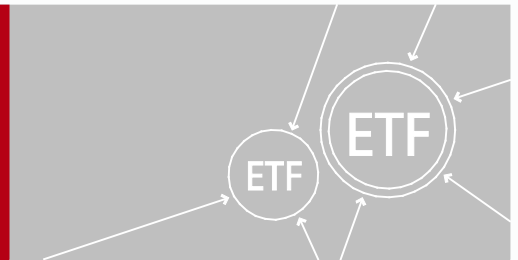


Product Disclosure Statement Announcement for the Vanguard® Exchange Traded Funds

3 July 2017



Vanguard Investments Australia Ltd has updated the Product Disclosure Document (PDS) for the Vanguard FTSE Emerging Markets Shares ETF:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard FTSE Emerging Markets Shares ETF	VGE	Updated Product Disclosure Statement

The Vanguard FTSE Emerging Markets Shares ETF PDF dated 1 July 2017 is attached and available on the Vanguard website. If you do not have access to the internet, please contact Vanguard Client Services on 1300 655 101. A paper copy will be provided free of charge on request.

Vanguard ETFs will only be issued to Authorised Participants - that is persons who have entered into an Authorised Participant agreement with Vanguard. Retail investors can transact in Vanguard ETFs through a stockbroker or financial adviser on the secondary market. Investors should consider the Product Disclosure Statement in deciding whether to acquire Vanguard ETFs. Retail investors can only use the Product Disclosure Statement for informational purposes only.

Further Information

If you have any queries on Vanguard ETFs, please visit vanguard.com.au/etf

Prior to making an investment decision please consider your circumstances, read our Product Disclosure Statement (PDS) and consult your investment advisor or broker. You can access our PDS at vanguard.com.au. Past performance is not an indication of future performance. There is no guarantee that distributions will be declared in the future or the future availability of the Distribution Reinvestment Plan.

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Vanguard Investments Australia Ltd, Level 34, Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 www.vanguard.com.au



Product Disclosure Statement | 1 July 2017

Vanguard FTSE Emerging Markets Shares ETF

ASX code: VGE

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Important notice

Authorised Participants

Please note that the offer in this Product Disclosure Statement ("PDS") is for stockbrokers acting as principal, that is, persons who have entered into an Authorised Participant agreement with Vanguard. For that reason, certain sections of this PDS (particularly those relating to applications for and redemptions of ETF units) are of direct relevance to such persons only.

All other investors

Other investors cannot invest through this PDS directly, but can transact in the Vanguard FTSE Emerging Markets Shares ETF through a stockbroker or financial adviser. Other investors can use this PDS for informational purposes only. For further details on Vanguard Exchange Traded Funds please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This PDS does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, ETF units are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

Vanguard ETF Capital Markets Team

8:30 am to 5:30 pm (Melbourne time)

Monday to Friday

Telephone: 1300 655 888

Facsimile: 1300 765 712

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Telephone 131 279 (within Australia)

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Level 34, Freshwater Place 2

Southbank Boulevard

Southbank Vic 3006

Postal address

GPO Box 3006

Melbourne Vic 3001

Website

www.vanguard.com.au

Features at a glance

ETF name (ASX code)	Vanguard FTSE Emerging Markets Shares ETF (VGE)
Investment objective	Seeks to track the return of the FTSE Emerging Markets All Cap China A Inclusion Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax.
Investment strategy	<p>Invests in the Vanguard FTSE Emerging Markets ETF listed on the New York Stock Exchange Arca (NYSE Code: VWO), which seeks to track the performance of the FTSE Emerging Markets All Cap China A Inclusion Index in USD.</p> <p>From time to time, the ETF may also invest directly in the securities in the FTSE Emerging Markets All Cap China A Inclusion Index or securities which have been or are expected to be included in the FTSE Emerging Markets All Cap China A Inclusion Index where Vanguard, as Responsible Entity, considers it necessary to achieve the investment objective.</p>
Management costs ¹	0.48% p.a.
Distributions	Quarterly: March, June, September and December
Transacting with Vanguard ²	<p>Only Authorised Participants are eligible to apply for or (other than in exceptional circumstances) redeem ETF units with Vanguard.</p> <p>Applications or redemptions by Authorised Participants can be made by way of Standard Baskets or Cash Transactions.</p> <p>Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'), other investors cannot apply for or redeem ETF units with Vanguard and must instead buy or sell ETF units on the AQUA market of the ASX through their adviser or broker.</p>
Standard Basket Transactions	<p>A Standard Basket transaction is an in-specie transfer of the standard basket of securities together with any balancing cash payment requirements ("balancing cash payment") and an associated foreign exchange transaction in exchange for ETF units.</p> <p>The basket consists of a number of shares in the US ETF and/or any other securities determined by Vanguard which form part of the Index, together with any balancing cash payment. The quantity of US ETF shares in the basket may vary on a daily basis.</p> <p>Where an Authorised Participant makes a Standard Basket Application or Standard Basket Redemption request and the Application or Redemption is accepted by the Issuer, the Authorised Participant and the Issuer are automatically taken to have entered into a foreign exchange contract on the terms set out in the Authorised Participant Agreement.</p>
Cash Transactions	An Authorised Participant may elect to apply for or redeem ETF units in exchange for an equivalent value of cash. Cash Transactions are subject to a buy/sell spread.
Creation Unit	<p>Standard Baskets: 20,000 units</p> <p>Cash Transactions: 5,000 units</p>
Transaction Costs to apply for ETF units - Standard Basket Transactions ³	<p>\$150 (payable by Authorised Participants for Standard Basket transactions).</p> <p>Vanguard reviews the Transaction Costs periodically and may change these without notice.</p>
Transaction Costs to redeem ETF units - Standard Basket Transactions ³	<p>\$150 (payable by Authorised Participants for Standard Basket transactions).</p> <p>Vanguard reviews the Transaction Costs periodically and may change these without notice.</p>
Buy/Sell spreads applicable to Authorised Participants - Cash Transactions	<p>Cash Transactions are subject to a buy/sell spread which will be reflected in the purchase/withdrawal price of ETF units. Standard Basket Transactions are not subject to a buy/sell spread.</p> <p>Buy/sell spreads will be notified to Authorised Participants electronically.</p> <p>Vanguard may change the spreads charged to Authorised Participants without notice.</p>

Brokerage and bid/ask spreads applicable to other investors	<p>Investors buying or selling ETF units on the ASX will incur customary brokerage fees and commissions and may incur a bid/ask spread (being the difference between the price at which participants are willing to buy and sell ETF units on the ASX).</p> <p>Please consult a stockbroker for more information in relation to their fees and charges.</p>
Cut-off times ²	<p>For Standard Basket transactions: Generally 4.00pm on each ASX trading day.</p> <p>For Cash Applications: Generally 3.30pm on each ASX trading day. For Cash Redemptions: Generally 2.00pm on each ASX trading day.</p>
Pricing frequency	<p>The NAV price per unit for the ETF is generally calculated daily. The ETF is valued using the last available closing price of the US ETF on the NYSE (and typically at the close of trading of any other underlying securities held by the ETF in their relevant countries).</p> <p>A purchase/withdrawal price is calculated for each issue or redemption of ETF units and takes into account the applicable buy/sell spread (if any).</p> <p>Market prices are typically continuously quoted through the trading day on the ASX AQUA market.</p>
Application/redemption amounts	<p>Applications and redemptions made by Authorised Participants must be in multiples of creation units with a minimum order size of one creation unit. Vanguard may, in its absolute discretion, limit the maximum amount of a Cash Application that can be made by an Authorised Participant.</p> <p>Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'), other investors cannot apply for or redeem ETF units with Vanguard but instead may seek to buy or sell ETF units through their broker or adviser. Your broker or adviser may impose a minimum transaction size.</p>
Settlement ⁴	<p>For Authorised Participants: Applications settle T+2⁴ and Redemptions settle T+3⁴.</p> <p>For other investors: ETF units transacted via the ASX typically settle via CHESSE on T+2⁴</p>

¹ Please refer to section '7. Fees and other costs' for more details.

² Please refer to section '5. How to transact with Vanguard'.

³ This amount is only paid by Authorised Participants applying for or redeeming creation units. Individual investors do not pay these amounts for buying or selling through their broker or adviser.

⁴ Delivery may be delayed to accommodate public holiday schedules, non-settlement days, non-trading days or under certain other circumstances (refer to the section 'Important note for applications and redemptions' for more information).

Disclaimers

Investment in the ETF is subject to risk (refer to section '4. Risks'), which may include possible delays in repayment and loss of income and capital invested.

Vanguard or any of its related entities or associates may invest in, lend to or provide services to the ETF. Vanguard may also invest in, lend to, or provide services to funds or accounts owned or managed by its related entities or clients who have appointed Vanguard as investment manager.

The allocation of aggregated investments amongst various funds and accounts will be conducted by Vanguard and its related entities in accordance with appropriate policies and procedures to manage any conflicts of interest.

None of The Vanguard Group, Inc., Vanguard Investments Australia Ltd, or their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income invested in, the ETF described in this PDS.

This PDS is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard's associates or any other person to invest in the ETF. In preparing this PDS, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether investment in an ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the ETF as outlined in this PDS.

About this PDS

This Product Disclosure Statement ("PDS") dated 1 July 2017 is for the Vanguard FTSE Emerging Markets Shares ETF ("ETF").

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 ("Vanguard") is the issuer of this PDS and is solely responsible for its contents. In this PDS references to 'Vanguard', the 'responsible entity', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

A copy of this PDS has been lodged with both the Australian Securities and Investments Commission ("ASIC") and the Australian Securities Exchange Ltd ("ASX"). Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

Obtaining the latest PDS

A copy of the latest PDS for the ETF is available on Vanguard's website at www.vanguard.com.au. If you do not have access to the internet, please contact the Vanguard ETF Capital Markets Team on 1300 655 888. A paper copy will be provided free of charge on request.

Unless otherwise stated, data sources used by Vanguard are public or licensed market data, and all material is current as at the date of this PDS.

The offer to which this PDS relates is available to Authorised Participants (please refer to 'Summary of offer to Authorised Participants') receiving the PDS (electronically or otherwise) in Australia.

Changes to information in this PDS that are not materially adverse to investors may be updated by Vanguard by publishing such information on the Vanguard website at www.vanguard.com.au (or in the case of information that is only applicable to Authorised Participants electronically). A paper copy of any updated information will be provided free of charge on request from the Vanguard ETF Capital Markets Team on 1300 655 888.

Unless otherwise stated in this PDS, references to provisions for the ETF refer to the ETF class of the Fund only. A reference to 'Fund' in this PDS is a reference to the Vanguard Global Emerging Markets Shares Fund.

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations in its capacity as responsible entity of the Vanguard Global Emerging Markets Shares Fund ("Fund") and issuer of the ETF.

The following information can be obtained from Vanguard by visiting Vanguard's website at www.vanguard.com.au or contacting the Vanguard ETF Capital Markets Team on 1300 655 888:

- details of the Net Asset Value ("NAV") for the ETF - available monthly
- details of the NAV price per unit for the ETF - available daily
- Standard Baskets for applications and redemptions for the ETF - available daily
- Pricing Basket - available daily
- Vanguard's unit pricing discretions policy (available by contacting the Vanguard ETF Capital Markets Team and available at no cost)
- the latest copy of this PDS
- details of any continuous disclosure notices given by Vanguard to ASIC and/or the ASX
- details of distribution announcements given by Vanguard to the ASX via the ASX Market Announcements Platform ("ASX MAP")
- annual reports and financial statements for the Fund
- half-yearly financial reports that are given by Vanguard to the ASX via ASX MAP
- total number of ETF securities on issue – monthly to the ASX via MAP
- details of the ETF Distribution Reinvestment Plan
- information about distributions for the ETF
- details of any days when the primary market (ASX or NYSE) may be closed due to public holidays in the US or Australia - available yearly in advance
- fund holdings (available monthly)

Classes of units

The ETF referred to in this PDS is a class of units in the Fund.

As such it is only the ETF class of the Fund that is quoted under the AQUA rules of the ASX (refer to the section 'AQUA market of the ASX' for further details). This PDS relates only to the ETF class of units of the Fund

Under the constitution of the Fund, Vanguard is permitted to establish different classes of units and may create additional classes of units in the Fund in the future.

