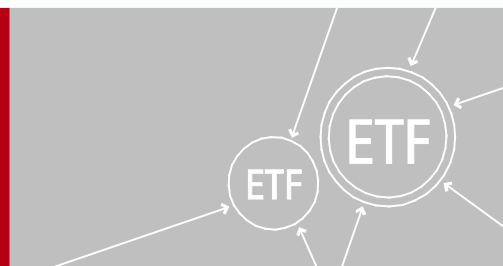


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**Index changes and Supplementary
Product Disclosure Statement**
for the Vanguard® Emerging Markets Shares ETF

3 June 2015



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard® FTSE Emerging Markets Shares ETF	VGE	Notification of index changes and SPDS dated 3 June 2015 lodged with ASIC

Vanguard Investments Australia Ltd has lodged a Supplementary Product Disclosure Statement ("SPDS") dated 3 June 2015 for the Vanguard FTSE Emerging Markets Shares ETF, a copy of which is attached.

The SPDS should be read in conjunction with the Product Disclosure Statement ("PDS") (dated 28 October 2013) for the Vanguard FTSE Emerging Markets Shares ETF.

Index changes

The Vanguard FTSE Emerging Markets Shares ETF (VGE) invests in the Vanguard FTSE Emerging Markets ETF listed on NYSE Arca (US ETF). The US ETF is a share class of the U.S. domiciled Vanguard Emerging Markets Stock Index Fund (US Fund).

In line with the announced index change to the US Fund, Vanguard FTSE Emerging Markets ETF (ASX:VGE) will broaden its diversification offering by adding exposure to China A-shares, making it the first exchange-traded fund on the Australian market to offer exposure to China A-shares.

VGE will move from the FTSE Emerging Index to the FTSE Emerging Markets All Cap China A Inclusion Index, which includes China A-shares, large, mid and small-cap securities.

The US Fund is expected to begin implementation of the index change in the third or fourth quarter of 2015. During the transition, VGE will adopt a transition index for approximately 12 months before moving to its destination index in 2016.

TRANSITION BENCHMARK: FTSE Emerging Markets All Cap China A Inclusion Transition Index

NEW BENCHMARK: FTSE Emerging Markets All Cap China A Inclusion Index

The implementation of the index change is expected to result in modest increases in the transaction costs of the US Fund, which may be reflected in the performance of VGE. It is important to note that the actual transaction costs (and accordingly the performance impact on VGE) will be highly dependent upon a number of factors, including the market environment at the time of the portfolio adjustments. These changes will not result in an increase in VGE's management cost.

For more information about the index change, please refer to the Supplementary Product Disclosure Statement.

Further Information

In preparing the above information, your circumstances have not been taken into account and it may therefore not be applicable to your situation. Before making an investment decision, you should consider your circumstances and whether the above information is applicable to your situation.

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This information is intended for investors in Australia only. Information regarding the US registered products does not constitute an offer or solicitation and may not be treated as an offer or solicitation in any jurisdiction where such an offer or solicitation is against the law or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so.

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Vanguard®

Vanguard® FTSE Emerging Markets Shares ETF

Supplementary Product Disclosure Statement

Vanguard® FTSE Emerging Markets Shares ETF (VGE)

Date: 3 June 2015

Legal details of issuer:

Vanguard Investments Australia Ltd
ABN 72 072 881 086 AFSL 227263
Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Victoria 3006

About this document

This document is a Supplementary Product Disclosure Statement ('SPDS') issued by Vanguard Investments Australia Ltd ('Vanguard'). This SPDS updates the Vanguard FTSE Emerging Markets Shares ETF Product Disclosure Statement dated 28 October 2013 ('PDS') and must be read in conjunction with the PDS. Words and expressions defined in the PDS have the same meaning in this SPDS. Except to the extent amended by this SPDS or updated on our website, the PDS remains in full force.

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

The Vanguard FTSE Emerging Markets Shares ETF ('VGE') invests in the Vanguard FTSE Emerging Markets ETF listed on NYSE Arca ('US ETF'). The US ETF is a share class of the U.S. domiciled Vanguard Emerging Markets Stock Index Fund ('US Fund').

Index Changes

VGE will move to track the FTSE Emerging Markets All-Cap China A Inclusion Index, and no longer track its current Index (FTSE Emerging Index). This aligns with the expected index change to the US Fund and accordingly VGE will continue to invest substantially all of its assets in the US ETF. The new index includes the addition of small cap equity securities and China A-Shares.

The US Fund is expected to begin implementation of the index change in the third or fourth quarter of 2015. This move to the new index will be done in two phases which is intended to enable the transition to be completed in a way that minimises impact to the US Fund and its investors, including VGE. The exact timing of the index changes will not be disclosed to protect the US Fund and its investors.

Phase 1 – for approximately 12 months, the US Fund and VGE will track an interim transition benchmark index, the FTSE Emerging Markets All-Cap China A Inclusion Transition Index ('Transition Index'). The Transition Index is a "dynamic" index that will gradually increase exposure to small-cap securities and China A-Shares while proportionately reducing exposure to other securities based on their weightings in the new index. The investment objective of VGE at the commencement of Phase 1 will be to seek to track the return of the FTSE Emerging Markets All-Cap China A Inclusion Transition Index (with net dividends reinvested), in Australia dollars, before taking into account fees, expenses and tax.

Phase 2 – the US Fund and VGE will begin tracking the FTSE Emerging Markets All-Cap China A Inclusion Index, which will be quota-adjusted by FTSE to take into account the quota amount allocated to foreign investors by the Chinese regulator. The investment objective of VGE at the commencement of the second phase will be to seek to track the return of the FTSE Emerging Markets All-Cap China A Inclusion Index (with net dividends reinvested), in Australia dollars, before taking into account fees, expenses and tax.

During both phases, the US Fund will invest by sampling the index, meaning that it will hold a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics.

While there will be no adjustments in VGE's direct portfolio holdings as a result of the index change, there will be adjustments to the US Fund's portfolio holdings. This is expected to result in temporary and modest increases in the transaction costs of the US Fund, which will be reflected in the performance of VGE. It is important to note that the actual transaction costs (and accordingly the performance impact on VGE) will be highly dependent upon a number of factors, including the market environment at the time of the portfolio adjustments. These changes will not result in an increase in VGE's management cost.

Index Information

FTSE has developed the Transition Index (FTSE Emerging Markets All-Cap China A Inclusion Transition Index) that the US Fund (and VGE) is expected to track during Phase 1. This will allow more time to sell securities and invest the proceeds into China A-shares and small-cap stocks, and accordingly help minimise tracking error and costs.

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 in emerging markets. The index is comprised of approximately 3350 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 qualified foreign institutional investor ('RQFII') quotas available to international investors.

China A-Shares

China A-Shares are shares of Chinese companies that are traded locally on the Shanghai or Shenzhen stock exchanges. In order for foreign investors to purchase China A-Shares, a RQFII or QFII licence and share quota are required. China A-Shares

are also available to foreign investors through the Hong Kong Shanghai Stock Connect program. Investing in China A-Shares involves unique risks related to tracking an index, since a fund must obtain a quota from the Chinese Regulator prior to investing and then must continue to apply for additional quota to meet its investment needs.

