



Vanguard[®]

Vanguard[®] European Stock Index Fund

An Index-Related Fund

30 June 2010

Investment objective

The fund seeks investment results and risk characteristics that parallel those of the Morgan Stanley Capital International ("MSCI") Europe Index—a benchmark consisting of common stocks of companies located in 16 European countries.

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 European Stock Index Fund—USD

	Investor Shares		Institutional Shares		MSCI Europe Index	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-0.67%	-0.63%	-0.65%	-0.62%	-0.74%	-0.74%
3 months	-15.11	-15.01	-15.09	-15.00	-15.19	-15.19
Year to date	-16.74	-16.53	-16.69	-16.53	-16.72	-16.72
1 year	5.47	6.00	5.58	6.00	5.70	5.70
3 years	-15.19	-14.76	-15.11	-14.77	-15.03	-15.03
5 years	0.08	0.58	0.18	0.58	0.27	0.27
10 years	0.14	0.64	0.24	0.64	0.44	0.44

Vanguard European Stock Index Fund—EUR

	Investor Shares		Institutional Shares		MSCI Europe Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-0.49%	-0.45%	-0.48%	-0.45%	-0.57%	-0.57%
3 months	-6.22	-6.11	-6.20	-6.11	-6.31	-6.31
Year to date	-2.47	-2.23	-2.42	-2.22	-2.45	-2.45
1 year	20.78	21.39	20.91	21.39	21.03	21.03
3 years	-12.38	-11.94	-12.30	-11.94	-12.22	-12.22
5 years	-0.15	0.35	-0.06	0.34	0.04	0.04
10 years	-2.29	-1.80	-2.17	-1.78	-1.99	-1.99

Total expense ratio

	Investor Shares	Institutional Shares
Administrative and other expenses	0.21%	0.11%
Investment management expenses	0.29	0.29
Total expense ratio	0.50%	0.40%

Fund facts

	Investor Shares	Institutional Shares
Inception date		
USD	14 September 1998	14 September 1998
EUR	08 October 1999	08 June 2000
Purchase fee	0.20%	0.20%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VANEIV	VANEIS
CUSIP	G9318R317	G9318R291
ISIN	IE0002639445	IE0002639551
Sedol	0263944	0263955
Valoren	0988447	1125080
Vanguard Fund Code	VEUVA	VEUSA
Fund codes (EUR)		
Bloomberg	VANEIEI	VANEINI
CUSIP	G9318R341	G9318R135
ISIN	IE0007987690	IE0007987708
Sedol	0798769	0798770
Valoren	1035391	1129169
Vanguard Fund Code	VEEVV	VEESB
Minimum initial investment		
USD/EUR	100,000	500,000

Domicile	Ireland	Currencies	USD, EUR
Trading frequency	Daily (11.00 GMT cutoff)	Settlement	T+3
Total assets	USD (millions) 2,453	Structure	UCITS III
	EUR (millions) 2,002		

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 30 June 2010

- The Greek debt crisis continued to hold center stage during the second quarter as concern spread from Greece to other European countries struggling with rising debt levels. Against this backdrop, the MSCI Europe Index fell -6.31%; the European Stock Index Fund closely tracked its benchmark index for the period.
- Greece (-34.1%) was the worst-performing country for the quarter, while Denmark (+4.5%) and Sweden (+3.2%) both managed to produce gains despite the challenging environment.
- From a sector perspective, energy (-15.4%), financials (-10.5%) and materials (-10.3) detracted the most in the second quarter. Energy shares were led lower by BP (-44%), which fell precipitously as investors questioned the firm's ability to cover liabilities from the Gulf of Mexico oil spill. Financials declined as worries mounted regarding banks' and insurers' exposure to sovereign debt. Materials stocks struggled as falling commodity prices weighed on the metals and mining industry.
- Consumer stocks held up best for the quarter, as consumer staples (+2.7%) and consumer discretionary (+2.0%) were the only sectors to generate positive returns. Investors also favored the safety of less cyclical sectors, including health care (-0.2%) and telecommunication services (-2.1%).
- The MSCI Europe Index returned 21.03% for the 12 months ended 30 June. Among countries, the United Kingdom (+24.4%) and Switzerland (+35.1%) contributed the most to performance, while consumer staples (+38.2%) and materials (+34.8%) were the top-returning sectors.

All returns are based in euro.

Fund characteristics

	European Stock Index Fund	MSCI Europe Index
Number of stocks	469	459
Median market cap	\$41.3B	\$41.3B
Price/earnings ratio	14.5x	14.5x
Price/book ratio	1.5x	1.5x
Return on equity	19.9%	19.9%
Earnings growth rate	2.3%	2.3%
Cash investments	0.1%	—
Turnover rate	-8%	—
Equity yield (dividend)	3.7%	3.7%

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

	European Stock Index Fund
Nestle SA	3.0%
HSBC Holdings PLC	2.9
Vodafone Group PLC	1.9
Novartis AG	1.8
Roche Holding AG	1.7
Total SA	1.7
Royal Dutch Shell PLC Class A	1.6
BP PLC	1.6
GlaxoSmithKline PLC	1.6
Banco Santander SA	1.6
Total	19.4%

Sector diversification (% of common stock)

	European Stock Index Fund	MSCI Europe Index
Consumer Discretionary	8.2%	8.2%
Consumer Staples	13.2	13.2
Energy	9.9	9.9
Financials	22.6	22.6
Health Care	10.8	10.8
Industrials	10.5	10.5
Information Technology	3.0	3.0
Materials	9.5	9.5
Telecommunication Services	6.7	6.7
Utilities	5.6	5.6
Total	100.0%	100.0%

Market diversification

	European Stock Index Fund	MSCI Europe Index
Europe		
United Kingdom	33.2	33.2
France	15.4	15.4
Switzerland	12.7	12.7
Germany	12.3	12.3
Spain	5.5	5.5
Sweden	4.6	4.6
Italy	4.5	4.5
Netherlands	4.2	4.2
Finland	1.6	1.6
Denmark	1.6	1.6
Belgium	1.5	1.5
Norway	1.1	1.1
Austria	0.5	0.5
Ireland	0.5	0.5
Greece	0.4	0.4
Portugal	0.4	0.4
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	1.00	1.00
Institutional Shares	1.00	1.00

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

For more information

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