1. Key features of the ETF offer

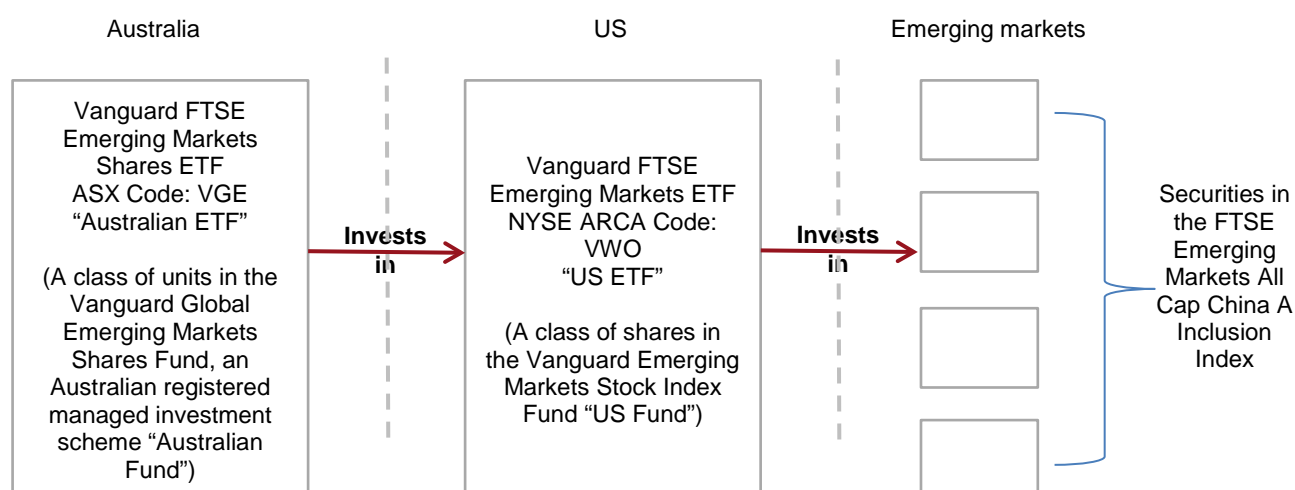
Who is Vanguard?

Vanguard Investments Australia Ltd ("Vanguard") is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with more than AUD \$5.5 trillion in global assets under management as of 31 March 2017, including more than AUD\$940 billion in ETFs. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

Vanguard FTSE Emerging Markets Shares ETF structure

The Vanguard FTSE Emerging Markets Shares ETF is a class of units in an Australian registered managed investment scheme that invests in a US-listed ETF that provides emerging markets exposure.

Vanguard FTSE Emerging Markets Shares ETF structure



Investors in the Australian ETF do not hold a direct interest in the US ETF. The Australian Fund holds a direct interest in the US ETF and, consequently, investors in the Australian ETF have an indirect exposure to the US ETF. The US ETF is an exchange-traded class of shares in the Vanguard Emerging Markets Stock Index Fund ("US Fund"). For further information about the US ETF, refer to the section 'Additional information about the underlying security holding'. The US Fund invests in the emerging market securities in the FTSE Emerging Markets All Cap China A Inclusion Index.

This structure differs from the cross-listing structure used in other international ETFs, which offer investors Clearing House Electronic Subregister System ("CHESS") Depositary Interests ("CDIs") in shares of an ETF that is listed on an overseas exchange.

Comparison between features of the Vanguard FTSE Emerging Markets Shares ETF and the cross-listed international ETFs:

	Vanguard FTSE Emerging Markets Shares ETF	Cross-listed international ETF
Nature of investment	Investors hold a unit in an Australian registered managed investment scheme, which invests in the US ETF. The units are quoted on the ASX under the ASX Operating Rules Schedule 10A ("AQUA Rules").	Investors generally hold a CDI, an Australian financial instrument representing a beneficial interest in the US ETF. A depositary nominee holds legal title to shares in the US ETF on behalf of CDI holders. The CDIs are generally quoted on the ASX under the AQUA Rules.
US withholding tax	<p>The Australian Fund is subject to US withholding tax on distributions paid by the US ETF.</p> <p>US withholding tax arises at the Australian Fund level and not the investor level. The investor does not have to complete the appropriate W-8 form in order to benefit from the reduced 15% withholding tax. Vanguard will manage the completion of a W8-BEN-E form for the Australian Fund.</p>	<p>Investors are subject to US withholding tax on distributions paid by the US ETF.</p> <p>An investor must complete a W-8BEN or W-8BEN-E form, if applicable, for income to be taxed at a reduced withholding tax rate of 15%. If an investor does not submit the form, the distribution may have 30% withholding tax deducted.</p>
US estate tax	Does not apply.	US estate tax may apply on the death of an investor.
Distribution reinvestment plan	Investors may be eligible to participate in a Distribution Reinvestment Plan (refer to the section 'Distribution Reinvestment Plan').	Not available.

Being structured as an Australian managed fund (rather than using a CDI structure) simplifies administration and reporting and eliminates certain US estate tax consequences and certain US withholding tax information collection requirements for investors, while still enabling investors to benefit from the other advantages of investing in local ETFs, including the ability to transact during Australian market hours, settle payments in Australian dollars and access a diversified portfolio of emerging market securities through investing in the US ETF.

Summary of offer to Authorised Participants

The ETF offer	<p>The Vanguard FTSE Emerging Markets Shares ETF is a class of units in the Vanguard Global Emerging Markets Shares Fund (ARSN 147 937 906). The Vanguard Global Emerging Markets Shares Fund invests in the US ETF.</p> <p>From time to time, the Fund may also invest directly in the securities in the FTSE Emerging Markets All Cap China A Inclusion Index or securities which have been or are expected to be included in the FTSE Emerging Markets All Cap China A Inclusion Index where the Responsible Entity considers it necessary to achieve the investment objective.</p>
Who is this offer to?	<p>The offer in this PDS is only available to Authorised Participants - that is, entities who have entered into an Authorised Participant Agreement with Vanguard - referred to in this PDS as Authorised Participants.</p> <p>Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'), other investors cannot apply for or redeem units with Vanguard and must instead purchase units on the ASX.</p> <p>The offer is not available to US Persons as defined under Regulation S of US federal securities laws.</p>
Secondary market	<p>At the time of lodgement of this PDS with ASIC (being the date of this PDS), the ETF units have been admitted to Trading Status on the ASX and the ETF units are able to be traded on the market in the same way as other securities traded on the ASX (refer to the section 'Quotation under the AQUA Rules of the ASX' for further details).</p>
Applications*	<p>ETF units can only be applied for in multiples of units that represent creation unit amounts (baskets).</p> <p>Application amounts must be in the form of either a Standard Basket Application or a Cash Application (as selected by an Authorised Participant in their application request).</p> <p>For Standard Basket Applications, an Authorised Participant can apply for the ETF units by transferring to Vanguard securities in the form of a number of US ETF shares and/or other securities determined by Vanguard which form part of the Index, together with any balancing cash payments ("Standard Basket") and entering into a foreign exchange transaction with Vanguard. Where an Authorised Participant makes a Standard Basket Application and the Application is accepted by the Issuer, the Authorised Participant and the Issuer are automatically taken to have entered into a foreign exchange transaction to support the application settlement process.</p> <p>Cash Applications are made with an amount of cash equal to the value of the ETF units being created determined by reference to the purchase price applicable to the transaction. Cash Applications are subject to a buy spread. The buy spread is added to the net asset value per unit of the Fund and will form part of the consideration for the ETF units.</p> <p>The Australian ETF units are transferred through CHESS.</p>

Redemptions*

ETF units can only be redeemed in multiples of units that represent creation unit amounts (baskets).

The amount payable to an Authorised Participant on redemption (the withdrawal amount) must be paid by way of either a Standard Basket or a Cash Redemption (as selected by an Authorised Participant in their redemption request).

A Standard Basket for redemptions is a parcel of US ETF shares and/or other securities determined by Vanguard which form part of the Index, together with any balancing cash payment required. For Standard Basket redemptions, the Authorised Participant must also enter into a foreign exchange transaction with Vanguard. Where an Authorised Participant makes a Standard Basket Redemption and the Redemption request is accepted by the Issuer, the Authorised Participant and the Issuer are automatically taken to have entered into a foreign exchange transaction to support the redemption settlement process.

A Cash Redemption is made by an amount of cash equal to the value of the ETF units being redeemed determined by reference to the withdrawal price applicable to the transaction.

Cash amounts (other than any balancing cash payment) in any withdrawal amount are subject to a sell spread. The sell spread is deducted from the net asset value per unit of the Fund and will form part of the consideration for the ETF units.

Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'), ETF investors can only redeem ETF units if they are an Authorised Participant who is also an Australian resident for tax purposes under the constitution for the Fund. ETF units redeemed will be settled through CHES.

The withdrawal amount provided to an Authorised Participant on the redemption of ETF units may also generally include a distribution of the income of the Fund. Refer to sections '6. Distributions' and '9. Taxation of ETF units' of this PDS for further information regarding how this distribution is determined.

Distributions

Distributions are generally calculated quarterly at 31 March, 30 June, 30 September and 31 December each year or at such other times as determined by Vanguard.

Unitholders who hold ETF units on the relevant distribution entitlement date will be entitled to receive a distribution in respect of the relevant distribution period, where the Fund has income available for distribution.

The withdrawal amount paid to an ETF investor on the redemption of ETF units may also include a distribution of the income of the Fund, if the Fund has income available for distribution in that manner as determined under the terms of the Constitution.

Refer to sections '6. Distributions' and '9. Taxation of ETF units' of this PDS for further information regarding how this distribution is determined.

* Please refer to section '5. How to transact with Vanguard' for more details about the application and redemption process for Standard Baskets, and the section 'Buy/sell spreads' regarding the buy and sell spreads.

2. Role of certain entities in regard to the Vanguard ETF

There are a number of parties involved in the ongoing administration and quotation of the ETF as detailed in the following:

Investment Manager/ Responsible Entity	Vanguard is the responsible entity of the Fund and is responsible for the ongoing management of the assets of the Fund.	Vanguard Investments Australia Ltd Level 34, Freshwater Place 2 Southbank Boulevard Southbank Vic 3006
Custodian	The custodian is the holder of the assets on behalf of the responsible entity.	JPMorgan Chase Bank NA (Sydney branch) Level 18 85 Castlereagh Street Sydney NSW 2000
Registrar	The role of the registrar is to keep a record of the investors in the ETF. This includes details such as the quantity of the securities held, tax file numbers (if provided) and details of distribution reinvestment plan participation (where this is offered).	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067

Refer to section '10. Other information you need to know' for more details on the responsible entity and custodian.

Market maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for ETF units. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as buyer and seller of ETF units throughout the day; and
- Acting as or through an Authorised Participant relationship and applying for and redeeming ETF units, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The market maker uses information such as the Pricing Basket and NAV prices to determine the price of ETF units and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the ETF have been selected on the basis of their experience in trading and market making in both Australia and international markets. Most importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted ETF products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) may also have global experience in trading exchange traded fund securities in other markets, such as the New York Stock Exchange. Vanguard may change the lead market maker or appoint additional market makers.

Material contracts

Vanguard, or The Vanguard Group, Inc., has entered into a number of contracts in relation to the offer of the ETF as follows:

FTSE International Limited	Index Licence Agreement. The licence allows the use of certain indices in the operation of the ETF.
JPMorgan Chase Bank, N.A. (Sydney branch)	Custodian Agreement which sets out the services provided by the custodian on an ongoing basis.
Computershare Investor Services Pty Ltd	Registry Services Agreement which sets out the services provided by the share registrar on an ongoing basis.

Quotation under the AQUA Rules of the ASX

The AQUA market service aims to provide managed funds, exchange traded funds and structured products with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement facilities offered by the ASX.

The key distinction between products admitted under the ASX Listing Rules and those quoted under the ASX AQUA Rules is the level of influence that the issuer has over the underlying instrument. See table below for the main differences between the ASX Listing Rules and the ASX AQUA Rules:

ASX Listing Rules	ASX AQUA Rules
<p>The equity issuer:</p> <ul style="list-style-type: none">Controls the value of its own securities and the business it runs, andThe value of those securities is directly influenced by the equity issuer's performance and conduct. <p>For example, a company's management and Board generally control the company's business and, therefore, have direct influence over the company's share price.</p>	<p>The product issuer:</p> <ul style="list-style-type: none">Does not control the value of the assets underlying its products; butOffers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. <p>The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.</p> <p>For example, a managed fund issuer does not control the value of the shares it invests in.</p>

Source: ASX Rules Framework (2011)

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules.

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	<ul style="list-style-type: none">Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> 2001 (<i>Corporations Act</i>).	<ul style="list-style-type: none">Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i>.There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. <p>What obligations apply under the AQUA Rules?</p> <ul style="list-style-type: none">There is an obligation on issuers of ETFs to disclose information about the NAV of the ETFs daily via either the Market Announcements Platform ("MAP") or issuer's website (as specified in the ETF's Product Disclosure Statement).Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via "MAP".Any other information that is required to be disclosed to ASIC under section 675 of the <i>Corporations Act</i> must be disclosed to the ASX via MAP at the same time it is disclosed to ASIC.

Periodic disclosure	<ul style="list-style-type: none"> Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules. 	<ul style="list-style-type: none"> Responsible entities of AQUA Products that are ETFs are still required to lodge financial reports with ASIC under Chapter 2M of the <i>Corporations Act</i>. Under the AQUA Rules, the Responsible Entity must disclose these financial reports to the ASX at the same time as lodgement with ASIC. Issuers of ETFs must disclose the total number of ETF Securities on issue via MAP within 5 business days of the end of each month.
Corporate control	<ul style="list-style-type: none"> Requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes. 	<ul style="list-style-type: none"> Certain requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	<ul style="list-style-type: none"> Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions. 	<ul style="list-style-type: none"> Chapter 10 of the Listing Rules does not apply to AQUA Products. ETFs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the <i>Corporations Act</i>.
Auditor rotation obligations	<ul style="list-style-type: none"> There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i>. 	<ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the <i>Corporations Act</i>. Responsible entities of registered Managed Investment Schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the <i>Corporations Act</i> and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).
Product disclosure	<ul style="list-style-type: none"> Entities admitted under the Listing Rules are subject to the requirements of the <i>Corporations Act</i> in relation to the issue of a PDS or prospectus. Information on the risks associated with an investment in a product is expected to be included. 	<ul style="list-style-type: none"> Products quoted under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i>. Investors should read the PDS or prospectus carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

Source: ASX Rules Framework (2011) and ASX Operating Rules.