Other Changes

Changes to ASX Rules

The ASX recently amended the ASX Operating Rules Schedule 10A and related procedures ('AQUA Rules'). As a result of these changes:

- from the next reporting period, Vanguard will provide half-yearly financial reports to the ASX via the ASX Market Announcements Platform; and
- the AQUA Rules no longer require approval from 75% of votes cast by investors for any significant changes to the investment activity of the ETF. Accordingly, on **page 10** of the PDS, under the section "Changes to investment objectives and strategy", the final sentence of the first paragraph is deleted.

Cash Transactions

On **page 16** of the PDS, under the section "Cash Transactions", the final sentence of the first paragraph is deleted and replaced with:

"In this instance please contact the Vanguard ETF Capital Markets Team on 1300 655 888 to determine the cut-off time."

Buy/Sell spreads applicable to Authorised Participants – Cash Transactions

On **page 2** of the PDS, in the section of the table titled "Buy/Sell spreads applicable to Authorised Participants – Cash Transactions" the following line is deleted:

"Buy: 0.10% Sell: 0.10%"

It is replaced with the following:

"Buy/sell spreads will be notified to Authorised Participants electronically"

Negotiated fees, rebates and related payments

On **page 23** of the PDS, under the section "Negotiated fees, rebates and related payments." the first paragraph is deleted in its entirety.

Any references to this section through the PDS are also deleted.

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In preparing the above information, your circumstances have not been taken into account and it may therefore not be applicable to your situation. Before making an investment decision, you should consider your circumstances and whether the above information is applicable to your situation.

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This information is intended for investors in Australia only. Information regarding the US registered products does not constitute an offer or solicitation and may not be treated as an offer or solicitation in any jurisdiction where such an offer or solicitation is against the law or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so.

Vanguard is not offering the Vanguard FTSE Emerging Markets Shares ETF in the United States and this document does not constitute an offer or an invitation to apply for or acquire any interests in the ETF in the United States. The information contained in this document is not intended for US persons as defined in Regulation S under the US Securities Act.



Product Disclosure Statement | 28 October 2013

Vanguard® FTSE Emerging Markets Shares ETF

ASX code: VGE

Contents

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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 Help Desk

8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
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Registered office

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 Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax.
Investment strategy	Invests in the Vanguard® FTSE Emerging Markets ETF listed on NYSE Arca (NYSE Code: VWO) ("US ETF"). The US ETF seeks to track the FTSE Emerging Index in USD. From time to time, the ETF may also invest directly in the securities in the FTSE Emerging Index or securities which have been or are expected to be included in the FTSE Emerging Index where Vanguard, as Responsible Entity, considers it necessary to achieve the investment objective.
Management Costs ¹	0.48% p.a.
Distributions	Quarterly: March, June, September and December
Transacting with Vanguard ²	Only Authorised Participants are eligible to apply for or (other than in exceptional circumstances) redeem ETF units with Vanguard. Applications or redemptions by Authorised Participants can be made by way of Standard Baskets or Cash Transactions. Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants' on page 17), 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.
Standard Basket Transactions	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. 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. 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.
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	Standard Baskets: 20,000 units Cash Transactions: 10,000 units
Transaction Costs to apply for ETF units - Standard Basket Transactions ³	\$150 (payable by Authorised Participants for Standard Basket transactions). Vanguard reviews the Transaction Costs periodically and may change these without notice.
Transaction Costs to redeem ETF units- Standard Basket Transactions ³	\$150 (payable by Authorised Participants for Standard Basket transactions). Vanguard reviews the Transaction Costs periodically and may change these without notice.
Buy/Sell spreads applicable to Authorised Participants - Cash Transactions	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. Buy: 0.10% Sell: 0.10% Vanguard may change the spreads charged to Authorised Participants without notice.

Brokerage and bid/ask spreads applicable to other investors	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). Please consult a stockbroker for more information in relation to their fees and charges.
Cut-off times ²	For Standard Basket transactions the cut-off time is generally 4pm on each ASX trading day. For Cash Transactions the cut-off time is generally 2pm on each ASX trading day.
Pricing frequency	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. 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). Market prices are typically continuously quoted through the trading day on the ASX AQUA market.
Application/redemption amounts	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. Other than in exceptional circumstances (please refer to the section 'Withdrawal rights for investors other than Authorised Participants' on page 17), 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.
Settlement ⁴	For Authorised Participants: Typically T+3⁴ (Cash Applications by Authorised Participants settle T+2 and Cash Redemptions by Authorised Participants settle T+3) For other investors: ETF units transacted via the ASX typically settle via CHESSE on T+3⁴

¹ Please refer to the section '7. Fees and other costs' on pages 19 for more details.

² Please refer to the section '5. How to transact with Vanguard' on page 15.

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' on page 17 for more information).

Disclaimers

Investment in the ETF is subject to risk (refer to the section '4. Risks' on page 12), which may include possible delays in repayment and loss of income and capital invested.

None of The Vanguard Group, Inc. ("VGI"), including 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. Members of VGI and its related entities, may invest in, lend to or provide other services to the ETF and the Fund.

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 28 October 2013 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.

At the time of lodgement of this PDS with ASIC (being, the date of this PDS), the ETF units are yet to be quoted. An application for quotation has been made to the ASX to enable the ETF units to be admitted for quotation on the AQUA market.

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 Help Desk 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 the section 'Summary of offer to Authorised Participants' on page 6) 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, including buy/sell spreads and Transaction Costs, electronically. Refer to the section '8. Additional explanation of fees and costs' on page 22). A paper copy of any updated information will be provided free of charge on request from the Vanguard ETF Help Desk on 1300 655 888.

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 Help Desk 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 Help Desk 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
- annual reports and financial statements for the Fund
- half-yearly financial reports (available by contacting the Vanguard ETF Help Desk and available at no cost)
- 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 monthly in advance

Classes of units

The ETF referred to in this PDS is a class of units in the Vanguard Global Emerging Markets Shares Fund ARSN 147 937 906.

As such it is only the ETF class of the Fund that will be, or is, quoted on the AQUA market of the ASX (refer to the section 'AQUA market of the ASX' on page 8 for further details). This PDS relates only to the ETF class of units of the Fund. As at the date of this PDS, the Fund only has a single class of units, being the ETF class of units. Under the constitution of the Fund, Vanguard is permitted to establish different classes of units. Vanguard may create additional classes of units in the Fund in the future.

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.

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 \$2.6 trillion under management in the US and through subsidiaries worldwide as at 30 June 2013. In Australia, Vanguard has been serving financial advisers, individual investors and institutional investors for more than 15 years.

What is an exchange traded fund?

