



# Vanguard® European Stock Index Fund

## An Index-Related Fund

28 February 2011

### 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	3.27%	3.31%	3.27%	3.31%	3.28%	3.28%
3 months	16.28	16.42	16.31	16.43	16.36	16.36
Year to date	7.30	7.39	7.32	7.39	7.35	7.35
1 year	20.71	21.32	20.84	21.33	20.93	20.93
3 years	-3.92	-3.44	-3.83	-3.44	-3.75	-3.75
5 years	2.80	3.31	2.90	3.31	2.99	2.99
10 years	4.68	5.20	4.78	5.20	4.96	4.96
Since inception	4.31	4.83	4.42	4.84	4.60	4.60

#### 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	2.50%	2.54%	2.51%	2.54%	2.52%	2.52%
3 months	9.59	9.73	9.62	9.73	9.67	9.67
Year to date	4.22	4.31	4.24	4.31	4.27	4.27
1 year	19.28	19.88	19.40	19.88	19.48	19.48
3 years	-0.84	-0.35	-0.75	-0.35	-0.67	-0.67
5 years	-0.18	0.32	-0.08	0.32	0.01	0.01
10 years	0.51	1.01	0.62	1.02	0.77	0.77
Since inception	1.32	1.82	-0.71	-0.31	1.67	-0.52

### Total expense ratio

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

### Fund facts

	Investor Shares	Institutional Shares
<b>Inception date</b>		
USD	14 September 1998	14 September 1998
EUR	08 October 1999	08 June 2000
<b>Purchase fee</b>	0.20%	0.20%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (USD)</b>		
Bloomberg	VANEIVI	VANEISI
CUSIP	G9318R317	G9318R291
ISIN	IE0002639445	IE0002639551
Sedol	0263944	0263955
Valoren	988447	1125080
Vanguard Fund Code	VEUVA	VEUSA
<b>Fund codes (EUR)</b>		
Bloomberg	VANEIEI	VANEINI
CUSIP	G9318R341	G9318R135
ISIN	IE0007987690	IE0007987708
Sedol	0798769	0798770
Valoren	1035391	1129169
Vanguard Fund Code	VEEVV	VEESB
<b>Minimum initial investment</b>		
USD/EUR	100,000	500,000

<b>Domicile</b>	Ireland	<b>Currencies</b>	USD, EUR
<b>Trading frequency</b>	Daily (11.00 GMT cutoff)	<b>Settlement</b>	T+3
<b>Total assets</b>		<b>Structure</b>	UCITS III
USD (millions)	3,212		
EUR (millions)	2,325		

### 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.

# Vanguard® European Stock Index Fund

## An Index-Related Fund

### Quarterly fund commentary as at 31 December 2010

- Global equity markets continued the strong rally that started in the third quarter as stocks logged a second consecutive year of positive double-digit returns. For the quarter and the full year, European equities lagged the broader market as the bailouts of Greece and Ireland weighed on returns. Against this backdrop, the MSCI Europe Index climbed 6.34%; the European Stock Index Fund closely tracked its benchmark index for the period.
- Germany (+11.4%) and the United Kingdom (+7.9%) were the top contributors for the quarter, while Spain (-7.1%) and Greece (-8.6%) were the largest laggards. Germany's export-driven economy continued to benefit from the rebound in global trade, while Greece was plagued by strikes and riots over austerity measures implemented after the country's bailout in the second quarter. Ireland (+8.3%), which received a large bailout in the fourth quarter, outperformed the broader index as investors viewed the financial assistance as positive news.
- Among sectors, materials (+20.8%) and energy (+11.8%) climbed the most in the fourth quarter, helped by the broad rally in commodities. Financials (-2.5%) was the lone sector to produce a negative return. Financials posted large losses in Spain, Portugal and Italy as investors questioned the likelihood of a bailout in 2011.
- The MSCI Europe Index returned 11.10% for the 12 months ended 31 December. Among countries, the United Kingdom (+16.3%) and Switzerland (+20.7%) contributed the most to performance, while consumer discretionary (+36.3%) and industrials (+27.8%) were the top-returning sectors.

All returns are based in euro.

### Fund characteristics

	European Stock Index Fund	MSCI Europe Index
Number of stocks	474	466
Median market cap	\$54.3B	\$54.3B
Price/earnings ratio	14.8x	14.8x
Price/book ratio	1.7x	1.7x
Return on equity	19.2%	19.2%
Earnings growth rate	0.1%	0.1%
Non-U.S. holdings	100.0%	0.0%
Cash investments	0.1%	—
Turnover rate	-4%	—
Equity yield (dividend)	3.2%	3.2%

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

	European Stock Index Fund
Nestle SA	2.6%
HSBC Holdings plc	2.6
BP plc	2.0
Vodafone Group PLC	2.0
Total SA	1.7
Royal Dutch Shell plc Class A	1.7
Novartis AG	1.6
Siemens AG	1.5
Roche Holding AG	1.4
Telefonica SA	1.4
<b>Total</b>	<b>18.5%</b>

### Sector diversification (% of common stock)

	European Stock Index Fund	MSCI Europe Index
Consumer Discretionary	8.4%	8.4%
Consumer Staples	11.6	11.6
Energy	11.4	11.4
Financials	22.6	22.6
Health Care	9.4	9.4
Industrials	11.2	11.2
Information Technology	3.0	3.0
Materials	10.4	10.4
Telecommunication Service	6.6	6.6
Utilities	5.4	5.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Market diversification

	European Stock Index Fund	MSCI Europe Index
Europe		
United Kingdom	33.1	33.1
France	15.4	15.4
Germany	13.0	13.0
Switzerland	12.1	12.1
Spain	5.5	5.5
Sweden	4.9	4.9
Italy	4.4	4.4
Netherlands	4.0	4.0
Finland	1.6	1.6
Denmark	1.5	1.5
Norway	1.4	1.4
Belgium	1.4	1.4
Austria	0.5	0.5
Greece	0.4	0.4
Portugal	0.4	0.4
Ireland	0.4	0.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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.

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