3. Vanguard FTSE Emerging Markets Shares ETF

The ETF offered in this PDS is:

Vanguard ETF	Vanguard FTSE Emerging Markets Shares ETF (ASX Code: VGE)
Underlying index	FTSE Emerging Markets All Cap China A Inclusion Index
Investment objective	Seeks to track the return of the FTSE Emerging Markets All Cap China A Inclusion Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax.
Investment strategy*	<p>Invests in the Vanguard FTSE Emerging Markets ETF listed on the New York Stock Exchange Arca (NYSE Code: VWO), which seeks to track the performance of the FTSE Emerging Markets All Cap China A Inclusion Index in USD.</p> <p>From time to time, the ETF may also invest directly in the securities in the FTSE Emerging Markets All Cap China A Inclusion Index or securities which have been or are expected to be included in the FTSE Emerging Markets All Cap China A Inclusion Index where Vanguard, as Responsible Entity, considers it necessary to achieve the investment objective.</p>
Management costs**	0.48% p.a.

* Please refer to the section 'Investment strategy' below for further information.

**Please refer to section '7. Fees and other costs' for further information.

Investment strategy

To track the performance of the benchmark Index, the Fund will invest substantially all of its assets in the US listed Vanguard FTSE Emerging Markets ETF listed on the New York Stock Exchange Arca (NYSE Code: VWO).

The Fund may also, from time to time, hold underlying securities included in the benchmark Index or which have been or are expected to be included in the Index. This may occur if, for example, the Australian Fund comes close to holding 3% of the US Fund, as the Australian Fund is restricted under US law from holding more than 3% of the assets of the US Fund. Vanguard considers that the risk of this occurring is low because at 28 February 2017, the US Fund had assets exceeding USD60 billion. The Fund may hold underlying securities in the benchmark at any time, including where the Australian Fund holding comes close to the 3% limit.

Futures traded on a licensed exchange may be used in the Australian Fund to gain market exposure without investing directly in the US ETF. This allows Vanguard to maintain the Fund's liquidity without being under-invested. Importantly, derivatives are not used to leverage the Australian Fund's portfolio.

The Australian Fund does not hedge its exposure to foreign currencies. Investments in the ETF are subject to the currency risk of emerging markets securities and the value of the investment may decrease because of unfavourable changes in currency exchange rates.

The Australian Fund does not lend securities. The investment strategy of the US Fund permits the lending of securities. For further details regarding the US Fund's investment strategy, including securities lending by the US Fund, please refer to the section 'US Fund investment strategy'.

Performance

Monthly performance information for the Australian ETF and historical performance relative to the Index will be published on Vanguard's website at www.vanguard.com.au. Neither the return of capital nor the performance of the Australian ETF is guaranteed. Past performance is not an indication of future returns.

Vanguard reports performance of the ETF based on the NAV of the Australian Fund. From time to time reported performance will differ from that of the benchmark index due to timing differences in how assets are valued in the Australian Fund compared with the benchmark index. For example, the assets of the ETF, the US ETF shares, are valued at the close of the NYSE while the index securities are valued at the close of their respective listing exchange.

The performance of the Australian Fund will differ from the returns of the US Fund. This arises from timing differences in how assets are valued in the Australian Fund compared with the valuation basis used in the US Fund. In addition, the Australian Fund will be valued in AUD whereas the US Fund is valued in USD.

The primary assets of the Australian Fund, the US ETF shares, are valued at the closing market price on the NYSE, which may be higher or lower than the net asset value of the US ETF on the relevant day.

Although it is expected that the market price of the US ETF will typically approximate its net asset value, there may be times when the market price and the net asset value of the US ETF differ more significantly.

The market price of the Australian ETF units on the secondary market will also vary from the NAV of the Australian ETF units. There can be a number of factors influencing the current market price and causing it to differ from the NAV including the share price movement of the securities in the index used by the ETF, the share price movement of the US ETF, investor demand for the ETF and the spread between the bid price (price at which participants are willing to buy) and the offer price (price at which participants are willing to sell).

Changes to investment objectives and strategy

Vanguard may, from time to time, vary the investment objective and/or strategy of the Australian Fund. The manager of the US Fund, The Vanguard Group, Inc., may also, upon approval by the US Fund's board of trustees, change the investment strategy or index of the US ETF and in this case the investment objective and/or strategy of the Australian Fund may be changed to align with the US ETF.

Such variations may include changes to the target index chosen for the Fund. Vanguard will notify investors of any such changes.

Environmental, social and ethical considerations

Vanguard does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

Index information

The US Fund seeks to track the FTSE Emerging Markets All Cap China A Inclusion Index. The FTSE Emerging Markets All Cap China A inclusion Index is a market-capitalisation-weighted index representing the performance of large-, mid- and small cap securities located in emerging markets around the world. The index is comprised of approximately 3,658 securities from 22 countries, and contains FTSE China A All Cap Index securities adjusted for the aggregate approved Qualified Foreign Institutional Investor (QFII) and Renminbi QFII (RQFII) quotas available to international investors.

Markets included in the FTSE Emerging Markets All Cap China A Inclusion Index are determined by numerous factors including economic development, market capitalisation, the regulatory environment and the degree of restrictions on foreign investment, custody and settlement, and the dealing landscape. Index securities are determined so that all regions taken together aim to reflect 98% of the market capitalisation before adjustments for free float, foreign ownership limits and security liquidity. The markets included in the FTSE Emerging Markets All Cap China A Inclusion Index are reviewed by FTSE on a regular basis.

Countries within the FTSE Global Equity Index Series are usually reviewed semi-annually. The review process is designed to reflect recent market movements (including new issues, changes in market capitalisation, liquidity and free float) and to minimise turnover. Securities may be added or removed from the Index between reviews to reflect significant new issues or corporate events.

Index values are calculated daily using exchange closing prices and respective foreign exchange rates.

For information regarding the benchmark index values, returns and methodology, please refer to FTSE's website <http://www.ftse.com/products/indices/GLOBAL-RQFII>

Additional information about the underlying security holding

To track the performance of the benchmark index, the Fund will invest substantially all of its assets in the US ETF. The US ETF is an exchange-traded class of shares in the US Fund. The US Fund is managed by The Vanguard Group, Inc. In addition to the US ETF, the US Fund offers several non-exchange traded (conventional mutual fund) classes of shares. All share classes offered by the US Fund have the same investment objective, strategies and policies. However, different share classes have different expenses and, as a result, their investment performances will differ.

US ETF features at a glance

Full name	Vanguard FTSE Emerging Markets ETF
Listing location	NYSE Arca
NYSE code (ticker symbol)	VWO
Structure	An exchange-traded class of shares in the US Fund. The US Fund is a series of a Delaware statutory trust registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940 as a diversified open-end management investment company.
Investment objective	Seeks to track the performance of a benchmark index that measures the investment return of securities issued by companies located in emerging market countries.
Index	FTSE Emerging Markets All Cap China A Inclusion Index
Investment manager	The Vanguard Group, Inc.

US Fund investment strategy

The US Fund employs an indexing investment approach designed to track the performance of the FTSE Emerging Markets All Cap China A Inclusion Index, a market-capitalisation-weighted index that is made up of approximately 3,658 common securities of large-, mid-, and small-cap companies located in emerging markets around the world. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

China A-shares (A-shares) are shares of Chinese companies that are traded locally on the Shanghai and Shenzhen stock exchanges. In order for foreign investors to purchase A-shares, a QFII or RQFII license and quota are required. The quota available to the US Fund through a Vanguard entity with an RQFII or QFII license may be limited by a Chinese regulator or the quota use of other Vanguard funds. A-shares are also available to foreign investors through the China-Stock Connect Program (Stock Connect), subject to separate quota limitations. It is possible that the A-shares quota available to the US Fund as a foreign investor may not be sufficient to meet the US Fund's investment needs. In this situation, the US Fund may underweight

A-shares relative to the index or seek an alternative method of economic exposure, such as by purchasing other classes of securities or depositary receipts, or by utilising derivatives. These options could increase the US Fund's index sampling risk or investment cost. Additionally, investing in A-shares generally increases emerging markets risk due in part to government and issuer market controls and the developing settlement and legal systems.

The US Fund may invest, to a limited extent, in equity futures and options contracts, warrants, convertible securities and swap agreements, all of which are types of derivatives. The US Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns.

The US Fund may also enter into foreign currency exchange forward contracts, which are a type of derivative, in order to maintain the same currency exposure as its benchmark index. However, the US Fund does not hedge its exposure to foreign currencies. Foreign currency exchange forward contracts would not prevent the US Fund's securities from falling in value as a result of risks other than unfavourable currency exchange movements.

The US Fund is permitted to lend its investment securities to qualified institutional investors (typically brokers, dealers, banks or other financial institutions), subject to the requirements of US regulators, which restrict the amount of securities which may be lent, require the borrower to pledge and maintain collateral with the US Fund and redeliver the securities upon request within the normal settlement time.

By lending its investment securities, the US Fund attempts to increase its net investment income through the receipt of interest on the securities lent. Any gain or loss in the market price of the securities lent that might occur during the term of the loan would be for the account of the US Fund.

US law and regulations limit the amount of securities lent to 33 1/3% of the fund's total assets and requires that the borrower pledge and maintain with the fund collateral consisting of cash, an irrevocable letter of credit or securities issued or guaranteed by the US government, having at all times not less than 100% of the value of the securities lent. The borrower is required to add to this collateral whenever the price of the securities lent rises. NYSE rules also require borrowers, after notice, to redeliver the securities upon request within the normal settlement time of three business days. The US Fund's securities lending agent lends securities only to a limited number of institutional investors pre-approved by the US Fund's investment manager, The Vanguard Group Inc., after robust credit analysis. The Vanguard Group Inc., analyses each borrower continually, adjusting permitted loan amounts as appropriate.

Net asset value and market price of the US ETF

The US ETF is listed for trading on the NYSE Arca and can be bought and sold on the US secondary market at market prices, which are established throughout the trading day.

Although it is expected that the market price of the US ETF typically will approximate its NAV price, there may be times when the market price and the NAV differ more significantly. Factors influencing the market price may include the price movement of the securities held by the US ETF, investor demand for the US ETF and the bid-ask spread.

The US ETF NAV price is relevant for investors transacting in the US primary market for the US ETF. The Australian ETF NAV price is relevant to Authorised Participants transacting in the Australian primary market for the Australian ETF. Please refer to section '5. How to transact with Vanguard' for further information.

The Vanguard Group, Inc. uses fair value pricing in calculating the NAV price of the US Fund if the value of a security that it holds has been materially affected by events that occur before the US Fund's pricing time but after the close of the principal exchange or market on which the security is traded. This most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the US Fund's pricing time. Intervening events include price movements in US markets that exceed a specified threshold or that are otherwise deemed to affect the value of foreign securities.

Liquidity of the US ETF

The primary and secondary markets may provide liquidity for the US ETF shares. The primary market may provide liquidity to authorised participants, which are typically large financial institutions authorised to purchase and redeem ETF shares directly with the US Fund. This liquidity reflects the open-ended nature of ETFs and may be affected by the liquidity of the securities held by the ETF. The secondary market may also provide liquidity for US ETF shares, which is typically evaluated by reference to the trading volume, trading frequency, and bid-offer spread associated with the US ETF shares.

Information about the risks of the US ETF which impact an investment in the Australian ETF is outlined in the section '4. Risks' below.

The information in the section 'Additional information about the underlying security holding' is largely referenced from the US Prospectus (and/or publicly available information) for the US ETF shares. For further information, please refer to the US Prospectus and Statement of Additional Information available by visiting The Vanguard Group, Inc. website at www.vanguard.com.

Performance of the US ETF

Information about the performance of the US Fund and historical performance relative to the Index can also be accessed at The Vanguard Group, Inc. website at www.vanguard.com. Past performance is not an indication of future performance.

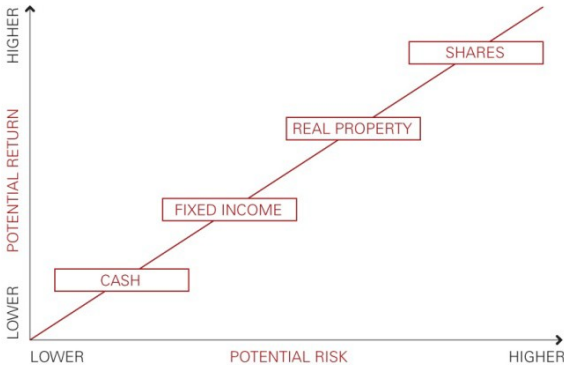
4. Risks

Investors in the ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in the ETF could lose money over short or even long periods.