An Australian exchange traded fund is a type of managed fund whose units are generally quoted for trading on the AQUA market of the ASX. Generally, exchange traded funds provide exposure to a broadly diversified investment portfolio of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

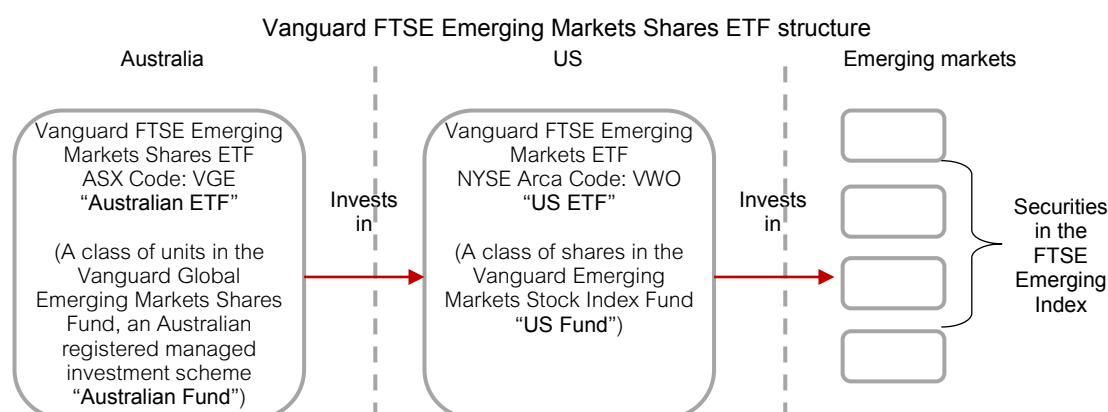
Exchange traded funds combine key advantages of index managed funds and listed shares in one investment. They are index funds as we know them, so they generally come with the benefits of low costs, broad diversification, transparency, and tax efficiency (as a result of low turnover in the fund's assets), when compared with most actively managed funds. You should refer to the relevant Product Disclosure Statement to assess the benefits of any particular exchange traded fund.

However, unlike traditional index funds, exchange traded funds trade on a stock exchange so they also benefit from simple trading and intra-day pricing. Exchange traded funds carry certain risks (refer to the section ‘4. Risks’ on page 12). Investors (other than Authorised Participants) may incur customary 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.

An indexing approach is used by both the Vanguard FTSE Emerging Markets Shares ETF and the US-listed ETF in which it invests. As a result the ETF has lower turnover which generally means that fewer tax events occur within the fund when compared to a fund with higher relative turnover.

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.



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’ on page 10. The US Fund invests in the emerging market securities in the FTSE Emerging 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. An application has been made to the ASX to enable units to be 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	The Australian Fund is subject to US withholding tax on distributions paid by the US ETF. US withholding tax arises at the Australian Fund level and not the investor level. The investor does not have to complete a W8-BEN form in order to benefit from the reduced 15% withholding tax. Vanguard will	Investors are subject to US withholding tax on distributions paid by the US ETF. An investor must complete a W-8BEN form 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

	manage the completion of a W8-BEN form for the Australian Fund.	tax deducted.
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' on page 19).	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.

Investments in the Australian ETF may be subject to information collection and reporting for the purposes of compliance with the US Foreign Account Tax Compliance Act ("FATCA") or any intergovernmental agreement between the Government of the United States of America and the Government of Australia in respect of FATCA ("IGA").

Summary of offer to Authorised Participants

The ETF offer	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. From time to time, the Fund may also invest directly in the securities in the FTSE Emerging Index or securities which have been or are expected to be included in the FTSE Emerging Index where the Responsible Entity considers it necessary to achieve the investment objective.
Who is this offer to?	The offer in this PDS is only available to stockbrokers acting as principal, i.e. persons who have entered into an Authorised Participant Agreement with Vanguard - referred to in this PDS as Authorised Participants. Other investors cannot apply for or redeem units with Vanguard and must instead purchase units on the AQUA market of the ASX. The offer is not available to US Persons as defined under Regulation S of US federal securities laws.
Secondary market	At the time of lodgement of this PDS with ASIC (being the date of this PDS), the ETF units are yet to be quoted. An application for quotation has been made to the ASX to enable the ETF units to be admitted to quotation on the AQUA market. Upon being admitted to quotation, the ETF units will be able to be traded on the market in the same way as other securities traded on the ASX (refer to the section 'AQUA market of the ASX' on page 8 for further details).
Applications*	ETF units can only be applied for in multiples of units that represent creation unit amounts (baskets). 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). 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. 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. The Australian ETF units are transferred through CHESS.
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, 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' on page 17), 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 CHESSE.

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

* Please refer to the section '5. How to transact with Vanguard' on page 15 for more details about the application and redemption process for Standard Baskets, and the section 'Buy/sell spread costs' on page 22 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 the section '10. Other information you need to know' page 26 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
- Applying for and redeeming ETF units, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer disclosing to the market every morning of trading the Standard Basket of securities acceptable as the securities component of an application or redemption request. The market maker uses this information 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, NA	Custodian Agreement which sets out the services provided by the custodian on an ongoing basis.
Computershare	Registry Services Agreement which sets out the services provided by the share registrar on an ongoing basis.

AQUA market 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
The equity issuer: - Controls the value of its own securities and the business it runs, and - The value of those securities is directly influenced by the equity issuer's performance and conduct. 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.	The product issuer: - Does not control the value of the assets underlying its products; but - Offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. 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. For example, a managed fund issuer does not control the value of the shares it invests in.

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	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 2001</i> (<i>Corporations Act</i>).	- 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. What obligations apply under the AQUA Rules? - There is an obligation on issuers of ETFs to disclose information about the net tangible assets ("NTA") or NAV of the ETFs, the frequency and timing of which is disclosed in the ETF's Product Disclosure Statement. - Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via the Market Announcements Platform ("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	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.	- Responsible entities of AQUA Products that are ETFs are still required to lodge financial reports with ASIC. - The ASX intends to introduce a requirement that issuers of products quoted under the AQUA Rules give the ASX general disclosure documents, such as

		financial reports, at the same time they are sent to product holders.
Corporate control	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.	- 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	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.	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	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i>.	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>.
Product disclosure	- 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. - Information on the risks associated with an investment in a product is expected to be included.	- Products quoted under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i>. - Investors should read the PDS 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)

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 Index
Investment objective	Seeks to track the return of the FTSE Emerging Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax.
Investment strategy*	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 Index in USD. From time to time, the ETF may also invest directly in the securities in the FTSE Emerging Index or securities which have been or are expected to be included in the FTSE Emerging Index where Vanguard, as Responsible Entity, considers it necessary to achieve the investment objective.
Management Costs**	0.48% p.a.

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

** Please refer to the section '7. Fees and other costs' on page 19 for further information.

Vanguard's investment policy

Investment strategy

To track the performance of the benchmark Index, the Fund will invest substantially all of its assets in the US ETF.

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 June 2013, the US Fund had assets exceeding USD 49.8 billion. In this case, the Fund would invest in those securities included in the Index that are traded on an exchange that is a member of the World Federation of Exchanges. Vanguard will announce to the market if its holding in the US Fund reaches 2.5% and every 0.1% above this amount. Vanguard will also announce when the holding falls below 2.5%. In the event the Australian Fund holding comes close to the 3% limit, the Fund may hold underlying securities in the benchmark.

