

**Vanguard**[®]

Vanguard[®] Eurozone Stock Index Fund

An Index-Related Fund

30 June 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

	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	-0.94%	-0.90%	-0.94%	-0.90%	-1.14%	-1.14%
3 months	-9.00	-8.89	-8.98	-8.89	-9.24	-9.24
Year to date	—	—	-8.23	-8.05	-8.40	-8.40
1 year	—	—	13.57	14.03	13.43	13.43
3 years	—	—	-14.56	-14.21	-14.75	-14.75
5 years	—	—	-0.71	-0.31	-0.87	-0.87
Since inception	-9.97	-9.75	0.37	0.77	-10.11	0.18

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	—	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) 807		UCITS III
EUR (millions) 659		

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 MSCI EMU Index returned -9.24% for the quarter. The Eurozone Stock Index Fund closely tracked the returns of its benchmark for the period. Greek stocks (-34.1%) fell precipitously during the period as the country accepted a large bailout from the International Monetary Fund and European Union countries in return for adopting strict austerity measures. Italy (-12.8%), Spain (-12.5%) and France (-9.9%) also came under pressure as concerns over soaring budget deficits spread throughout Europe. Germany (-2.9%) and the Netherlands (-3.4%) held up relatively well.
- From a sector perspective, financial (-15.5%), utility (-15.1) and energy (-11.0%) stocks detracted the most in the second quarter. Financials declined as worries mounted regarding banks' and insurers' exposure to sovereign debt. Energy stocks came under pressure because of the Gulf of Mexico oil spill and declining oil prices resulting from global growth concerns.
- Consumer stocks held up best for the quarter, as consumer discretionary (+2.2%) and consumer staples (+1.3%) were the only sectors to generate positive returns. Among consumer discretionary stocks, auto-related companies were the largest contributors.
- The MSCI EMU Index returned 13.43% for the 12 months ended 30 June. Among countries, Germany (+23.4%) and France (+16.1%) contributed the most to performance, while industrials (+36.9%) and consumer staples (+36.6%) were the largest contributors among sectors.

All returns are based in euro.

Fund characteristics

	Eurozone Stock Index Fund	MSCI EMU Index
Number of stocks	268	266
Median market cap	\$33.2B	\$33.2B
Price/earnings ratio	14.8x	14.8x
Price/book ratio	1.3x	1.3x
Return on equity	17.4%	17.4%
Earnings growth rate	-0.5%	-0.5%
Cash investments	0.2%	—
Turnover rate	-10%	—
Equity yield (dividend)	3.9%	3.9%

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

	Eurozone Stock Index Fund
Total SA	3.6%
Banco Santander SA	3.4
Telefonica SA	2.9
Siemens AG	2.8
Sanofi-Aventis SA	2.4
BNP Paribas	2.0
BASF SE	1.9
E.ON AG	1.9
ENI SPA	1.8
Bayer AG	1.8
Total	24.5%

Sector diversification (% of common stock)

	Eurozone Stock Index Fund	MSCI EMU Index
Consumer Discretionary	10.9%	10.9%
Consumer Staples	10.0	10.0
Energy	7.6	7.6
Financials	23.7	23.7
Health Care	6.2	6.2
Industrials	12.1	12.2
Information Technology	4.4	4.4
Materials	8.5	8.5
Telecommunication Services	7.7	7.6
Utilities	8.9	8.9
Total	100.0%	100.0%

Market diversification

	Eurozone Stock Index Fund	MSCI EMU Index
Europe		
France	32.9	32.9
Germany	26.4	26.4
Spain	11.7	11.7
Italy	9.6	9.6
Netherlands	8.9	8.9
Finland	3.5	3.5
Belgium	3.2	3.2
Austria	1.0	1.0
Ireland	1.0	1.0
Greece	0.9	0.9
Portugal	0.9	0.9
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.

For more information

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