The price of the ETF can fluctuate within a wide range, like fluctuations of the overall financial markets.

When considering an investment in the ETF, personal tolerance for fluctuating market values should be taken into account. An investment in the ETF is subject to investment risk including possible delays in repayment and loss of income or principal invested. Neither Vanguard nor its associates guarantee the performance of the ETF, the repayment of capital from the ETF or any particular rate of return.

The following table outlines the risks that can affect the performance of the ETF.

Type of risk	Description
Market risk	<p>Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lowest market risk. Bonds and equities (including property securities) have increasing levels of market risk. Short-term market risks are high to very high for most asset classes (including emerging markets securities). Below is a graphical representation of the risk/return relationship associated with various asset classes.</p>  <p>In any asset sector, the returns of individual securities are a combination of the market return and returns specific to each security. By diversifying their holdings across a market, index funds are generally well protected from the specific risk of individual securities (e.g. the delisting of securities) and fund returns are generally related to the market return and its associated risk.</p> <p>From time to time the number of securities in a given index may change due to factors such as index rebalancing. Investors should be aware that markets and currencies can be volatile and affect the returns of an investment portfolio.</p>
Emerging market risks	<p>The securities of companies in emerging markets may be substantially more volatile and substantially less liquid than the securities of companies located in more developed foreign markets.</p> <p>There is a risk that world events, such as political upheaval, financial troubles or natural disasters, will adversely affect the value of securities issued by companies in foreign countries or regions. This risk may be higher for investments in emerging markets than more developed markets.</p>
China A-shares risk	<p>The Index includes China A-shares. China A-shares are shares of Chinese companies that are traded locally on the Shanghai or Shenzhen stock exchanges. China A-shares risk is the chance that the US Fund may not be able to access a sufficient amount of China A-shares to track its target index. China A-shares are only available to foreign investors through a quota licence or the China-Stock Connect Program.</p>

US ETF risks

There are additional market risks related to the Fund's investment in a US listed ETF:

- the liquidity of the underlying US ETF may change;
- an active trading market for the US ETF may not be maintained;
- trading of the US ETF may be halted or suspended;
- the US ETF may be delisted; or
- the market price of the US ETF may trade at a discount to its net asset value.

Although the US ETF is listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained. Trading of the US ETF on NYSE Arca may be suspended by the activation of individual or market wide "trading halts" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of the US ETF may also be halted if the shares are delisted from NYSE Arca without first being listed on another exchange or NYSE Arca officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors. A trading halt or suspension of trading of the US ETF may prevent the accurate calculation of the NAV and may result in application or redemption requests being suspended. Please refer to the section 'Important note for applications and redemptions' for more information.

An active trading market may not exist for the US ETF. There is no guarantee of liquidity and, if the liquidity of the US ETF was reduced as a result of the risks listed above, Authorised Participants may incur collateral costs, transaction costs or other settlement expenses.

There is a risk that these costs may result in a wider bid-ask spread (difference between the price at which participants are willing to buy and sell) in the market price of the Australian ETF and may reduce liquidity of the Australian ETF on the secondary market.

Derivative risk

The primary risks associated with the use of derivative contracts are:

- the values of the derivative failing to move in line with the underlying asset (a performance difference);
- the potential lack of liquidity of the derivative;
- the Fund may not be able to meet payment obligations under the derivative contracts as they arise; and
- the counterparty to the derivative contract may not meet its obligations under the contract.

The risk of a performance difference is minimised by investing in derivative contracts where the behaviour is expected to resemble the key risk/return characteristics of the Fund's underlying securities. The risk that the Fund may not be able to close out a derivatives position is minimised by entering into such transactions on an exchange with an active and liquid secondary market, or with counterparties that are able to provide a minimum level of liquidity for any transactions in the over-the-counter market.

The Fund does not use derivative contracts to leverage the assets of the Fund.

The US Fund may also invest, to a limited extent, in futures and options contracts, warrants, convertible securities, swap agreements and foreign currency exchange contracts all of which are types of derivatives. The US Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indices.

If there is a performance difference between the derivatives used by the US Fund and the underlying emerging markets securities or if the derivatives used by the US Fund become illiquid or the counterparty does not meet its obligations under the contract, and this is reflected in the market value of the US ETF, then this will reduce the performance of the Australian ETF of the Australian Fund.

Regulatory and tax risk

The Fund and/or the ETF class, the investments of the Fund, including the US ETF and the tax consequences for investors investing in the ETF may be affected by tax changes or by changes to legislation or government policy both in Australia, the United States and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the Fund's investment objectives.

The Australian Fund is restricted under US law from holding more than 3% of the assets of the US Fund as a whole (i.e. the total assets of all classes in the US Fund). Vanguard intends to manage the fund assets so that the 3% limit is not reached and this could include ceasing to accept US ETF shares for Standard Basket Applications and investing in underlying securities in the benchmark index (please refer to 'Investment strategy').

Index tracking risk	<p>Vanguard employs an indexing investment strategy.</p> <p>Please refer to the section 'Performance' for an explanation of differences between the reported performance of the ETF and the benchmark index due to timing differences in how assets are valued in the Australian Fund compared with the benchmark index.</p> <p>In addition to the differences between the reported performance of the ETF and the benchmark index that occur as a result to these differences in valuation methodology, there is a risk that the reported performance of the Australian ETF does not match that of the target index, and the Australian Fund may fail to meet its objectives, as a result of:</p> <ul style="list-style-type: none"> ▪ the US Fund failing to closely track its index; and ▪ the costs of managing the portfolios that are not measured by the index.
Fund risk	<p>Investing in a managed investment scheme carries with it the risks of that investment vehicle including:</p> <ul style="list-style-type: none"> ▪ the costs of managing the Fund may not be measured by the index for the Fund (tracking error); ▪ the securities in the index for the Fund may change due to changes in the industry or the relevant sector; ▪ the fees and costs for the Fund could change (refer to the section 'Maximum fees set out in the constitution' for information about the limits on changes to fees and costs); ▪ the Fund may give different results than investing directly in the underlying securities yourself because of the tax consequences of the income and/or capital gains accrued in the Fund. The Fund may also realise capital gains in implementing its investment strategy (for example, in changing the investment strategy and/or target index); ▪ Vanguard could be replaced as the responsible entity and/or investment manager for the Fund; or ▪ the Fund could terminate. <p>There is also a risk that investing in Australian ETF units may give different results to direct investment in the US ETF because of:</p> <ul style="list-style-type: none"> ▪ differences in the purchase price of the US ETF shares and differences in the time when you acquire units in the Australian Fund; ▪ the income or capital gains accrued in the Australian Fund and the consequences of investment and withdrawal by other investors; ▪ differences in determining the NAV price of the Australian ETF units compared with determining the NAV price of the US Fund or US ETF; and ▪ differences in accounting or tax treatments.
Currency risk	<p>Currency risk is the chance that the value of a foreign investment, measured in Australian dollars, will decrease because of unfavourable changes in currency exchange rates. Neither the Australian Fund nor the US Fund it invests in hedges its exposure to foreign currencies.</p> <p>Fluctuations in the value of the Australian dollar relative to the emerging markets currencies can affect the returns of the Australian ETF. A fall in the value of the Australian dollar relative to the emerging markets currencies may increase the value of the ETF units and a rise in the value of the Australian dollar relative to these currencies could decrease the value of the ETF units.</p>
Operational risk	<p>ETFs are subject to a number of operational risks including in relation to the administration and reporting of the Fund and the possibility that errors are made in the provision of services to an ETF.</p> <p>The failure of a service provider to adequately administer or report accurately in relation to the Fund or its investments may adversely impact the operations or performance of the Fund.</p> <p>There is a risk that circumstances beyond Vanguard's reasonable control could prevent Vanguard from managing the Fund in accordance with its investment strategy and as otherwise contemplated by this PDS. Examples of these circumstances include strikes, industrial disputes, fires or other catastrophe, war, civil disturbance, terrorist acts, governmental pre-emption in connection with a state of emergency and epidemics (including potential epidemics). By investing in this Fund you agree that Vanguard is not liable if Vanguard is prevented from managing the Fund by circumstances beyond its reasonable control.</p>

<p>Trading risk</p>	<p>In certain exceptional circumstances such as market disruptions, the ASX may suspend the trading of ETF units and therefore investors will not be able to buy or sell ETF units on the ASX. Where the fund has been suspended from trading, but remains liquid, Vanguard will use its best endeavours to take all reasonable steps within its control to seek to have the ETF recommence trading as soon as possible. In these circumstances, Vanguard may suspend the application and redemption process for Authorised Participants. If applications and redemptions are suspended, Vanguard will make an announcement on the ASX Market Announcements Platform.</p> <p>The ASX also imposes certain requirements for ETF units to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the ETF units remain quoted. There can be no assurances that there will always be a liquid market for securities traded on the AQUA market. Vanguard has obligations to have market making arrangements in place under certain circumstances under the AQUA Rules. Vanguard has appointed a market maker to assist in maintaining liquidity for the ETF on the ASX.</p> <p>The purchase price and withdrawal amount applicable to ETF units may from time to time differ from the trading price of ETF units on the ASX. The trading price is dependent on a number of factors including the demand and supply of units, investor confidence and how closely the value of the assets of the ETF tracks the performance of the index.</p> <p>If you buy or sell ETF units on the secondary market, you will pay or receive the trading price, which may be higher or lower than the NAV.</p>
<p>Counterparty risk</p>	<p>The risk that the Fund may incur a loss due to the failure of a counterparty to meet their obligations under a contract. The Fund's counterparties may include brokers, clearing houses and other agents.</p> <p>The Australian Fund may be exposed to counterparty risk through its investments in the US Fund. If the US Fund lends securities and the borrower defaults on its obligation to return the securities lent because of insolvency or other reasons, the US Fund could experience a loss of a portion of the assets held by the counterparty or delays and costs in recovering the securities lent or in gaining access to the collateral.</p>
<p>Spread risk</p>	<p>Cash Transactions are subject to variations in the applicable buy/sell spread. The buy/sell spread can be varied at Vanguard's discretion depending on, for example, market liquidity conditions or the total amount of cash received in applications or redemptions for units on any particular day.</p>

5. How to transact with Vanguard

An Authorised Participant may apply for and/or redeem a number of units in the ETF by completing the ETF Application/Redemption Form either in the form attached to this PDS or through Vanguard's online portal. Applications and redemptions must be in multiples of the creation unit for the ETF.

Prior to transacting with Vanguard, an Authorised Participant must also enter into an Authorised Participant agreement with Vanguard and if access is requested, agree to additional terms and conditions to use the Vanguard online portal. Please contact the Vanguard ETF Capital Markets Team on 1300 655 888 for more information.

Authorised Participants may apply for ETF units and/or redeem ETF units:

- using the published application/redemption basket for the relevant ETF ("Standard Basket"); or
- for an amount of cash ("Cash Transactions"). For more information regarding Cash Transactions please refer to the section titled 'Cash Transactions'.

Investors who are not Authorised Participants cannot apply for ETF units with Vanguard through this PDS, but may purchase ETF units on the ASX. Other than in exceptional circumstances (please refer below to the section 'Withdrawal rights for investors other than Authorised Participants'), investors who are not Authorised Participants cannot redeem ETF units with Vanguard, but may seek to sell ETF units on the ASX through their broker or adviser.

Standard Baskets consist of two components:

- an application/withdrawal securities component; and
- a cash component, being the balancing cash payment.

These components are described later in this section.

What is the application/withdrawal securities component?

This component of the Standard Basket corresponds to a quantity of shares in the US ETF, and/or underlying securities in the Index and is prepared by Vanguard prior to the opening of trading for every ASX trading day for the ETF, except where the NYSE is closed for trading, in which case Vanguard may suspend application or redemption requests.

Authorised Participants will need to acquire US ETF shares and/or underlying securities in the Index on the secondary market in order to provide the application securities component to Vanguard.

Initial application units in the Australian ETF were issued at a unit price of \$50.

What is the cash component?

In a Standard Basket the cash component is a balancing amount that ensures the consideration for an application or redemption of ETF units equals the value of the ETF units issued or redeemed as determined by the applicable purchase or withdrawal price.

Standard Basket applications/redemptions

ETF Application/Redemption requests indicating a Standard Basket and received from Authorised Participants before the order cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF.

The order cut-off time for Standard Basket applications or redemptions is normally 4:00pm on each ASX trading day. An earlier cut-off will apply when the ASX market closes earlier than 4:00pm. In this instance the order cut-off time will be the closure time of the ASX.

ETF Application/Redemption requests received after the order cut-off time on an ASX trading day or on a non-ASX trading day are treated as being received prior to the cut-off time on the next ASX trading day. Please refer to the section 'Valuations and pricing' on for more details.

For Standard Basket applications, the Authorised Participant must deliver to Vanguard the basket components applicable to the Standard Application Basket for the ETF together with any cash balancing payment. The Authorised Participant, in return, will receive the equivalent value of ETF units. The Authorised Participant and the Issuer must also deliver cash amounts required to settle the securities transactions on a delivery versus payment basis and are automatically taken to have entered into a foreign exchange transaction on the terms set out in the Authorised Participant Agreement to facilitate these payments.