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' on page 11.

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 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 policy of the Australian Fund. Such variations may include changes to the target index chosen for the Australian Fund. Vanguard will notify investors of any such changes. Vanguard will not make any significant change to the investment objective or strategy without first obtaining a resolution of the relevant ETF investors approved by at least 75% of the votes cast by investors on the resolution.

The manager of the US Fund, The Vanguard Group, Inc., may change the investment strategy or index of the US ETF without a shareholder vote. In this case, the responsible entity of the Fund, Vanguard Investments Australia Ltd, would review the investment strategy of the Australian ETF. 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 FTSE Emerging Index includes approximately 850 common stocks of companies located in emerging markets around the world. As of 30 July 2013, the largest markets covered in the Index were China, Brazil, Taiwan, and South Africa (which made up approximately 21%, 14%, 13%, and 9%, respectively, of the Index's market capitalisation).

The FTSE Emerging Index provides investors with a comprehensive means of measuring the performance of liquid companies in the emerging markets. The Index includes large and mid cap securities from advanced and secondary emerging markets.

Markets included in the 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 each region aims to reflect 90% of the market capitalisation before adjustments for free float, foreign ownership limits and security liquidity. The markets included in the Index are reviewed by FTSE on a regular basis.

Countries within the FTSE Global Equity Index Series are usually reviewed annually. The review process is designed to reflect recent market movements (including 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 market movements.

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

For information regarding the benchmark methodology, please refer to FTSE's website www.ftse.com/Indices/FTSE_Emerging_Markets/index.jsp

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 stocks issued by companies located in emerging market countries.
Index	FTSE Emerging Index
Investment manager	The Vanguard Group, Inc.

US Fund investment strategy

The US Fund employs an indexing investment approach by investing substantially all (approximately 95%) of its assets in the common stocks included in the FTSE Emerging Index. In most cases, the US Fund invests directly in the securities included in the FTSE Emerging Index, but it may obtain economic exposure to these securities indirectly by purchasing depository receipts of the securities, generally where the US Fund investment manager believes the US Fund would benefit from holding the depository receipt rather than the security, for example where the foreign market in which a security trades does not provide adequate protection to the rights of foreign investors or if government regulators place restrictions on the free flow of capital or currency. Depository receipts do not eliminate the currency and sovereign risks involved in the underlying shares which are based in foreign countries.

With respect to the non-replicated portion of the US Fund's portfolio, the US Fund's investment manager employs a form of sampling to reduce transaction costs and improve tracking. There is no cap on the non-replicated portion of the portfolio. The US Fund's Investment manager employs a sampling technique, using its discretion, based on an analysis that considers liquidity, repatriation of capital, and entry barriers in various markets, to determine whether or not to invest in particular securities.

The US Fund may invest, to a limited extent, in 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 contracts, which are a type of derivative, in order to facilitate trade settlement in local markets. However, the US Fund does not hedge its exposure to foreign currencies. Foreign currency exchange contracts do not prevent the US Fund's securities from falling in value when foreign markets decline.

The US Fund is permitted to lend its investment securities to qualified institutional investors, 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 investment returns through the receipt of interest on the securities lent. Any gain or loss in the market price of the securities lent during the term of the loan would be for the account of the US Fund. The US Fund pays reasonable negotiated fees in connection with lent securities.

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 100% of the value of the securities lent. The borrower is required to add to this collateral whenever the price of the securities rises. NYSE rules also require borrowers subject to those rules 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 broker-dealers 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 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, there may be times when the market price and the NAV differ more significantly. Factors influencing the market price 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 is relevant for investors transacting in the US primary market for the US ETF. The Australian ETF NAV is relevant to Authorised Participants transacting in the Australian primary market for the Australian ETF. Please refer to the section '5. How to transact with Vanguard' on page 15.

The Vanguard Group, Inc. uses fair value pricing in calculating the NAV of the US Fund to reflect the value of securities it holds that have been affected by events that occur after the listing market for that security has closed. Examples of such events include an earnings report or merger announcement, significant events in related or similar securities, general price movements in other world markets, a natural disaster, economic or political news, an act of terrorism or interest rate change. The Vanguard Group, Inc. uses a defined process for fair value pricing.

Liquidity of the US ETF

There are two sources of liquidity in the US ETF. There is liquidity on the secondary market as defined by the securities on issue and the depth of trading on-market. There is also liquidity as a result of the ability of trading participants to apply for or redeem ETF securities to balance supply and demand - this liquidity reflects the open-ended nature of ETFs and the liquidity of the securities held by the ETF. Certain trading participants in the US are able to purchase creation units directly from and redeem creation units directly with the US Fund.

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 referenced from the US Prospectus 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

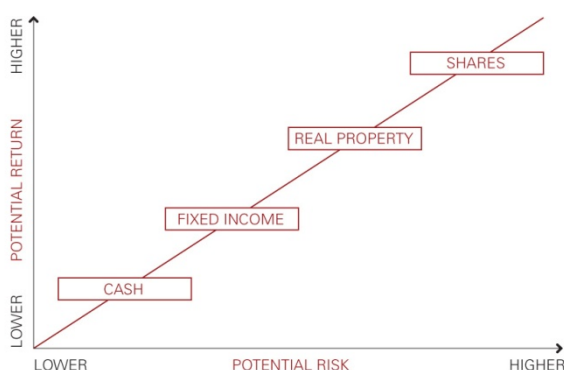
Investors in the ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment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



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.

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.

Emerging market risks

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.

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.

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 marketwide "trading halts" (which halt trading for a specific period of time when trading in an individual security or across the markets occurs outside certain price parameters). 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 unit prices and may result in application or redemption requests being suspended. Please refer to the section 'Important note for applications and redemptions' on page 17 for more information.

An organised trading market is expected to exist for the US ETF. However, 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 for speculative purposes or 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). In the event that this 3% limit is reached, the Australian Fund would be closed for applications until such time as the Australian Fund's holding declined below 3% of the US Fund. This would not, in and of itself prevent trading of the ETF securities on the secondary market, subject to general trading risks which may prevent trading, such as market closure, but may reduce the liquidity of the ETF quoted for trading on the ASX. Vanguard considers that the risk of this occurring is low because at 28 June 2013, the US Fund had assets exceeding USD 49.8 billion. Vanguard will announce to the market if its holding in the US Fund reaches 2.5% and every 0.1% above this amount. Vanguard will also announce when the holding falls

	below 2.5%. Vanguard intends to manage the fund assets so that the 3% limit is not reached and this could include investing in underlying securities in the benchmark index (please refer to the section 'Investment strategy' on page 9).
Index tracking risk	Vanguard employs an indexing investment strategy. Compared to active managers who employ an active investment strategy, indexing significantly lowers the risk of short-term underperformance relative to the target index. Please refer to the section 'Performance' on page 10 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. 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: - 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	Investing in a managed investment scheme carries with it the risks of that investment vehicle including: - 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' on page 23 for information about the limits on changes to fees and costs); - Vanguard could be replaced as the responsible entity and/or investment manager for the Fund; or - the Fund could terminate. There is also a risk that investing in Australian ETF units may give different results to direct investment in the US ETF because of: - 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	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. 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.
Operational risk	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. 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. 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.
Trading risk	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. 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.

