far-reaching banking system. The MSCI Switzerland Index returned 2.58% for the period. Vanguard Switzerland Stock Index Fund closely tracked the performance of the index.
- Consumer staples, consumer discretionary, materials, and industrials—which combine to represent more than 46% of the index's weightings—were the quarter's top-contributing sectors. Among individual contributors, consumer staples giant Nestlé S.A. (+5%) led the way. Compagnie Financiere Richemont SA (+16%), one of the world's largest luxury goods company, and the Swiss agribusiness firm Syngenta AG (+12%) also made significant contributions to the index's performance.
- After a relatively positive third quarter, financial stocks lost ground in the fourth quarter and were the main detractors to the index's performance. Shares of Credit Suisse AG (–10%) and UBS AG (–8%), two of Switzerland's largest banks, suffered losses as investors anticipated impending financial regulations that will require the banks to adhere to stricter capital controls and other risk-reduction measures.
- For the 12 months ended 31 December, the MSCI Switzerland Index returned 0.80%, ending the year relatively flat. The index's top-contributing sectors during the period were consumer discretionary and consumer staples. Vanguard Switzerland Stock Index Fund closely tracked the performance of the index during the period.

All returns are based in Swiss francs.

Fund characteristics

	Switzerland Stock Index Fund	MSCI Switzerland Index
Number of stocks	37	37
Median market cap	\$75.3B	\$75.3B
Price/earnings ratio	14.1x	14.1x
Price/book ratio	2.3x	2.3x
Return on equity	20.2%	20.2%
Earnings growth rate	8.0%	8.0%
Non-U.S. holdings	100.0%	0.0%
Cash investments	0.1%	—
Turnover rate	7%	—
Equity yield (dividend)	2.6%	2.6%

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

	Switzerland Stock Index Fund
Nestle SA	21.4%
Novartis AG	12.9
Roche Holding AG	11.5
UBS AG	7.9
ABB Ltd.	5.8
Credit Suisse Group AG	5.7
Zurich Financial Services AG	4.6
Syngenta AG	3.5
Cie Financiere Richemont SA	3.3
Transocean Ltd.	2.9
Total	79.5%

Sector diversification (% of common stock)

	Switzerland Stock Index Fund	MSCI Switzerland Index
Consumer Discretionary	5.1%	5.1%
Consumer Staples	22.5	22.5
Energy	2.9	2.9
Financials	23.4	23.4
Health Care	27.4	27.4
Industrials	10.4	10.4
Information Technology	0.4	0.4
Materials	6.8	6.8
Telecommunication Service	1.1	1.1
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Institutional Shares	1.00	1.00

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

For more information
 Web: <http://global.vanguard.com>
 Email (International): international@vanguard.com
 Email (U.K.): uk_client_services@vanguard.co.uk
 Tel (International): +1 610 669 6705
 Tel (Europe): +353 1612 3226
 Tel (U.K.): +44 207 489 4305

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