For Standard Basket redemptions, the Authorised Participant must deliver to Vanguard the ETF units and will, in return, receive the basket components applicable to the Standard Basket for the ETF, any cash balancing payment. The Authorised Participant and the Issuer must also deliver cash amounts required to settle the securities transactions on a delivery versus payment basis and are automatically taken to have entered into a foreign exchange transaction on the terms set out in the Authorised Participant Agreement to facilitate these payments.

There is no buy/sell spread applicable to Standard Basket applications or redemptions.

Vanguard reserves the right to refuse any application or redemption request in relation to a Standard Basket. If an application or redemption request is rejected, the Authorised Participant will be notified.

Cash Transactions

ETF Application/Redemption requests received before the cut-off time on an ASX trading day are processed at the next determined purchase or withdrawal price for the ETF. If accepted, ETF Application/Redemption requests received after the order cut-off time or on a non-ASX trading day are treated as being received prior to the cut-off time on the next ASX trading day.

The cut-off time for Applications is normally 3.30pm on each ASX trading day and the cut-off time for Redemptions is normally 2.00pm on each ASX trading day. An earlier cut-off will apply when the ASX closes early. In this instance, please contact the Vanguard ETF Capital Markets Team on 1300 655 888 to determine the cut-off time.

An Authorised Participant may be subject to a maximum application amount for Cash Transactions as determined by Vanguard in its absolute discretion. Applications for ETF units exceeding the maximum application amount may not be accepted.

For applications, the Authorised Participant must deliver to Vanguard an amount of cash equal to the value of the ETF units determined according to the purchase price and will, in return, receive the ETF units. On an application the settlement of cash and ETF units occurs on T+2 (i.e. the second business day after the trade).

For redemptions, the Authorised Participant must deliver to Vanguard the ETF units and will, in return, receive an amount of cash equal to the value of the ETF units determined according to the withdrawal price. On redemption, the settlement of cash and ETF units occurs on T+3 (i.e. the third business day after the trade). Where over the settlement period, the NYSE is closed for settlement, but the ASX is open for settlement, settlement of the ETF units and cash amounts may be extended to the next day when ASX is open for settlement.

The purchase/withdrawal price will include a buy/sell spread. For more information regarding buy/sell spreads please refer to section '8. Additional explanation of fees and costs'.

Vanguard reserves the right to refuse any application or redemption request to the extent permitted by the constitution of the Fund. If an application or redemption request is rejected, the Authorised Participant will be notified.

Important note for applications and redemptions by Authorised Participants

There may be occasions where Vanguard may suspend application or redemption requests. This may generally occur around the end of a distribution period when Vanguard is calculating and paying the distributable income for the relevant period and during ASX or NYSE trading or settlement holidays or where there are factors, as determined by Vanguard, which prevent the accurate calculation of unit prices.

With the exception of Cash Transactions, applications for Australian ETF units will generally occur on T+2 (second ASX business day after the trade) and redemptions generally on T+3 (third business day after the trade), however, delivery may be on a basis other than that stated to accommodate public holidays in the US or other closings of the NYSE during the settlement period. For every occurrence of one or more intervening holidays in the US, the settlement cycle in Australia may be extended by the number of such intervening holidays.

Delivery of US ETF shares will generally occur on T+3 in the US for applications and redemptions. However, delivery may be shortened or extended to accommodate public holidays in the US, Australia or other closings of the ASX or the NYSE during the settlement period. Settlement of Application securities on the NYSE may be shortened so that the transaction settles on the same value date as the settlement of the ETF units through CHESS. For every occurrence of one or more intervening holidays in Australia, the settlement cycle may be extended by the number of such intervening holidays.

Please refer to the section 'Cash Transactions' above for more details on settlement timeframes for cash transactions. Other factors, as determined by Vanguard, which prevent the accurate calculation of unit prices, such as the suspended trading of the US ETF may also result in application or redemption requests being suspended. Vanguard will advise investors in the event that such a suspension will occur.

While the Fund is liquid for the purposes of the *Corporations Act*, Vanguard must redeem ETF units within 30 days of the date on which the redemption request is received or such longer period as permitted in accordance with the Fund's constitution. The Fund is liquid if 80% of the value of the Fund's assets comprises liquid assets. If the Fund is illiquid, a withdrawal request must be dealt with in accordance with the constitution and the *Corporations Act*. You may not be able to withdraw the investment if the Fund is illiquid. It is not expected that the Fund will be illiquid.

Cash Redemptions received on a single day which exceed 5 percent of the value of the Fund may be processed progressively over a period of up to 20 consecutive business days at the withdrawal price applicable for each day the redemption is processed.

No cooling off period applies in relation to ETF units.

Withdrawal rights for investors other than Authorised Participants

Other than in exceptional circumstances (see below), investors other than Authorised Participants cannot redeem ETF units with Vanguard but instead may seek to buy or sell ETF units on the ASX through their broker or adviser.

As a condition of ASIC equal treatment relief, ASIC requires that in certain circumstances, investors other than Authorised Participants have a right to redeem units directly with Vanguard. When ETF units are suspended from trading on the ASX for more than 5 consecutive ASX trading days, ETF investors have a right to withdraw from the Fund and receive a cash payment for their ETF units within a reasonable time (within 60 days of the date on which the redemption request is received or such longer period as permitted in accordance with the Fund's constitution) unless:

- the Fund is being wound up;
- the Fund is not liquid for the purposes of the *Corporations Act*; or
- Vanguard, as responsible entity of the Fund, suspends redemptions of ETF units in accordance with the provisions of the constitution.

Investors (other than Authorised Participants) may redeem in these circumstances by completing a Direct Redemption Form in accordance with the Secondary Market Direct Redemption Policy, both of which are available by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

A sell spread may apply where this right is exercised. Please refer to section '8. Additional explanation of fees and costs' for more information about the sell spread. Unitholders who withdraw from the Fund will receive the withdrawal price calculated by deducting the sell spread from the ETF NAV price.

No minimum withdrawal amounts apply in these circumstances.

Valuations and pricing

The NAV of the Australian ETF is the applicable portion of the Fund's NAV as is determined to be referable to the ETF under the rules set out in the Fund's constitution. Under these rules, the amount of the NAV of the Fund that is allocated to the ETF class of the Fund is based on the value of units on issue for each class and the liabilities which are specific to each class (including the ETF class). As at the date of this PDS the ETF class is the only class of units in the Fund. For the purposes of determining the unit price of ETF units, in respect of applications and redemptions received by Vanguard before the cut-off time on an ASX trading day, the NAV will generally be determined on the next ASX trading day. Applications and redemptions for ETF units received by Vanguard after the order cut-off time on an ASX trading day or on a non-ASX trading day will be treated as being received are processed at the purchase or withdrawal price of the ETF units applicable to that transaction as at the next Fund valuation point.

The purchase price per unit is determined by dividing so much of the NAV of the Fund as is allocated to the ETF class by the number of units on issue in the ETF class at the time the purchase price is determined, and adjusted by the applicable buy spread for the transaction.

The withdrawal price is also determined by dividing so much of the NAV of the Fund as is allocated to the ETF class by the number of units on issue in the ETF class at the time the withdrawal amount is determined, adjusted by the applicable sell spread for the transaction.

The withdrawal amount paid to an Authorised Participant on the redemption of ETF units will generally include an

entitlement to the distributable income of the Fund. Please refer to section '6. Distributions' for further details regarding how this entitlement is determined. The balance of the withdrawal amount will comprise payment of the withdrawal price of the ETF units.

Details of the daily NAV price and Pricing Basket will be made available on Vanguard's website at www.vanguard.com.au or by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

Unit pricing policy

Vanguard has documented its policy as to how it determines unit prices for its managed funds (including the ETF). The policy has been designed to meet the ASIC requirements and Vanguard's Unit Pricing Discretions Policy is available on request to all investors and prospective investors at no charge by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

The policy explains Vanguard's approach in relation to valuation methodology, rounding of decimal places, cut-off times for receiving instructions and the frequency of distributions and unit pricing discretions generally.

Facsimile, email and online instructions

For Authorised Participants advising Vanguard via facsimile, e-mail or online in respect of instructions (including application and redemption requests) it is important to be aware that Vanguard:

- is deemed to have accepted an ETF application or redemption request, only when Vanguard confirms an order has been accepted;
- will only process an ETF application or redemption request if it is received by Vanguard in full and has been completed to Vanguard's satisfaction;
- is not responsible for any loss or delay that results from a facsimile, e-mail or online transmission not being received by Vanguard;
- will not accept:
 - a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile; or
 - a return receipt as evidence of receipt of an e-mail; or any screenshot or extract of an online transaction produced by the sender as evidence of an online instruction;
- does not take responsibility for any fraudulent or incorrectly completed instructions; and
- will not compensate for any losses relating to facsimiles, e-mails or online instructions, unless required by law. For example, the risk that a facsimile, e-mail or online transmission may be sent by a person who knows the investor's account or security details will be borne by the investor.

In the event of fraud the investor agrees to release, discharge and indemnify Vanguard from and against all actions, claims, demands, expenses and liabilities (however they arise) suffered by the investor or suffered by or brought against Vanguard, in respect of the facsimile, e-mail or online instructions, to the extent permitted by law.

Authorised Participants should refer to their Authorised Participant agreement and Vanguard ETF Execution and Settlement procedures for further information in relation to transacting in ETF units. Please contact the Vanguard ETF Capital Markets Team on 1300 655 888 for more information.

6. Distributions

Distributions

Distributions may include income earned by the Fund or any other amounts that Vanguard considers appropriate for distribution. As at the date of this PDS, Vanguard intends for the distributions made by the Fund to be based on the taxable income earned by the Fund for each year. The income of the Fund will generally include income earned on holding and disposing of the assets of the Fund.

Where the Fund is an AMIT (see further "Taxation" section below), as distributions for each period may be based on estimates or exclude certain types of income, the amount distributed may differ to the taxable income attributed to investors for tax purposes. Any taxable income of the Fund that is not distributed for the period will either be held back for distribution in a later period in the same financial year, or accumulated in the Fund. Vanguard may, from time to time, review its approach to distributions and elect to distribute on an alternative basis.

Distributions for the Vanguard FTSE Emerging Market Shares ETF will generally be made on a quarterly basis. However, Vanguard may distribute at other times, alter the distribution periods and, in the limited circumstances discussed below, defer the distribution entitlement date.

Distributions will normally be paid within 20 business days following the end of the distribution period. The amount of distributions will vary from period to period and there may be periods in which no distribution is made. If this should occur, details will be available on our website.

All ETF unitholders as at the end of the distribution entitlement date may be entitled to the distribution for that distribution period. The distribution entitlement date is generally the last day of the distribution period. However, there are certain limited and exceptional circumstances where the distribution entitlement date is deferred to the next business day following the end of the distribution period (see 'Deferral of distribution entitlement date').

Distributions are calculated on a per unit basis and will be based on the number and class of units on issue in the relevant Fund as at the end of the distribution period.

Details in relation to the distributions by the Funds will be made available via an ASX announcement and on Vanguard's website. Investors must be registered as a Unitholder at the record date (as advised in the ASX announcement) to be eligible for the

distribution.

Deferral of the distribution entitlement date

The distribution entitlement date (other than 30 June) may be deferred, in certain limited and exceptional circumstances, to the first business day following the end of the relevant distribution period, where the ASX is closed for settlement on the first business day after the end of a distribution period, but the ETF class units may be traded on the ASX on that day. The distribution entitlement date is deferred, in these circumstances, on the basis that ETF units are not able to be quarantined as being ex-distribution on that day. This means that where the distribution entitlement date is deferred in these circumstances, ETF investors who purchase ETF units on the first business day after the distribution period will be entitled to the distribution for that distribution period and ETF investors who sell ETF units on the first business day after the distribution period will not be entitled to the distribution. Vanguard will announce details of when this will occur on the ASX Market Announcements Platform or on its website.

Allocation of taxable income of the Fund on redemption

An Authorised Participant who redeems ETF units in the ordinary course may be attributed or distributed part of the taxable income of the relevant Fund. Please refer to section '9. Taxation of ETF units' for further information regarding how this entitlement is determined.

Distribution Reinvestment Plan

From time to time ETF investors may be able to participate in Vanguard's Distribution Reinvestment Plan ("DRP"). Participation in the DRP is subject to terms and conditions. As long as the DRP is offered, ETF investors can choose to:

- participate in the DRP, in which case any distributions to which an investor is entitled will be reinvested in additional ETF units; or
- not participate in the DRP, in which case distributions will be paid directly to an investor's nominated Australian bank account.

If no DRP election is made, an investor will be deemed to have elected not to participate in any DRP on offer and distributions will automatically be paid as cash. An investor's DRP election continues until the investor makes a new DRP election.

Investors can obtain a copy of the DRP and elect to participate in the DRP by registering online via Vanguard's share registrar Computershare or by calling Computershare on 1300 757 905. Investors will be notified of changes to the DRP on Vanguard's website at www.vanguard.com.au.