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.

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.

Counterparty risk	Counterparty risk is the risk that the Fund's trading counterparties become insolvent or cannot otherwise meet their obligations to the Fund. 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.
Spread risk	Applications and redemptions made by Authorised Participants by exchanging an amount of cash for ETF units (i.e. 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.

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 attached to this PDS. Applications and redemptions must be in multiples of the creation unit for the ETF.

An Authorised Participant must also enter into an Authorised Participant agreement with Vanguard prior to transacting with Vanguard. For a copy please contact the Vanguard ETF Help Desk on 1300 655 888.

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 'Cash Transactions' on page 16.

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 to the section 'Withdrawal rights for investors other than Authorised Participants' on page 17), 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.

Cash Transactions consist only of a cash amount equal to the application amount or withdrawal value as appropriate, plus a spread. For more information regarding Cash Transactions please refer to page 16.

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 will be 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.

Minimum applications and redemptions

The following table details the minimum number of ETF units for Standard Basket applications and redemptions:

Vanguard ETF	Minimum application/redemption size - Standard Basket (Creation Unit)
Vanguard FTSE Emerging Markets Shares ETF ASX Code: VGE	20,000 units

The following table details the minimum number of ETF units for Cash Transaction applications and redemptions:

Vanguard ETF	Minimum application/redemption size - Standard Basket (Creation Unit)
Vanguard FTSE Emerging Markets Shares ETF ASX Code: VGE	10,000 units

Standard Basket applications/redemptions

ETF Application/Redemption Forms 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 units applicable for Standard Basket applications/redemptions as at the next Fund valuation point on that day.

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 Forms received after the order cut-off time on an ASX trading day or on a non-ASX trading day are processed at the purchase or withdrawal price of the ETF units applicable to that transaction and as at the next Fund valuation point. Please refer to the section 'Valuations and pricing' on page 17 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 Forms specifying a Cash Transaction received before the Cash Transaction cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF units applicable for Cash Transactions as at the next Fund valuation point. ETF Application/Redemption Forms received after the order cut-off time or on a non-ASX trading day are processed at the purchase or withdrawal price of the ETF units applicable as at the next Fund valuation point. The Cash Transaction cut-off time is normally 2:00pm on each ASX trading day. An earlier cut-off will apply when the ASX closes earlier than 2:00pm. In this instance the order cut-off time will be one hour before the closure of the ASX.

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 applicable to Cash Applications 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 applicable to Cash Redemptions. On a 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/redemption price applicable to Cash Transactions will include a buy/sell spread. For more information regarding buy/sell spreads please refer to the section 'Buy/sell spread costs' on page 22.

Vanguard reserves the right to refuse any application or redemption request in relation to a Cash Transaction. 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 will 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, for applications and redemptions delivery of Australian ETF units will generally occur on T+3 (third ASX business day after the trade), however, delivery may be on a basis other than T+3 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 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) of request 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 and in accordance with the Secondary Market Direct Redemption Policy, both of which are available by contacting the Vanguard ETF Help Desk on 1300 655 888.

A sell spread may apply where this right is exercised. Please refer to the 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 Fund's net asset value per unit.

No minimum withdrawal amounts apply.

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 or 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 (or NAV 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 at the time the purchase price is determined (the valuation point), and (in the case of Cash Transactions) adjusted by the applicable buy spread for the transaction. Units are usually valued daily, except on public holidays or if a relevant market or the Australian Fund is closed for a particular reason. Units are valued using the closing prices of the underlying securities on the relevant markets in which they trade in and converted into Australian dollars using the closing rate in London on the day of the valuation point. Income received by the Fund is valued

as it is accrued and is converted to Australian dollars using a daily spot rate (as part of the valuation of the assets of the Fund).

The withdrawal amount (being the amount payable to an Authorised Participant on the redemption of their ETF units) 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 (the valuation point), and, in the case of Cash Transactions, adjusted by the applicable sell spread for the transaction. The valuation point for the ETF is generally the close of an ASX trading day - please refer to the section '5. How to transact with Vanguard' on page 15.

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 the section '6. Distributions' on page 18 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.

For the purposes of calculating the purchase price and withdrawal amount, the number of units on issue includes units which are to be issued and excludes units which are to be redeemed, under completed Application/Redemption Forms received by Vanguard before the cut-off time on the previous ASX trading day.

Details of the daily NAV price and Standard Baskets will be made available on Vanguard's website at www.vanguard.com.au or by contacting the Vanguard ETF Help Desk 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 Fund). 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 Help Desk on 1300 655 888.

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

Facsimile and email instructions

If you are advising Vanguard via facsimile or e-mail in respect of instructions (including applications 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 in full and has been signed by authorised signatories;
- is not responsible for any loss or delay that results from a facsimile or e-mail 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
- does not take responsibility for any fraudulently or incorrectly completed instructions; and
- will not compensate for any losses relating to facsimiles or e-mails, unless required by law. For example, the risk that a facsimile or e-mail may be sent by a person who knows the investor's account 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 or e-mail instructions, to the extent permitted by law.

More detailed execution and settlement procedures for the Vanguard ETFs are available in the Authorised Participant Agreement. Please contact Vanguard ETF Help Desk on 1300 655 888 for further information.

6. Distributions

Income distributions

The distributable income of the Fund is determined in accordance with the Fund's constitution. ETF investors can become entitled to the distributable income of the Fund in two ways: on the redemption of ETF units as an Authorised Participant in the ordinary course (please refer to the section 'Distributions on redemption' below), or as a result of holding ETF units in the Fund at the end of each distribution entitlement date based on the number of units held at the time (see below).

The distribution periods for the Fund will generally be quarterly (i.e. as at 31 March, 30 June, 30 September and 31 December each year). However, Vanguard also has the discretion under the constitution of the Fund to determine distribution periods at other times.

All ETF unitholders as at the end of the distribution entitlement date will be entitled to the distribution for that distribution period that is calculated on the relevant distribution calculation date (generally 31 March, 30 June, 30 September and 31 December in each year).

The distribution entitlement date is generally the last day of the distribution period. This date 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 and the distribution period is not the 30 June distribution period. 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. For example, this may occur if the NSW Labour Day Holiday falls on the next business day after 30 September in any given year. Vanguard will announce details of when this will occur on the ASX Market Announcements Platform or on its website.

The amount of the distributable income of the Fund which is allocated to ETF investors in respect of each distribution period is based on the distributable income of that Fund for the financial year to date, less any amounts which may have already been distributed to investors during the financial year to date, including amounts distributed on the redemption of ETF units. The distributions made to ETF investors for each distribution period are calculated in cents per unit and will be based on the number of ETF units on issue as at the end of the distribution period. This means that, for example, if the number of units on issue increases before the end of a distribution period, this may decrease the amount of distributable income per unit that might otherwise have been distributed for the distribution period, and vice versa.

