



Vanguard[®]

Vanguard[®] European Stock Index Fund

An Index-Related Fund

31 January 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	-5.94%	-5.90%	-5.93%	-5.90%	-5.91%	-5.91%
3 months	-1.80	-1.67	-1.77	-1.67	-1.72	-1.72
Year to date	-5.94	-5.90	-5.93	-5.90	-5.91	-5.91
1 year	43.46	44.18	43.61	44.18	43.69	43.69
3 years	-8.32	-7.86	-8.23	-7.87	-8.14	-8.14
5 years	2.84	3.36	2.94	3.36	3.05	3.05
10 years	1.84	2.35	1.94	2.35	2.11	2.11

Vanguard European Stock Index Fund—EUR

	Investor Shares		Institutional Shares		MSCI Europe Index in Euros	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-2.91%	-2.86%	-2.90%	-2.86%	-2.88%	-2.88%
3 months	4.25	4.38	4.27	4.38	4.33	4.33
Year to date	-2.91	-2.86	-2.90	-2.86	-2.88	-2.88
1 year	32.27	32.93	32.40	32.93	32.48	32.48
3 years	-10.36	-9.91	-10.27	-9.91	-10.18	-10.18
5 years	1.54	2.05	1.63	2.04	1.74	1.74
Since inception	-0.24	0.26	-2.57	-2.18	0.12	-2.38

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	VEEVB	VEESB
Minimum initial investment		
USD/EUR	100,000	500,000
Domicile		Currencies
Ireland		USD, EUR
Trading frequency		Settlement
Daily (11.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 2,946		UCITS III
EUR (millions) 2,120		

Investment Manager

Vanguard Investments Europe SA

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

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Quarterly fund commentary as at 31 December 2009

- Equity markets continued their advance during the fourth quarter, finishing off a strong year for equity investors worldwide. Improving economic growth forecasts for developed countries coupled with continued solid growth in China and India buoyed stocks. European stocks advanced on reports of Eurozone growth in the third quarter. The MSCI Europe Index climbed 5.18%, with the European Stock Index Fund closely tracking its benchmark index for the period.
- From a country perspective, the United Kingdom (+9.0) and France (+4.3%) contributed the most in the fourth quarter. Rising home values and lower-than-projected job losses helped U.K. stocks. France climbed despite reporting slower-than-expected growth as unemployment continued to rise in the period. Greece (-20.9) fell the most during the quarter as mounting debt and a downgrade in the country's credit rating sparked a sell-off.
- Among sectors, materials (+18.9%) advanced the most during the quarter, as metals prices continued their broad-based rally. Consumer staples (+12.4%) and energy (+10.8%) were also top contributors. Similar to materials, the energy sector benefited from the broad-based commodities rally as oil and natural gas prices climbed.
- The information technology (-5.0%) and financials (-4.4%) sectors were the largest laggards for the quarter. Financials declined after outpacing all other sectors for two straight quarters as Dubai's debt problems raised new fears of a widespread banking crisis.
- The MSCI Europe Index returned 31.60% for the 12 months ended 31 December. Among countries, the United Kingdom (+38.9%) and France (+28.8%) contributed the most to performance, while materials (+75.0%) and financials (+39.8%) were the biggest contributors among sectors.

All returns are based in euro.

Fund characteristics

	European Stock Index Fund	MSCI Europe Index
Number of stocks	471	463
Median market cap	\$49.0B	\$49.0B
Price/earnings ratio	26.4x	26.4x
Price/book ratio	1.6x	1.6x
Return on equity	20.6%	20.6%
Earnings growth rate	13.8%	13.8%
Cash investments	0.5%	—
Turnover rate	8%	—
Equity yield (dividend)	3.6%	3.6%

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 of 31 December 2009.

Ten largest holdings

HSBC Holdings PLC	2.9%
BP PLC	2.7
Nestle SA	2.6
Total SA	1.9
Roche Holding AG	1.9
Banco Santander SA	1.8
Novartis AG	1.8
Vodafone Group PLC	1.8
Telefonica SA	1.6
GlaxoSmithKline PLC	1.6
Total	20.6%

Sector diversification (% of common stock)

	European Stock Index Fund	MSCI Europe Index
Consumer Discretionary	7.3%	7.3%
Consumer Staples	12.5	12.5
Energy	11.3	11.3
Financials	23.3	23.4
Health Care	10.6	10.6
Industrials	9.7	9.7
Information Technology	2.9	2.9
Materials	9.2	9.2
Telecommunication Services	6.9	6.9
Utilities	6.3	6.3
Total	100.0%	100.0%

Market diversification

	European Stock Index Fund	MSCI Europe Index
Europe		
United Kingdom	32.6	32.7
France	16.3	16.3
Switzerland	11.8	11.8
Germany	11.7	11.7
Spain	6.4	6.4
Italy	5.1	5.1
Netherlands	4.2	4.1
Sweden	3.9	3.9
Finland	1.8	1.8
Belgium	1.5	1.5
Denmark	1.4	1.4
Norway	1.2	1.2
Greece	0.7	0.7
Austria	0.5	0.5
Portugal	0.5	0.5
Ireland	0.4	0.4
Subtotal	100.0	100.0
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

Web: <http://global.vanguard.com>
 Email (global): international@vanguard.com
 Email (Europe): client.services@vanguard.be
 Tel (global): +1 610 669 6705
 Tel (Europe): +32 (0) 2 357 3030

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