Vanguard ETF

Register online for DRP

Vanguard FTSE Emerging Markets Shares ETF

www.computershare.com.au/easyupdate/VGE

7. Fees and other costs

Did you know? Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features, such as superior investment performance or the provision of better member services, justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more: If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

Fees and other costs

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Australian ETF's assets as a whole.

Taxes are set out in another part of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs for investors other than Authorised Participants

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil ^A	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	Vanguard's management fee: 0.48% p.a. Indirect costs: 0.00% p.a. ^C	The management cost for the ETF incorporates Vanguard's management fee and an estimate of any indirect costs (if applicable). Vanguard's management fee is calculated as a percentage of the ETF's net asset value ^B . The fee is calculated daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the Fund and is reflected in the daily ETF unit price. Indirect costs (if applicable) refer to the costs which reduce the returns of the ETFs, such as certain over-the-counter derivatives. Please refer to the section "Additional explanation of fees and costs" for further information about how and when indirect costs apply.
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable

A Other than in exceptional circumstances, investors other than Authorised Participants cannot redeem ETF units with Vanguard, but may seek to sell ETF units on the ASX through their broker or adviser. Please refer to the section 'Withdrawal rights for investors other than Authorised Participants' for circumstances where investors other than Authorised Participants may have rights to redeem ETF units with Vanguard. In these circumstances, buy/sell spread or other costs may apply. Please refer to the section 'Additional explanation of fees and costs' for more information concerning these costs.

B Please refer to the section 'Valuations and pricing' for an explanation of the net asset value for the Fund.

C Indirect costs are based on the financial year ended 30 June 2017 and to the extent necessary are estimated by Vanguard using reasonable assumptions.

Example of annual fees and costs for investors other than Authorised Participants

The following table provides an example of how the fees and costs can affect an investment in the Fund over a one year period. You should use this table to compare the products with other managed investment products.

Example - Vanguard FTSE Emerging Markets Shares ETF

Balance of \$50,000 with a contribution of \$5,000 during year

Contribution fees	Nil	For every \$5,000 you put in, you will be charged \$0.
PLUS management costs, comprising	0.48% p.a.	And , for every \$50,000 you have in the Fund you will be charged \$240 each year.
Vanguard's management fee	0.48% p.a.	
Indirect costs	0.00% p.a.	
EQUALS cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in \$5,000 during that year you will be charged fees of \$240 ^A . The management fee for the Fund is non-negotiable.

A Assumes that the \$5,000 investment occurs on the last business day of the year and that there is a constant investment of \$50,000 throughout the year.

Fees and costs for Authorised Participants

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Cash Applications: Nil ^A Standard Basket Applications: \$150 ^B	Transaction Costs apply to Authorised Participants when making Standard Basket Applications
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Cash Redemptions: Nil ^A Standard Basket Redemptions: \$150 ^B	Transaction Costs apply to Authorised Participants making Standard Basket Redemptions
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	Vanguard's management fee: 0.48% p.a. Indirect costs: 0.00% p.a. ^D	The management cost for the ETF incorporates Vanguard's management fee and an estimate of any indirect costs (if applicable). Vanguard's management fee is calculated as a percentage of the ETF's net asset value ^C . The fee is calculated daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the Fund and is reflected in the daily ETF unit price. Indirect costs (if applicable) refer to the costs which reduce the returns of the ETFs, such as certain over-the-counter derivatives. Please refer to the section "Additional explanation of fees and costs" for further information about how and when indirect costs apply.
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable

A Buy/sell spreads apply. Please refer to the section 'Buy/sell spreads' for more information concerning buy/sell spreads. These costs do NOT apply to investors buying or selling ETF units on the ASX.

B Please refer to the section 'Transaction Costs for Authorised Participants' for more information.

C Please refer to the section 'Valuations and pricing' for an explanation of the net asset value for the Fund.

D Indirect costs are based on the financial year ended 30 June 2017 and to the extent necessary are estimated by Vanguard using reasonable assumptions.

Example of annual fees and costs for Authorised Participants

The following table provides examples of how the fees and costs can affect an investment in the Fund over a one year period. You should use this table to compare the products with other managed investment products.

Example - Vanguard FTSE Emerging Markets Shares ETF		Balance of \$50,000 with a contribution of \$5,000 during year
Contribution fees	Cash Transactions: Nil ^A	For Cash Transactions, for every \$5,000 you put in, you will be charged \$0.
	Standard Basket Applications: \$150 ^B	For Standard Basket Applications, for every \$5,000 you put in, you will be charged \$150.
PLUS management costs, comprising	0.48% p.a.	And , for every \$50,000 you have in the Fund you will be charged \$240 each year.
Vanguard's management fee	0.48% p.a.	
Indirect costs	0.00% p.a.	
EQUALS cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in \$5,000 during that year you will be charged fees of \$390 ^C . The management fee for the Fund is non-negotiable.

A A minimum creation unit size of 5,000 units applies for Cash Transactions by Authorised Participants and a buy spread also applies. Please refer to the section 'Buy/sell spreads' for more information. These costs do NOT apply to investors buying or selling ETF units on the ASX.

B A minimum creation unit size of 20,000 units applies for Standard Basket transactions by Authorised Participants and the contribution fee will be \$150 for 20,000 units. Please refer to the section 'Transaction Costs for Authorised Participants' for more information. These costs do NOT apply to investors buying or selling ETF units on the ASX.

C Assumes that the \$5,000 investment occurs on the last business day of the year and that there is a constant investment of \$50,000 throughout the year.

8. Additional explanation of fees and costs

Management costs

Management costs comprise the fees or costs that a unitholder incurs by investing in the Fund. Management costs are made up of Vanguard's management fee that is deducted from the returns of the Funds and may include indirect costs. The management costs shown do not include any potential extraordinary expenses. In addition, management costs do not include transactional and operational costs i.e. costs associated with investing the underlying assets, some of which may be recovered through buy/sell spreads.

Management fee

The management fee component is a fixed amount that Vanguard deducts from the assets of the Funds and comprises Vanguard's remuneration for managing the Funds overseeing the operations of the Funds. The management fee is calculated as a percentage of the Fund's net asset value (or the relevant class of units where the Fund has multiple classes). The fee is accrued daily in the unit price and paid monthly in arrears. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the relevant Fund.

As at the date of this PDS, Vanguard pays any expenses that are recoverable from the Funds out of the management fee at no additional charge to you. The management fee includes Goods and Services Tax (GST) after taking into account any expected input tax credits.

Ordinary expenses of the Funds that Vanguard may recover through the management fee includes:

- custodian fees (excluding transaction based fees);
- accounting and audit fees;
- any other recoverable expenses permitted under the constitution of the Fund, such as the cost of preparing and amending the constitution, the cost of producing the PDS, postage and other Fund administration expenses.

The management fee may not be used to cover extraordinary expenses (such as litigation, the cost of investor meetings or other costs if incurred in the future). Such extraordinary expenses may be recovered from the assets of the Fund as an additional expense to the management fee where permitted under the constitutions.

For any Funds that invest in an underlying Fund, Vanguard's management fee in the underlying Fund(s) is fully rebated back to the investing Fund.

The management fee of investing in the Funds are capped until further notice.

In calculating taxable income for the Funds, all available tax deductions are taken into account. This means that the effective after-tax cost to investors of investing in a Fund may be lower than the amounts specified in the PDS for the Fund, to the extent that management costs are a tax deductible expense and reduce the taxable income of that Fund.

Indirect costs

Indirect costs are included as part of the management costs disclosed in the fee table for each Fund in the PDS. Indirect costs include the management costs of interposed vehicles (for example, the management fee of an underlying investment trust or exchange traded fund) and certain costs of over-the-counter derivatives. For any Funds that invest in an underlying Vanguard Fund which is managed by Vanguard, Vanguard's management fee in the underlying Fund(s) is fully rebated back to the relevant investing Fund and so does not need to be counted in indirect costs for the relevant Fund.

It is important to note that indirect costs are reflected in the unit price of a Fund. Indirect costs are not an additional fee paid to Vanguard. Indirect costs disclosed in the PDS for each Fund are based on the financial year immediately prior to the issue date of the relevant PDS and to the extent necessary are estimated by Vanguard using reasonable assumptions. Indirect Costs may vary over time. Where changes to indirect costs are not materially adverse to investors, the information may be

updated on our website.

Changes to management fees

Vanguard may alter the management fee in accordance with the constitution of the Funds. The constitutions governing the Funds generally limit the amount of the management fee component (excluding GST) to 1.50% p.a. This limit does not apply to ordinary expenses of the Funds that Vanguard incurs and covers out of the management fee or to any extraordinary expense of the Fund that is otherwise able to be recovered. Any increase to the management fee above these maximums will generally require unitholder approval.

Transactional and operational costs

In addition to the management costs, there are transactional and operational costs incurred in managing the assets of the Funds. Most of these costs would be incurred by investing directly in the underlying securities. Such costs arise whenever the Funds buy or sell assets to invest applications, fund withdrawals or to generally manage the Fund in accordance with its investment objective. Where these costs arise as a result of applications and withdrawals, these costs will generally be covered by the inclusion of a buy/sell spread in the purchase or withdrawal price.

Transactional costs can include either "explicit costs", comprising those costs that are deducted from the assets of the Fund for a particular transaction, such as brokerage, commission and stamp duties, or "implicit costs", comprising those costs that are incurred in day-to-day trading of the Fund's assets and reflected in the unit price. Implicit costs can arise as a result of bid-offer spreads being applied by trading counterparties to securities traded by the Fund and are factored into the individual asset value and reflected in the unit price. They are an additional cost of investing to the investor and are not a fee paid to Vanguard.

These costs will depend on the actual turnover of assets.

There may occasionally be higher trading activity than usual, such as to implement a change of index or asset allocation. In this case, there may be a higher than usual turnover of assets and consequently a temporary increase in transaction costs.

Further information about the Fund's transactional and operational costs, including the estimated costs for the last financial year, is contained in the Vanguard Transactional and Operational Costs Guide. This document should be read together with the current PDS for the Funds, and will be available from 30 September 2017 on our website. It will also be possible to obtain a copy free of charge, on request.

Transaction Costs for Authorised Participants

A separate fee will be charged in relation to the Transaction Costs associated with the application/redemption of units by way of Standard and Custom Basket transactions (ETF Recovery Fee). This represents the costs associated with the custodian in respect of the issue or redemption of units in the transaction. Vanguard may vary the Transaction Costs from time to time and will notify Authorised Participants electronically of any change.

The following table indicates the Transaction Costs for Standard and Custom Basket transactions for the ETF application or redemption. Cash Transactions do not incur these Transaction Costs.

Transaction Costs for Authorised Participants ^A	Application (\$)	Redemption (\$)
Vanguard FTSE Emerging Markets Shares ETF	AUD 150	AUD 150

A These Transaction Costs are current as at the date of issue of this PDS.

Buy/sell spreads

Vanguard may include a buy spread component in the purchase price and a sell spread component in the withdrawal price. The buy/sell spread for each fund is Vanguard's reasonable estimate of the transaction costs that the fund may incur to buy and sell assets when investing applications and funding withdrawals and is not separately charged to the investor. The buy/sell spread is paid to the Funds to meet these expenses and is not received by Vanguard.

The purpose of the buy/sell spread is to protect investors from the costs generated by the transaction activity of other investors. Investors who invest into a Fund will pay the purchase price calculated by adding the buy spread to the Fund's net asset value per unit (or the net asset value of the relevant class of units where the Fund has multiple classes). Investors who withdraw from a Fund will receive the withdrawal price calculated by deducting the sell spread from the Fund's net asset value per unit (or the net asset value of the relevant class of units where the Fund has multiple classes).

There may be circumstances where the buy spreads or sell spreads will be lower or higher - for example, they may be higher when there are large or prolonged withdrawals from the Fund. For further details on how buy/sell spreads are calculated, you can request a copy of Vanguard's policy on unit pricing discretion.

Vanguard will provide details of the buy/sell spread to Authorised Participants electronically.

Vanguard may vary the buy/sell spreads from time to time including increasing these without notice when it is necessary to protect the interests of existing investors and if permitted by law. The updated information will be provided to Authorised Participants electronically.

Withdrawal costs for investors other than Authorised Participants

In certain exceptional circumstances investors who are not Authorised Participants may have the right to redeem ETF units with Vanguard (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'). In these circumstances, Vanguard may charge a sell spread to reflect Vanguard's reasonable estimate of the costs that the Fund incurs when processing the withdrawal request. The sell spread is an additional cost to the investor that is paid to the Fund and not

received by Vanguard.

Investors who exercise their right to withdraw from the Fund in these circumstances will receive the withdrawal price calculated by deducting the sell spread from the Fund's net asset value per unit. The sell spread charged (per unit) to investors withdrawing from the Fund, will not be greater than the sell spread charged (per unit) to an Authorised Participant that redeems a creation unit amount of ETF units.

Details of any applicable sell spread will be provided by Vanguard on request from the Vanguard ETF Capital Markets Team on 1300 655 888.

Stockbroker fees for all other investors

Investors (other than Authorised Participants) may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell ETF units on the ASX) when buying and selling ETF units on the ASX. Please consult a stockbroker for more information in relation to their fees and charges.