Distributions will generally be paid within 20 business days after the end of the distribution period to which the distribution period relates, though the constitution of the Fund allows for any distributions to be paid by Vanguard within three months after the end of the distribution period to which the distribution relates. The amount of the distributable income that is distributed will vary from distribution period to distribution period, and there may be some distribution periods when the Fund will not pay a distribution. If this should occur then details will be available on Vanguard's website at www.vanguard.com.au.

Distributions on redemption

Part of the withdrawal amount paid to an Authorised Participant on the redemption of their ETF units in the ordinary course may include a distribution of the distributable income of the Fund. Please refer to the section '9. Taxation of ETF units' on page 23 for further information regarding how this entitlement is determined.

Tax statement

Vanguard will, as soon as reasonably practicable after the end of each financial year, issue to each ETF investor who received an entitlement to the income of the Fund during a financial year, a tax statement which outlines the amount and composition of the taxable income of that Fund on which the investor is assessed for the financial year. This may assist ETF investors in preparing their tax return for the year.

Distribution Reinvestment Plan

From time to time ETF investors may be able to participate in the ETF Distribution Reinvestment Plan ("DRP"). Participation in the DRP is subject to the terms and conditions of the DRP Policy. 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 Policy and elect to participate in the DRP by registering online via Vanguard's share registrar 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 ASX Code: VGE	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 fund 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 investment fee calculator to help you check out different fee options.

Our fees and 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>Termination fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	0.48% p.a. ^B	The management cost for the ETF 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.
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' on page 17 for circumstances where investors other than Authorised Participants may have rights to redeem ETF units with Vanguard. In these circumstances, buy/sell spread costs 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 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate a rebate of management costs. C Please refer to the section 'Valuations and pricing' on page 17 for an explanation of the net asset value for the Fund.		

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.

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	0.48 % p.a. ^A	And , for every \$50,000 you have in the Fund you will be charged \$240 each year.
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 ^B . What it costs you will depend on the fees you negotiate with Vanguard.
A Please refer to the section 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate a rebate of management costs. B 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	Transactions 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	Transactions Costs apply to Authorised Participants making Standard Basket Redemptions.
<i>Termination fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	0.48% p.a. ^C	The management cost for the ETF is calculated as a percentage of the ETF's net asset value ^D . 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.
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable
A Buy/sell spread costs of 0.10%/0.10% apply. Please refer to the section 'Buy/sell spread costs' on page 22 for more information concerning buy/sell spread costs. 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' on page 22 for more information. Please refer to the section 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate or reduce the Transaction Costs. These costs do NOT apply to investors buying or selling ETF units on the ASX. C Please refer to the section 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate a rebate of management costs. D Please refer to the section 'Valuations and pricing' on page 17 for an explanation of the net asset value for the Fund.		

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.

Vanguard FTSE Emerging Markets Shares ETF		Balance of \$50,000 with a contribution of \$5,000 during year
Contribution fees	Cash Transactions: Nil ^A Standard Basket Applications: \$150 ^B	For Cash Transactions, for every \$5,000 you put in, you will be charged \$0. For Standard Basket Applications, for every \$5,000 you put in, you will be charged \$150.
PLUS management costs	0.48 % p.a. ^C	And, for every \$50,000 you have in the Fund you will be charged \$240 each year.
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 ^{AD} . What it costs you will depend on the fees you negotiate with Vanguard.
A A minimum creation unit size of 10,000 units applies for Cash transactions by Authorised Participants and a buy spread cost of 0.10% also applies. Please refer to the section 'Buy/sell spread costs' on page 22 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' on page 22 for more information. Please refer to the section 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate or reduce the Transaction Costs. These costs do NOT apply to investors buying or selling ETF units on the ASX. C Please refer to the section 'Negotiated fees, rebates and related payments' on page 23 for details on how to negotiate a rebate of management costs. D 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

The management costs for the ETF incorporate all relevant fees and other costs involved in managing the ETF and deriving investment returns, other than transaction and operational costs. Please refer to the section '7. Fees and other costs' on page 19 for the management cost of the ETF. These management costs include:

- the management costs and other expenses of the US ETF. That is, you will not be charged again for the management costs and other expenses of the US ETF;
- responsible entity's fee;
- custodian fees (excluding transaction based fees);
- Accounting and audit fees;
- Index license fees;
- registry service fees; and
- any other recoverable expenses under the constitution of the Fund, such as the cost of preparing and amending the constitution, the cost of producing the PDS, the cost of investor meetings, postage and other Fund administration expenses.

The management costs for the Australian ETF incorporate Goods and Services Tax ("GST") after taking into account reduced input tax credits that are available to be claimed by the Fund.

The management costs for the ETF are capped while this PDS is current. The cap for management costs excludes any transaction and operational fees incurred by the ETF, such as ordinary brokerage and transaction fees charged by the custodians for settling trades of the ETF assets. These costs are an additional cost to investors which are deducted from the assets of the ETF and which will be reflected in the ETF unit price. The exact amount of these costs is dependent on various factors, and as such, Vanguard is unable to provide a meaningful amount or percentage of these costs.

In calculating the taxable income for the Fund, all available tax deductions are taken into account. This means that the effective after-tax cost to investors of the relevant management costs may be lower than the amounts specified on page 19, to the extent that management costs are deductible and reduce the taxable income of the Fund. Please refer to the section '9. Taxation of ETF units' on page 23 for more information on taxation.

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 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 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.

For further information on transaction costs deducted from the assets of the Australian ETF and reflected in the unit price, refer to the section 'Management costs' above.

Buy/sell spread costs

Buy/sell spreads apply to applications or redemptions made as Cash Transactions.

In general, the buy/sell spread cost is Vanguard's reasonable estimate of the costs that the Fund incurs when buying and selling assets to invest cash application amounts and meet cash withdrawals.

The purpose of the buy/sell spread is to protect investors from the costs generated by transaction activity. The buy/sell spread costs are paid to the Fund to meet these expenses and are not retained by Vanguard. The buy/sell spread is an additional cost to the investor.

The buy/sell spread is reflected in the purchase/withdrawal amount applicable for that transaction.

Vanguard will provide details of the buy/sell spread applicable for Cash Transactions to Authorised Participants electronically.

There are no buy/sell spreads for Standard Basket transactions.

Vanguard may increase or decrease buy/sell spreads from time to time without notice to reflect: revised estimates of transaction costs; where market conditions or the number of ETF applications or redemptions on a particular day would result in changes to transaction costs involved in buying or selling securities; or, when it is necessary to protect the interests of existing investors and if permitted by law. Vanguard will notify Authorised Participants electronically regarding changes in buy/sell spreads.

