

**Vanguard**[®]

Vanguard[®] U.S. Discoveries Fund

30 June 2010

Investment objective

The fund seeks to provide long-term capital growth.

Investment strategy

The fund employs an "active management" strategy to invest mainly in U.S. stocks. The fund invests in stocks of small companies that tend to be unseasoned but are considered by the fund's Sub-Investment Manager, Granahan Investment Management, Inc., ("Granahan"), to have superior growth potential. Also, these companies often provide little or no dividend income.

Fund returns***Vanguard U.S. Discoveries Fund—USD**

	Investor Shares		Russell 2000 Growth Index
	Net of expenses	Gross of expenses	Investor Shares
1 month	-4.14%	-4.07%	-6.71%
3 months	-5.22	-5.02	-9.22
Year to date	8.93	9.39	-2.31
1 year	34.72	35.87	17.96
3 years	-4.75	-3.94	-7.54
5 years	2.70	3.58	1.14
Since inception	3.67	4.56	1.96

Vanguard U.S. Discoveries Fund—GBP

	Investor Shares		Russell 2000 Growth Index in GBP
	Net of expenses	Gross of expenses	Investor Shares
1 month	-7.36%	-7.30%	-9.41%
3 months	-3.90	-3.70	-7.84
Year to date	17.58	18.07	5.43
1 year	48.30	49.57	29.79
3 years	5.04	5.94	1.97
Since inception	6.76	7.67	3.84

Total expense ratio

	Investor Shares
Administrative and other expenses	0.45%
Investment management expenses	0.40
Total expense ratio	0.85%

Fund facts

	Investor Shares
Inception date	
USD	01 July 2004
GBP	19 December 2006
Purchase fee	0.00%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VANUDVU
CUSIP	G9318R499
ISIN	IE0034156459
Sedol	3415645
Vanguard Fund Code	VUSDV
Fund codes (GBP)	
Bloomberg	VANUDVS
ISIN	IE00B1L8DT90
Sedol	B1L8DT9
Vanguard Fund Code	VUSDD
Minimum initial investment	
USD/GBP	100,000
Domicile	
Ireland	Currencies USD,GBP
Trading frequency	
Daily (16.00 GMT cutoff)	Settlement T+3
Total assets	
USD (millions) 6	Structure UCITS III
EUR (millions) 5	

*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.

Vanguard® U.S. Discoveries Fund

Quarterly fund commentary as at 30 June 2010

- Vanguard U.S. Discoveries Fund returned –5.22% for the second quarter, outperforming the –9.22% return of its benchmark, the Russell 2000 Growth Index.
- Favorable stock selection in health care and industrials was the primary contributor to relative performance. In these sectors, overweighted positions in DUSA Pharmaceuticals (+18%), LeMaitre Vascular (+24%), and Tennant (+24%) drove results. An announcement from DUSA about a key patent approval led the stock's price higher during the period. Positive first-quarter performance and 2010 full-year forecasts boosted results for LeMaitre Vascular and Tennant.
- In financials, overweighted positions in MHI Hospitality (–29%) and Safeguard Scientifics (–18.8%) were top detractors for the second quarter.
- For the 12 months ended 30 June, the U.S. Discoveries Fund returned 34.72%, beating the benchmark's return of 17.96%. Favorable stock, particularly in health care and industrials, benefited relative performance. In health care, IMPAX Laboratories (+159%), which makes generic pharmaceuticals, was the best performer. In addition, Medarex (+92%), which was acquired by Bristol-Myers Squibb in the third quarter of 2009, contributed positively to performance.

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Discoveries Fund	Russell 2000 Growth Index
Number of stocks	78	1,291
Median market cap	\$0.6B	\$0.9B
Price/earnings ratio	285.7x	37.3x
Price/book ratio	1.9x	2.9x
Return on equity	4.8%	11.5%
Earnings growth rate	14.5%	10.7%
Foreign holdings	6.1%	0.0%
Cash investments	1.3%	—
Turnover rate	115%	—
Equity yield (dividend)	0.5%	0.6%

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 at 31 December 2009.

Sector diversification (% of common stock)

	U.S. Discoveries Fund	Russell 2000 Growth Index
Consumer Discretionary	5.3%	17.7%
Consumer Staples	0.0	3.2
Energy	0.5	4.0
Financials	5.6	4.9
Health Care	44.1	21.5
Industrials	22.0	16.7
Information Technology	16.8	26.1
Materials	5.7	4.4
Telecommunication Services	0.0	1.4
Utilities	0.0	0.1
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.94	1.03

R-squared and beta are calculated from trailing 36-month fund returns relative to the Russell 2000 Growth Index.

Ten largest holdings

	U.S. Discoveries Fund
Dusa Pharmaceuticals Inc.	3.5%
Tennant Co.	3.1
Parexel International Corp.	2.8
Alkermes Inc.	2.7
LeMaitre Vascular Inc.	2.7
Ceco Environmental Corp.	2.5
Titan Machinery Inc.	2.3
Safeguard Scientifics Inc.	2.3
Quaker Chemical Corp.	2.1
Nektar Therapeutics	2.1
Total	26.1%

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

The Russell Indexes and Russell® are registered trademarks of Russell Investments and have been licensed for use by The Vanguard Group. The products are not sponsored, endorsed, sold or promoted by Russell Investments and Russell Investments makes no representation regarding the advisability of investing in the products.

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.

For Professional Investors as defined under the MiFID Directive only. In Switzerland for Qualified Investors as defined in Switzerland by SFA only. Not for Public Distribution.