9. Taxation of ETF units

The taxation information in this PDS is provided for general information only. It is a broad overview of some of the Australian tax consequences associated with investing in the ETFs, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in an ETF and should not be used as the basis upon which potential ETF investors make a decision to invest in an ETF.

For example, the taxation information provided in this PDS:

- deals only with the Australian tax consequences of investing in ETF units for Australian tax residents;
- does not consider any non-Australian tax consequences of investing in ETF units;
- assumes that the ETF units will not be held as trading stock;
- assumes that the ETF units will not be subject to the fair value, hedging or financial reports elections under the rules affecting the taxation of financial arrangements; and
- does not apply to investors who are exempt from Australian income tax.

As each investor's circumstances are different, Vanguard strongly recommends that investors obtain independent professional tax advice concerning the tax implications of investing in and dealing in ETF units. This is particularly the case if the taxation information provided in this PDS does not apply to the investor, for example, where the investor is not an Australian tax resident.

The taxation information in this PDS has been prepared based on tax laws and administrative interpretations of such laws available at the time of publication of this PDS, which may change.

Attribution Managed Investment Trusts (AMIT)

A new regime for the taxation of managed investment trusts (MITs) has been enacted, referred to as the Attribution Managed Investment Trust (AMIT) rules. Subject to eligibility, Vanguard may elect for a Fund to be classified as an AMIT and be subject to the AMIT rules.

The AMIT rules also provide for qualifying AMITs that have multiple classes of units on issue to elect for each class to be treated as a separate trust for the purposes of determining and attributing the taxable income of the relevant trust to investors. Subject to eligibility and the election being in the best interests of investors, Vanguard may make this election for a multi-class Fund.

Vanguard has assessed the eligibility of each of the Funds to elect into the AMIT regime and has disclosed on our website whether or not the AMIT regime will apply to each of the Funds.

For Funds that are subject to the new AMIT regime:

- The amount and components of the taxable income of the Fund which investors will be assessed on should be determined by reference to a statement provided by Vanguard to investors after the end of the year, known as the AMIT Member Annual Statement ("AMMA statement"). The AMMA statement will set out the amount and character of each component of income of the Fund which Vanguard attributes to the investor each year and which the investor should be assessed on.
- If the amount distributed to an investor exceeds the taxable income attributed to the investor, investors should be required to recognise a decrease in the tax cost base of their units in the Fund. If the taxable income attributed to an investor exceeds the amount distributed, then investors should be entitled to an increase in the tax cost base of their units. Vanguard's estimate of these net cost base increase or decrease amounts will also be disclosed to investors through the AMMA statement.
- It is possible for the amount of taxable income that is attributed to an investor to differ from and potentially exceed the amount distributed to an investor. This is likely to arise if Vanguard determines to accumulate taxable income in accordance with the Fund constitution. In this instance, the investor should be entitled to a net increase in the cost base of their units, as discussed above.
- The Constitution for the Fund sets out the basis upon which Vanguard will attribute the taxable income of the Fund to investors. This should be based on the components of income that are reflected in the distributions made to investors during the year, and, in relation to income that is accumulated, based on a pro rata attribution of this income to investors at the time determined by Vanguard for this purpose. The Constitution also allows for attribution to investors who redeem their units in the Fund in certain circumstances (please refer to 'Redemption Income Entitlements' below for further information).
- Although Vanguard expects that the Funds will be taxed under the AMIT tax regime, the Constitutions for the Funds will also provide for a situation where the Funds are non-AMIT. The taxation of a non-AMIT Fund is discussed below.

Non-Attribution Managed Investment Trusts (non-AMIT)

A Fund that does not qualify or elect to be an AMIT will be subject to the ordinary trust taxation provisions in the tax legislation. Broadly, investors in a fund that is a non-AMIT will be distributed and made "presently entitled" to all of the income of the Fund each year, and will be assessed on their proportionate share of the taxable income of the Fund each year.

Investors will be provided with tax statements after the end of each financial year detailing the components, for income tax purposes, of any net taxable income of the relevant Fund that they may be assessed on for the financial year as a result of their entitlements to the income of the relevant Fund. This information should assist investors in preparing their tax return for the year.

Categories of income from the Funds

Franking credits

Where a Fund invests in Australian equities, the tax components on which you are assessed as a result of your investment in the Funds may include franking credits attached to franked dividends derived by the Fund in respect of Australian equities. Subject to the relevant qualification requirements (including 45 day holding period and related payments rule) these franking credits do not form part of your cash receipts but will need to be included in your taxable income and, depending on your particular circumstances, may be available to offset your tax liability. Certain investors may also be entitled to a refund if the franking credits exceed your total income tax liability.

Foreign income

Income received by a Fund from sources outside Australia may be subject to tax in the country of source. Australian tax resident investors may be entitled to claim a foreign income tax offset against their Australian tax liability in respect of their share of the foreign tax paid.

Capital gains

Where you become assessed on a net capital gain from the Fund, to the extent the net capital gain includes a discounted gain, you may be required to gross up the net capital gain by doubling the discounted gain component. You may then apply any of your current or prior year capital losses to reduce the grossed up capital gain.

Depending on your circumstances, you may be able to apply the capital gains tax (CGT) discount (50 percent for individuals and certain trusts and 33.33 percent for complying superannuation funds) to arrive at your net capital gain. This amount should be included in the calculation of your taxable income.

As the Funds are trusts and are eligible for the discount capital gains concession, they may distribute (where the Fund is not an AMIT) or attribute (where the Fund is an AMIT) amounts that are referable to the discount capital gains concession. Depending on your circumstances, the receipt or attribution of those amounts may not be assessable and may not result in a reduction in the cost base of your units in the Funds.

CGT tax election

There are tax rules that allow an eligible "managed investment trust" to make an irrevocable election to apply the CGT rules as the primary code for the taxation of gains and losses on disposal of certain assets by the Fund. Vanguard has made this election for the Funds that are eligible.

Non-assessable distributions

A Fund may make distributions of amounts which are non-assessable to the investor, such as amounts that are referable to the discount capital gains concession. Receipt of certain non-assessable amounts may have CGT consequences, including the potential for cost base adjustments for investors, depending on their circumstances, and subject to the discussion above regarding capital gains concession amounts. The way in which these cost base adjustments operate can differ depending on whether the Fund is an AMIT or non-AMIT.

Other gains

Gains and losses in relation to investments of certain Funds, including foreign currency gains arising from the investment of the Funds, may be assessed as income under provisions other than the capital gains tax provisions of the Income Tax Assessment Act 1997 (Cth). The net taxable income of the Fund on which you are assessed may include a component of assessable income which is referable to those gains.

Selling or transferring units

If an investor in an ETF disposes of ETF units by selling or transferring the units to another person (e.g. selling ETF units on-market), the investor may be liable for tax on any gains realised on that disposal of units.

If an investor is assessed otherwise than under the capital gains tax provisions on a disposal of ETF units (e.g. if the investor is in the business of dealing in securities like ETF units), any profits or gains realised on the sale or transfer of the units should be assessable as ordinary income. Those investors may be able to deduct any losses made on the sale or transfer of ETF units against current or future assessable income amounts, subject to certain integrity requirements.

For investors who are assessed under the capital gains tax provisions on the disposal of ETF units, a capital gain or loss may be made on the disposal of ETF units. Where a capital gain has been made, some investors may be eligible for the discount capital gains concession (50% for individuals and certain trusts and 33.33% for complying superannuation funds) which can be applied to reduce the investor's net capital gains on the disposal of ETF units after capital losses are applied. In order for the discount capital gains concessions to be available, certain requirements may need to be satisfied (such as the units being held for at least 12 months before they are disposed of). Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of ETF units may only be offset against capital gains made in that year or subsequent years.

Goods and Services Tax ("GST")

The issue and withdrawal of ETF units will not be subject to GST. However, fees and expenses, such as management costs, incurred by a Fund will attract GST.

Given the nature of the activities of the Funds, the Fund may not be entitled to claim input-tax credits for the full amount of the GST incurred. However, a Reduced Input-Tax Credit ("RITC") should be available to be claimed against the GST paid on the expenses incurred by the relevant Fund.

The GST and expected RITC relating to fees and expenses are incorporated in the management cost for each Fund.

Applying for and redeeming ETF units

A person will only be eligible to apply for and redeem ETF units in the ordinary course if they are an Authorised Participant.

This section seeks to provide a summary of the income tax consequences of applying for and redeeming ETF units by Authorised Participants who are assessed on the disposal of ETF units otherwise than under the capital gains tax provisions.

We recommend Authorised Participants obtain independent professional tax advice regarding the tax consequences of applying for and redeeming ETF units, particularly if they may be assessed on the disposal of ETF units under the capital gains provisions.

Applications

The ETF units which an Authorised Participant acquires on an application for ETF units should be taken to have been acquired at a cost equal to the purchase price of those units.

Redemption Income Entitlements

An Authorised Participant who redeems ETF units will become entitled to receive the withdrawal amount on the redemption.

The redemption of ETF units by an Authorised Participant may result in the Authorised Participant being assessed on some of the taxable income of the Fund, through a distribution of income or an attribution under the AMIT regime. This includes, but is not limited to, income (including capital and other gains) realised by a Fund to fund the redemption of ETF units by the Authorised Participant.

An Authorised Participant who redeems ETF units should also be assessed on any profit arising on the redemption of the ETF units. An Authorised Participant who redeems ETF units may be entitled to a deduction for any loss arising on the redemption of ETF units.

The tax consequences for an Authorised Participant will depend on their particular circumstances.

Vanguard will notify an Authorised Participant of the amount of the taxable income of the Fund on which they are assessed as a result of redeeming ETF units after the end of the financial year in which the ETF units are redeemed.

The provisions in the Constitutions for the Fund that provide for an Authorised Participant who redeems ETF units to be assessed on part of the taxable income of the Fund seek to ensure that any taxable income that arises for a Fund as a result of the redemption of ETF units by the Authorised Participant should be allocated to the Authorised Participant, rather than continuing investors in ETF units.

In order to redeem ETF units, the Authorised Participant must also be an Australian Resident as defined in the constitution for the Fund. This means that the Funds should not be required to withhold any amounts from the withdrawal amount paid on redemption of ETF units on account of the Authorised Participant being assessed on the taxable income of the Fund as a result of redeeming ETF units in the Fund.

An Authorised Participant will be an Australian Resident as defined in the constitution of each Fund if they provide Vanguard with an undertaking that they have been an Australian Resident for tax purposes from the beginning of the financial year in which the undertaking is made, and that they expect to continue to be an Australian Resident for tax purposes for all subsequent financial years, and have not subsequently notified Vanguard to the contrary.

10. Other information you need to know

Vanguard as the responsible entity

Vanguard, as the responsible entity, is solely responsible for the management and administration of the Fund. Vanguard holds an Australian Financial Services Licence (AFSL 227263) that authorises it to act as the responsible entity of the Fund. The powers and duties of Vanguard are set out in the constitution of the Fund, the *Corporations Act* and general trust law. The duties of Vanguard under the *Corporations Act* include:

- acting in the best interests of investors and, if there is a conflict between investors' interests and Vanguard's interests, giving priority to investors' interests
- ensuring that Fund property is clearly identified as Fund property and held separately from property of Vanguard and property of any other fund, and is valued at regular intervals
- ensuring that payments out of Fund property are made in accordance with the *Corporations Act*
- reporting to ASIC any significant breach or likely breach of an obligation under the general AFSL conditions under section 912A of the *Corporations Act* and any breach of the *Corporations Act* that relates to the Fund and has had, or is likely to have, a materially adverse effect on the interests of investors

Vanguard has the power to appoint an agent, or otherwise engage a person, to do anything that it is authorised to do in connection with the Fund.

The constitution

The Fund is a registered managed investment scheme and governed by a constitution. Under the constitution, Vanguard has all the powers of a natural person in respect of the Fund. The constitution for the Fund sets out the rights and obligations of the unitholders and Vanguard (as responsible entity of the Fund). This PDS outlines some of the more important provisions of the constitution.

A copy of the constitution for the Fund may be inspected by unitholders at Vanguard's office, during business hours. Vanguard will provide unitholders with a copy of the constitution upon request.

Amendments to the constitution

Vanguard may amend the constitution of the Fund from time to time, subject to the provisions of the constitution and the *Corporations Act*. Generally, Vanguard can only amend the constitution where Vanguard reasonably believes that the change will not adversely affect the rights of a unitholder. Otherwise the constitution can only be amended if approved at a meeting of unitholders.

The custodian

Vanguard has appointed JP Morgan Chase Bank, N.A. (Sydney branch) (ABN 43 074 112 011) to provide custodial, settlement and other related services in relation to the Funds.

In their capacity as custodian, JP Morgan provides custodial services to Vanguard (as responsible entity) and is responsible for the safekeeping of the assets of the Fund.

The role of the custodian is generally limited to holding the assets of the Fund and acting on behalf of the responsible entity in accordance with proper instructions (except in limited circumstances where the custodian has a discretion to act without instructions).