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' on page 17). 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 withdrawal fee charged (per unit) to investors withdrawing from the Fund (i.e., the sell spread), will not be greater than the withdrawal fee charged (per unit) to an Authorised Participant that redeems a creation unit amount of ETF units by way of a cash redemption.

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

Stockbroker fees for all other investors

Investors (other than Authorised Participants) may incur customary 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.

Maximum fees set out in the constitution

The management costs for the ETF include a management fee component which is Vanguard's remuneration for managing the Fund and an expense reimbursement component.

The constitution governing the Vanguard FTSE Emerging Markets Shares ETF limits the amount of the management fee component to 1.5% per annum (excluding GST) based on the NAV of the ETF.

The Fund's constitution limits those Transaction Costs (ETF Recovery Fee) for the application and redemption of ETF units to the greater of AUD 5,000 or 1% of the aggregate purchase price or withdrawal amount of the ETF units.

Vanguard currently does not intend to increase existing management costs or introduce new fees.

Negotiated fees, rebates and related payments

Vanguard may, subject to the *Corporations Act* and ASIC policy, from time to time, enter into arrangements with clients who are 'wholesale clients' under the *Corporations Act*, in order to negotiate or reduce management fees for investing sizeable amounts in the Fund. The amount of fee reduction is at Vanguard's discretion. Such investors may contact Vanguard on 1300 655 888 if they wish to apply for a rebate of management costs. Vanguard makes these payments from its own resources.

Vanguard may from time to time consider entering into arrangements with Authorised Participants in order to negotiate or reduce Transaction Costs associated with the application/redemption of units. The amount of fee reduction is at Vanguard's discretion. Authorised Participants may contact Vanguard on 1300 655 888 if they wish to discuss applying for a reduction of Transaction Costs. Vanguard makes these payments from its own resources.

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 the ETF and should not be used as the basis upon which potential ETF investors make a decision to invest in the 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. The law in relation to the taxation of trusts is currently under review by the Government. There may be further changes to the laws relating to the taxation of trusts that are announced in future that may impact on the tax treatment of investing in ETF units.

Distributions from the ETF

Generally, Vanguard, as responsible entity of the Fund, should not be subject to income tax on the net taxable income of the Fund provided that investors in the Fund are presently entitled to all of the Fund's income each year. Vanguard intends to

take all reasonable steps to ensure that the investors holding units in the Fund will be presently entitled to all of the Fund's income each year.

Investors will be assessed on their share of the net taxable income of the Fund each year in proportion to their entitlements to the income for the year. This is the case even if payment of the income entitlement that gave rise to the assessable income did not occur until after the end of the financial year, or if the income entitlement is reinvested in additional units in the Fund under the DRP.

A holder of ETF units receives an entitlement to the income of the Fund for a financial year if they hold ETF units at the end of a distribution entitlement date, or, for Authorised Participants, if they redeem any ETF units during the financial year in the ordinary course and the withdrawal amount includes a distribution of income from the Fund.

The income tax impact for a holder of ETF units of receiving income distributions will depend upon the components of the net taxable income in which an investor is entitled to receive from the Fund.

The income that is distributed to ETF investors during the financial year may include entitlements to amounts that are net taxable income for the Fund as well as non-assessable amounts. The components of the income that are distributed to ETF investors will also depend on the investments of the Fund from time to time. For example, given the expected investments of the Fund, it is anticipated that a distribution of the income of the Fund may comprise amounts that are referable to foreign income, interest, other income and capital gains.

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 Fund that they may be assessed on for the financial year as a result of their entitlements to the income of the Fund, including on the redemption of ETF units. This information should assist investors in preparing a tax return for the year.

Foreign income and foreign income tax offsets

The foreign income components that investors in the ETF receive in respect of income distributions from the Fund may be referable to the income distributions that the Fund receives from its investment in the US ETF or other offshore investments.

On the basis that the US Fund is a Regulated Investment Company ("RIC") under subchapter M of the Internal Revenue Code of 1986 in the US, and that it is anticipated that the US Fund will continue to qualify as a RIC in the future, the US Fund will not pay material amounts of tax in the US. However, income distributions from the US Fund to the Australian Fund may be subject to US withholding tax.

The income distributions that investors receive from the Fund may include foreign income tax offsets. These are referable to the US or other foreign withholding tax that has been deducted from the distributions that the Fund receives from the US ETF and the Fund's other offshore investments.

An investor will not receive the amount of any foreign income tax offset component of a distribution it receives from the Fund in cash. Investors should still include such components in its assessable income for the relevant year. Australian tax resident investors may also be entitled to claim an offset or credit against their Australian tax payable for any such foreign income tax offsets. Vanguard recommends that investors obtain independent professional tax advice to determine whether any foreign income tax offsets for US or foreign tax withheld from distributions are available.

Capital gains

If the Fund disposes of any of its investments (e.g. on the transfer of the basket of securities when ETF units are redeemed), the Fund may realise capital gains. These capital gains may be included in the income of the Fund that is distributed to investors of the Fund.

Any capital gains of the Fund to which an investor becomes entitled should be taken into account in determining the net capital gain of the investor for that year. The capital gain of the Fund which an investor is entitled may include amounts that are referable to the discount capital gains concession.

There have been some changes to the rules relating to the characterisation of gains and losses arising on the disposal of certain investments by "managed investment trusts". If the Fund qualifies as a "managed investment trust" under these rules, Vanguard intends to make the election provided for under the amendments to have gains and losses arising on the qualifying investments of the Fund be assessed under the capital gains regime.

Non-assessable distributions

The Fund may distribute non-assessable amounts, such as amounts that are referable to the discount capital gains concession.

If an investor is assessed on the disposal of ETF units under the capital gains tax provisions and receive distributions that are referable to the discount capital gains concessions, no adjustment to the cost base of ETF units will be required.

If an investor is assessed on the disposal of ETF units otherwise than under the capital gains tax provisions (e.g. if the investor is in the business of dealing in securities like ETF units), they may be assessed on the capital gains discount concession component of distributions made by the Fund.

Proposed changes to the tax treatment of trusts

The former Australian Government announced, on 7 May 2010, that it proposed to introduce a new regime for the taxation of managed investment trusts. It was proposed that this regime apply from 1 July 2014. At the date of this PDS, it is unclear whether the Government that was elected on 7 September 2013 will enact the proposed regime.

Based on the information that is currently available, it is anticipated that the regime, if enacted, should provide greater certainty regarding the tax treatment of managed investment trusts, including the Fund, and the tax treatment of distributions that are made on ETF units. Vanguard will monitor these amendments and their impact on the tax treatment of the ETFs.

Foreign accruals regime

Under the previous Foreign Investment Fund ("FIF") regime (which has been repealed effective from 1 July 2010) a Fund may be assessed on a portion of the gain in the value of interests in certain foreign companies and foreign trusts at the end of the tax year, even though those gains are unrealised.

To replace the repealed FIF rules, the former Government had released an Exposure Draft in relation to the new Foreign Accumulation Fund ("FAF") rule.

