

Vanguard[®] Eurozone Stock Index Fund

An Index-Related Fund

28 February 2011

Investment objective

The fund seeks to provide long-term growth of capital by tracking the performance of the Morgan Stanley Capital International ("MSCI") EMU Index, a market capitalisation-weighted index of common stocks designed to capture 85% of the underlying Eurozone countries' market capitalisation.

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 Eurozone Stock Index Fund—EUR

	Investor Shares		Institutional Shares		MSCI EMU Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	1.94%	1.98%	1.95%	1.98%	1.95%	1.95%
3 months	12.18	12.32	12.21	12.32	12.24	12.24
Year to date	6.54	6.62	6.56	6.62	6.58	6.58
1 year	16.74	17.32	16.85	17.32	16.64	16.64
3 years	—	—	-3.56	-3.18	-3.81	-3.81
5 years	—	—	-1.04	-0.64	-1.21	-1.21
Since inception	6.18	6.71	2.24	2.65	6.16	2.07

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		
EUR	05 January 2010	25 October 2001
Purchase fee	0.05%	0.05%
Redemption fee	0.00%	0.00%
Fund codes (EUR)		
Bloomberg	VANESIV	VANESII
CUSIP	—	G9318R275
ISIN	IE0008248795	IE0008248803
Sedol	0824879	0824880
Valoren	10872097	1440409
Vanguard Fund Code	VEZSV	VEZSS
Minimum initial investment		
EUR	100,000	500,000
Domicile		Currencies
Ireland		EUR
Trading frequency		Settlement
Daily (11.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 1,023		UCITS III
EUR (millions) 741		

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

- 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, Eurozone equities lagged the broader market as the bailouts of Greece and Ireland weighed on returns. Against this backdrop, the MSCI EMU Index returned 3.86% for the quarter; the Eurozone Stock Index Fund closely tracked its benchmark for the period.
- Germany (+11.4%) and France (+3.8%) 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 (+18.0%) and industrials (+10.6%) climbed the most in the fourth quarter, helped by the broad rally in commodities. Financials (-6.7%) and telecommunication services (-3.4%) were the lone sectors 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 EMU Index returned 2.40% for the 12 months ended 31 December. Among countries, Germany (+17.0%) and France (+3.2%) contributed the most to performance, while consumer discretionary (+35.6%) and industrials (+21.1%) were the largest contributors among sectors.

All returns are based in euro.

Fund characteristics

	Eurozone Stock Index Fund	MSCI EMU Index
Number of stocks	270	269
Median market cap	\$47.0B	\$47.0B
Price/earnings ratio	13.9x	13.9x
Price/book ratio	1.5x	1.5x
Return on equity	16.5%	16.5%
Earnings growth rate	-1.5%	-1.5%
Non-U.S. holdings	100.0%	0.0%
Cash investments	0.2%	—
Turnover rate	5%	—
Equity yield (dividend)	3.5%	3.5%

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

	Eurozone Stock Index Fund
Total SA	3.6%
Siemens AG	3.1
Telefonica SA	2.9
Banco Santander SA	2.9
BASF SE	2.1
BNP Paribas	2.1
Sanofi-Aventis SA	2.0
Allianz SE	1.8
Bayer AG	1.8
Daimler AG	1.8
Total	24.1%

Sector diversification (% of common stock)

	Eurozone Stock Index Fund	MSCI EMU Index
Consumer Discretionary	11.3%	11.3%
Consumer Staples	8.7	8.7
Energy	7.9	7.9
Financials	23.7	23.7
Health Care	5.6	5.6
Industrials	13.2	13.2
Information Technology	4.5	4.5
Materials	9.0	9.0
Telecommunication Service	7.3	7.3
Utilities	8.8	8.8
Total	100.0%	100.0%

Market diversification

	Eurozone Stock Index Fund	MSCI EMU Index
Europe		
France	32.8	32.8
Germany	27.7	27.7
Spain	11.7	11.7
Italy	9.3	9.3
Netherlands	8.4	8.4
Finland	3.4	3.4
Belgium	3.0	3.0
Austria	1.1	1.1
Greece	0.9	0.9
Portugal	0.9	0.9
Ireland	0.8	0.8
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 EMU Index in EUR.

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