The custodian has no supervisory obligation to ensure that Vanguard complies with its obligations as responsible entity of the Fund. The custodian may change from time to time but must satisfy any relevant regulatory requirements.

JPMorgan Chase Bank N.A. (Sydney branch) Level 18
85 Castlereagh Street
Sydney NSW 2000

The compliance plan

Vanguard has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan sets out the key criteria that Vanguard will follow to ensure that it is complying with the *Corporations Act* and the Fund's constitution. Each year, compliance with the compliance plan is independently audited, as required by the *Corporations Act*, and the auditor's report is lodged with ASIC.

The compliance committee

Vanguard is required to and has established a compliance committee with a majority of members that are external to Vanguard. The compliance committee's functions include:

- Monitoring Vanguard's compliance with the compliance plans and reporting its findings to Vanguard;
- Reporting breaches of the *Corporations Act* or the constitution to Vanguard;
- Reporting to ASIC if the committee is of the view that Vanguard has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- Assessing the adequacy of the compliance plan, recommending any changes and reporting these to Vanguard.

Reporting and disclosure obligations

Vanguard, as responsible entity of the Fund will comply with the provisions of the *Corporations Act*, including the continuous disclosure requirements that apply to an unlisted disclosing entity as if the Fund were an unlisted disclosing entity. As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations. We will meet our continuous disclosure obligations by disclosing new material information on our website in accordance with ASIC's good practice guidance. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Vanguard can also provide you with a copy (free of charge) of:

- the Annual Financial Report most recently lodged with ASIC for the Fund;
- any half-yearly fund financial reports lodged with ASIC in relation to the Fund after the lodgement of the Annual Financial Report and before the date of the PDS;
- any continuous disclosure notices given for the Fund after the lodgement of the Annual Financial Report and before the date of the PDS; and
- a transaction statement detailing holdings and transactions will be provided to ETF investors at least once a year.

Change of index

The responsible entity has the right to change the index or index provider. If an index were to be changed, the responsible entity would make an announcement to the ASX and take other steps as required by law or the AQUA Rules.

The manager of the US Fund, The Vanguard Group, Inc., may change the index or the investment strategy of the US ETF.

Rights of a unitholder

A unit confers a beneficial interest on a unitholder in the assets of a fund but not an entitlement or interest in any particular part of the fund or any asset.

The terms and conditions of the Fund's constitution are binding on each unitholder in the Fund and all persons claiming through them respectively, as if the unitholder or person were a party to the constitution.

Reimbursement of expenses

In addition to any other indemnity which Vanguard may have under the Fund's constitution or at law, Vanguard is indemnified and entitled to be reimbursed out of, or paid from, the assets of the Fund for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as responsible entity of the Fund.

Related party arrangements

The Responsible Entity is a wholly owned subsidiary of The Vanguard Group Inc. and part of the Vanguard Group. For these purposes, a related party includes certain entities and individuals that have a close relationship with the Responsible Entity, including, but not limited to The Vanguard Group Inc. itself, other subsidiaries of The Vanguard Group Inc. and other funds operated or managed by members of the Vanguard Group.

The Responsible Entity may from time to time use the services of related parties (including, but not limited to, investment management and administration) and pay commercial rates for these services. The Responsible Entity may also enter into financial or other transactions with related parties in relation to the assets of the Fund and such arrangements will be based on arm's length commercial terms or as otherwise permissible under the law.

In the course of managing the Fund the Responsible Entity may come across conflicts in relation to its duties to a Fund, related funds and its own interests. The Responsible Entity has internal policies and procedures in place to manage all conflict of interest appropriately. These policies and procedures will be reviewed on a regular basis and may change from time to time. In addition to complying with these policies and procedures, all conflicts will be resolved in a fair and reasonable manner, in accordance with the relevant law and ASIC requirements.

Retirement of Vanguard

Vanguard may retire as responsible entity of the Fund by calling a meeting of unitholders to enable unitholders to vote on a resolution to choose a company to be the new responsible entity. Vanguard may be removed from office by an extraordinary resolution (i.e. 50% of all units in the Fund entitled to vote, including members who are not present in person or by proxy) passed at a meeting of unitholders, in accordance with the *Corporations Act*.

Termination

Vanguard may wind up the Fund at any time on giving notice to unitholders. Following winding up, the net proceeds will be distributed to unitholders.

Limitation of liability of unitholders

The Fund's constitution provides that the liability of each unitholder is limited to its investment in the Fund and that a unitholder is not required to indemnify Vanguard or a creditor of Vanguard against any liability of Vanguard in respect of the Fund, except as otherwise set out in the constitution, including that:

- a person applying for units indemnifies Vanguard against any liability in respect of the applicant paying or failing to pay the application amount; and
- an Authorised Participant who redeems units indemnifies Vanguard against any liability in respect of a withdrawal amount otherwise than as required by the constitution.

However, no complete assurance can be given in this regard, as the ultimate liability of a unitholder has not been finally determined by the courts.

Meeting of unitholders

Vanguard may convene a meeting of unitholders of the Fund at any time (e.g. to approve certain amendments to the Fund's constitution or to wind up the Fund). Unitholders also have limited rights to call meetings and have the right to vote at any unitholder meetings. Except where the Fund's constitution provides otherwise, or the *Corporations Act* requires otherwise, a resolution of unitholders must be passed by unitholders who hold units exceeding 50% in value of the total value of all units held by unitholders who vote on the resolution.

A resolution passed at a meeting of investors held in accordance with the Fund's constitution binds all investors of the Fund.

Indemnities and limitation of liability of Vanguard

In general, Vanguard may act on the opinion of, advice of and information obtained from advisers and experts. In those cases, Vanguard is not liable for anything done in good faith in reliance on that opinion, advice or information. Vanguard is indemnified out of the Fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of its duties or prosecuting or defending any action or suit in connection with the Fund other than if it arises out of Vanguard's fraud, negligence or breach of trust.

Vanguard is not liable personally to unitholders or other persons for failing to act except in the case of fraud, negligence or breach of trust or duty.

Borrowings

Vanguard is empowered by the constitution of the Fund to borrow or raise money for the Fund, however Vanguard will only borrow where it believes it is in the best interests of unitholders to do so. It is not currently Vanguard's intention to borrow for the purposes of gearing.

If you have a complaint

If investors have a complaint regarding the fund or the services provided by Vanguard, please contact Vanguard Client Services on 1300 655 102 from 8:00am to 6:00pm Melbourne time, Monday to Friday.

If the complaint is not satisfactorily resolved, you can refer the matter in writing to:
Client Services Manager, Vanguard Investments Australia Ltd, GPO Box 3006, Melbourne, Vic, 3001.

Vanguard will try to resolve the complaint and get back to investors as soon as possible, but in any event, we will provide a final response within 45 days of receipt.

In the event that investors are not satisfied with the outcome of the complaint, they have the right to refer the matter to an external dispute resolution scheme. Vanguard is a member of the Financial Ombudsman Services (FOS). Investors can contact FOS on 1800 367 287.

Privacy policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard collects personal information in the ETF Application/Redemption Form and may collect personal information from external sources, such as the share registrar. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers for certain related purposes (as described under the *Privacy Act 1988 (Cth)*) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

FATCA is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS).

Similarly, the Organisation for Economic Cooperation and Development (OECD) has established a reporting regime (CRS), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions as of 1 July 2017.

Under FATCA, the Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA and CRS status, including self-certification forms. The Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, CRS or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax adviser to determine what actions investors may need to take in order to comply with FATCA and CRS.

Anti-money laundering and counter-terrorism financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* ("AML/CTF Laws"). By submitting an ETF Application/Redemption request (via an ETF Application/Redemption Form or Vanguard's online portal), the investor agrees that:

- they do not apply for or redeem ETF units under an assumed name;
- money used to acquire the securities is not derived from or related to any criminal or terrorist financing activities;
- any proceeds of the investment will not be used in relation to any criminal or terrorist financing activities; and
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the units).

Vanguard may obtain information about the investor or any beneficial owners from third parties if it is believed this is necessary to comply with AML/CTF Laws. Additionally, in order to comply with these laws, Vanguard may be required to disclose information to relevant regulators of AML/CTF Laws (whether in or outside of Australia).

Under AML/CTF Laws applications and/or redemption requests made without providing all the information and supporting identification documentation requested cannot be processed until this information has been provided and, as a result, delays in processing may occur.

Interest on amounts awaiting investment or withdrawal

Amounts paid to a Fund may accrue interest in the Fund's accounts pending the issue of ETF units or the return of application monies. Similarly, amounts made available to satisfy a withdrawal request may also accrue interest pending payment. Any such interest will be retained by the Fund for the benefit of investors.

Consents to inclusion of statements

FTSE International Limited ("FTSE") has given and not withdrawn their consent to the statements relating to FTSE under the heading 'Index Information' and under the heading 'FTSE Disclaimer' in the form and context in which they appear.

Consents to lodge PDS

The directors of Vanguard have consented to the lodgement of this PDS with ASIC.

ASIC relief

Equal treatment relief

ASIC has issued Class Order [13/721], which grants relief under section 601QA(1) of the *Corporations Act* from the equal treatment requirement in section 601FC(1) to the extent that it would prevent the responsible entity from:

- permitting only Authorised Participants who are Australian residents for tax purposes (as defined in Class Order [13/721]) to withdraw from the fund; and
- providing information to Authorised Participants before other members about:
 - the index the Fund aims to track as its investment strategy; and
 - scheme property specifying the number and class of securities and any other property required to acquire or redeem an interest in the Fund by Authorised Participants on the ASX trading day that first ends after the information is provided.

Ongoing disclosure of material changes and significant events

Class Order [13/721] also grants relief under section 1020F of the *Corporations Act* from the ongoing disclosure requirements in section 1017B on condition that the responsible entity complies with the continuous disclosure requirements in the *Corporations Act* as if the fund were an unlisted disclosing entity.

Periodic statements

ASIC Class Order [13/1200] grants relief to ETF issuers under sections 1020F(1)(a) and 1020F(1)(c) of the Corporations Act so that where a unitholder has acquired or disposed of ETF Units during the period and the ETF issuer does not know the price at which the ETF Units were transferred, periodic statements and exit statements do not need to include the amounts paid in relation to the transfer or the return on investment during the reporting period (provided that the ETF issuer is not able to calculate the return on investment and the periodic statement explains why this information was not included and describes how it can be obtained or calculated). The ETF issuer must also provide information about the performance of the ETF relative to the investment objectives of the ETF that the issuer believes is sufficient for the investor to make an informed assessment of the performance of the Fund for the relevant prescribed periods.

ASX waiver

Vanguard has been granted a waiver under ASX Operating Rule 6030 from the definition of "ETF" under the ASX Operating Rule 7100 to allow the Vanguard FTSE Emerging Markets Shares ETF to be an ETF Security despite the fact that Vanguard would not have the power to continuously issue ETF securities should the ETF hold more than 3% of the assets in the underlying US Fund. The waiver is subject to the condition that Vanguard makes an immediate announcement to the market if and when it reaches a holding of 2.5% of the US Fund and every 0.1% above this amount, and when the holding falls below 2.5%.

11. Glossary

AQUA Rules means the rules that apply to AQUA products and the trading of AQUA products as set out in Schedule 10A of the ASX Operating Rules.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Authorised Participant means a person who is a Trading Participant and who has executed an Authorised Participant Agreement with Vanguard.

Cash Transaction means a Cash Application or Cash Redemption.

Cash Application means an application made by an Authorised Participant by exchanging an amount of cash for ETF units.

Cash Redemption means a redemption made by an Authorised Participant by exchanging an amount of ETF units for cash.

CHES means the Clearing House Electronic Subregister System.

CDIs mean CHES Depositary Interests.

ETF or Australian ETF means the Vanguard FTSE Emerging Markets Shares ETF offered in this PDS.

Fund or Australian Fund means the Vanguard Global Emerging Markets Shares Fund ARSN 147 937 906, an Australian registered managed investment scheme. References to 'Australian Fund' are used to distinguish the Vanguard Global Emerging Markets Shares Fund from the US Fund in which it invests.

Index means the FTSE Emerging Markets All Cap China A Inclusion Index.

NYSE means the New York Stock Exchange Arca or NYSE Arca.

Pricing basket means the portfolio of securities applicable for applications and redemptions of US ETF shares by US Authorised participants under the US Prospectus only. Information about the Pricing basket is provided to assist Australian Authorised Participants and other Australian investors in valuing units in the Australian ETF during Australian trading hours.

Standard Basket or basket means the portfolio of securities plus any cash balancing payment as determined by Vanguard, which is provided as consideration for ETF units in an application or redemption.

Trading Participant has the meaning set out in the ASX Operating Rules.

US ETF means the Vanguard FTSE Emerging Markets ETF, the ETF share class of the US Fund. The US ETF is listed for trading on NYSE Arca. (Please refer to the section 'Investment strategy').

US Fund means the Vanguard Emerging Markets Stock Index Fund, which is a series of a trust known as the Vanguard International Equity Index Funds. The trust is a Delaware statutory trust registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940 as an open-end, diversified management investment company.

US Prospectus means the prospectus of the US Fund.

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263).

VGI means The Vanguard Group, Inc.

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