

**Vanguard**<sup>®</sup>

# Vanguard<sup>®</sup> Eurozone Stock Index Fund

## An Index-Related Fund

31 January 2010

### 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 marketcapitalisation-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

	Institutional Shares		MSCI EMU Index in Euros	
	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-4.73%	-4.69%	-4.69%	-4.69%
3 months	2.27	2.37	2.32	2.32
Year to date	-4.73	-4.69	-4.69	-4.69
1 year	30.61	31.13	30.19	30.19
3 years	-10.77	-10.41	-10.94	-10.94
5 years	1.70	2.11	1.57	1.57
Since inception	0.85	1.25	-6.46	0.68

### 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
<b>Inception date</b>		
EUR	05 January 2010	25 October 2001
<b>Purchase fee</b>	0.05%	0.05%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (EUR)</b>		
Bloomberg	VANESIV	VANESII
CUSIP	—	G9318R275
ISIN	IE0008248795	IE0008248803
Sedol	0824879	0824880
Valoren	—	1440409
Vanguard Fund Code	VEZSV	VEZSS
<b>Minimum initial investment</b>		
EUR	100,000	500,000
<b>Domicile</b>		<b>Currencies</b>
Ireland		EUR
<b>Trading frequency</b>		<b>Settlement</b>
Daily (11.00 GMT cutoff)		T+3
<b>Total assets</b>		<b>Structure</b>
USD (millions) 955		UCITS III
EUR (millions) 687		

### 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.

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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 EMU Index returned 2.62%, with the Eurozone Stock Index Fund closely tracking its benchmark index for the period.
- From a country perspective, France (+4.3%) and Germany (+4.1%) contributed the most in the fourth quarter. Germany was aided by rising business confidence as exporters continued to benefit from demand in Asia. France climbed despite reporting slower-than-expected growth as unemployment continued to rise. Greece (-20.9) fell the most during the quarter as a downgrade in the country's credit rating and mounting debt sparked a sell-off.
- Among sectors, consumer staples (+11.9%) posted the largest advance on a resurgence of future inflation fears. The materials (+11.3%) and energy (+9.8%) sectors were also top contributors. Materials and energy companies benefited from the broad-based commodities rally.
- The information technology (-4.9%) and financials (-4.6%) 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 EMU Index returned 27.32% for the 12 months ended 31 December. Among countries, France (+28.8%) and Germany (+22.8%) contributed the most to performance, while financials (+39.2%) and industrials (+35.4%) were the largest contributors among sectors.

All returns are based in euro.

### Fund characteristics

	Eurozone Stock Index Fund	MSCI EMU Index
Number of stocks	272	271
Median market cap	\$43.4B	\$43.4B
Price/earnings ratio	30.7x	30.7x
Price/book ratio	1.4x	1.4x
Return on equity	18.4%	18.4%
Earnings growth rate	13.4%	13.4%
Cash investments	0.5%	—
Turnover rate	10%	—
Equity yield (dividend)	3.8%	3.8%

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

Total SA	3.9%
Banco Santander SA	3.7
Telefonica SA	3.2
Sanofi-Aventis SA	2.5
Siemens AG	2.4
E.ON AG	2.2
BNP Paribas	2.2
ENI SPA	1.9
Bayer AG	1.8
Banco Bilbao Vizcaya Argentaria SA	1.7
<b>Total</b>	<b>25.5%</b>

### Sector diversification (% of common stock)

	Eurozone Stock Index Fund	MSCI EMU Index
Consumer Discretionary	9.3%	9.3%
Consumer Staples	9.0	9.0
Energy	8.0	8.0
Financials	25.5	25.5
Health Care	6.1	6.1
Industrials	11.1	11.1
Information Technology	4.6	4.6
Materials	8.1	8.1
Telecommunication Services	8.2	8.2
Utilities	10.1	10.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Market diversification

	Eurozone Stock Index Fund	MSCI EMU Index
Europe		
France	33.1	33.2
Germany	23.9	23.9
Spain	13.1	13.1
Italy	10.4	10.4
Netherlands	8.4	8.4
Finland	3.7	3.7
Belgium	3.1	3.1
Greece	1.5	1.5
Austria	1.0	1.0
Portugal	0.9	0.9
Ireland	0.9	0.8
Subtotal	100.0	100.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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 Euros.

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