The FAF or "anti-roll-up" rule is intended as an integrity measure and if enacted, will target investments in certain foreign accumulation funds that provide low risk returns and re-invest these returns. It is proposed that the FAF or "anti-roll-up" rule will apply for the income years starting on or after the date the FAF rule becomes law. As at the date of this PDS, the FAF or "anti-roll-up" rule is still in draft form and the final form is unknown. Based on the information available to date, Vanguard anticipates that the FAF or "anti-roll-up" rule should not apply to the Fund's investment in the US ETF. Investors should monitor developments.

Selling or transferring units

If an investor in the 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, subject to any applicable integrity requirements.

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 Fund, 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 Fund.

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

In certain limited circumstances, investors in the ETF that are not Authorised Participants may be permitted to redeem ETF units if units in the ETF are suspended from trading on the ASX for more than 5 consecutive trading days (see discussion above). In these circumstances, the tax consequences of redeeming ETF units directly with Vanguard are likely to be similar to the tax consequences of disposing the ETF units as described above. However, such investors are advised to obtain independent professional tax advice regarding the tax consequences of redeeming ETF units before doing so.

Applications

An Authorised Participant applying for ETF units by way of an in-specie transfer of a specified basket of securities together with a balancing cash payment may be assessed on any profits arising from the transfer of those securities as ordinary income, and may be entitled to deduct any losses arising from the transfer of those securities.

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.

Redemptions

An Authorised Participant who redeems ETF units will become entitled to receive the withdrawal amount on the redemption. The withdrawal amount for such an Authorised Participant should comprise a distribution of the income of the Fund and the payment of the withdrawal price for the ETF units which are to be redeemed.

The distribution of the income of the Fund received on the redemption of ETF units may include an entitlement to income (including other gains) realised by a Fund on the in-specie transfer of the relevant basket of securities to the redeeming Authorised Participant. The distribution may also include any income realised by a Fund in order to fund the payment of the withdrawal amount to the redeeming Authorised Participant more generally.

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.

For the purposes of determining the profit or loss arising on the redemption, the withdrawal price (being the withdrawal amount less the income distribution provided as part of the withdrawal amount) should properly be regarded as the proceeds received in respect of the disposal.

That part of the withdrawal amount that is a distribution of income should also be assessable, based on the components of the income as disclosed in a separate letter. The tax consequences for an Authorised Participant will depend on their particular circumstances.

It will not be possible to determine the amount or components of the net taxable income on which an Authorised Participant is assessed as a result of receiving a distribution of income on the redemption of ETF units until after the end of the financial year in which the ETF units are redeemed. A separate letter will be provided after the end of each financial year detailing the amount and components of the net taxable income of the relevant Fund on which the Authorised Participant is assessed as a result of a distribution of income received on the redemption of ETF units during that year.

The distribution of income to an Authorised Participant who redeems ETF units seeks to ensure that any taxable income that arises for the 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 Fund should not be required to withhold any amounts from the withdrawal amount paid on redemption of ETF units on account of any distribution of income provided on redemption as part of the withdrawal amount.

An Authorised Participant will be an Australian Resident as defined in the constitution of the 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 is liable for its actions and the actions of its agents engaged in connection with the Fund. 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 and, for the purpose of determining whether Vanguard has properly performed its duties as responsible entity, Vanguard is taken to have done (or failed to do) anything that the agent or person has done (or failed to do) because of the appointment or engagement, even if they were acting fraudulently or outside the scope of their authority or engagement.

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 JPMorgan Chase Bank to act as an independent custodian to hold and have overall responsibility for holding the assets of the ETF. The custodian may, from time to time, appoint sub-custodians.

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. 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 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.

The manager of the US Fund, The Vanguard Group, Inc., may change the index or the investment strategy of the US ETF, in which case, the responsible entity of the Fund, Vanguard Investments Australia Ltd, would review the investment strategy of the Australian ETF. Vanguard will notify investors of any such changes.

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.

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
- a unitholder 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.

Proxy voting

Vanguard votes proxies in companies/funds where the relevant fund has a significant economic interest in such companies/funds, and it is reasonably practicable to do so. While the ETF invests substantially all of its assets in the US ETF, any proxy voting would be limited to the US ETF. Vanguard believes the right to vote proxies for holdings is a significant asset. Vanguard exercises the votes with the goal of maximising the value of the investments. To obtain a copy of Vanguard's proxy voting policy please contact the Vanguard ETF Help Desk on 1300 655 888.

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 services provided by Vanguard, please contact the Vanguard ETF Help Desk on 1300 655 888 from 8:30 am to 5:30 pm Melbourne time, Monday to Friday.

If the complaint is not satisfactorily resolved within three business days 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, within 45 days of receiving the complaint.

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 Service ("FOS"). Investors can contact FOS on 1300 780 808.

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 provide personal information to an investor's financial adviser if written consent is provided to Vanguard. 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 Help Desk on 1300 655 888. You may request to update or access any personal information we hold about you.

FATCA/IGA

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. From 1 July 2014 FATCA requires foreign financial institutions outside the US, including banks and fund managers, to provide information to the US tax authority, the US Internal Revenue Service ("IRS"), regarding their US accounts (e.g. account holders or unitholders) or incur 30% withholding tax in the US.

It is anticipated that Australia and the US will enter into an IGA, which allows Australian financial institutions to report information to the Australian Taxation Office rather than the US IRS and generally removes the requirement for FATCA withholding tax to be deducted.

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 completing the Application/Redemption form, 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 on page 10 of the PDS under the heading 'Index Information' and on page 31 of the PDS 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; or
- 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.

Relief is granted subject to certain conditions, including the condition that unitholders that are not Authorised Participants have a right to withdraw from the fund and receive a cash payment for their ETF units in money within a reasonable time of request when ETF units are suspended from trading on the ASX for more than 5 consecutive trading days, unless:

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

If such a withdrawal occurs, any withdrawal fee per unit payable by members must not be greater than the withdrawal fee per unit payable on withdrawal by an authorised participant pursuant to a Cash Redemption of a Creation Unit Amount while ETF units are quoted on the ASX. As at the date of this PDS, ASIC has not notified Vanguard in writing that it is excluded from reliance on this relief.

Vanguard will not treat members of the ETF class equally to the extent that it restricts withdrawal from the Fund to Authorised Participants, except in these exceptional circumstances.

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 has issued Class Order [13/1200], which grants relief to ETF issuers under sections 1020F(1)(a) and 1020F(1)(c) of the Corporations Act from the requirement to provide periodic statements and exit statements to investors in ETFs under section 1017D(1) of the Act for each reporting period ending on or before 31 December 2013.

For reporting periods ending after 31 December 2013, Class Order [13/1200] grants relief 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 an “in principle” 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 “in principle” 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%. Vanguard has requested that ASX issue a final waiver prior to the ETF units being admitted to quotation on the AQUA market.

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 an application or redemption made by an Authorised Participant by exchanging an amount of cash for ETF units.

CHESS means the Clearing House Electronic Subregister System.

CDIs means CHESS 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 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 'Vanguard's investment policy' on page 9).

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.

FTSE disclaimer

The Vanguard FTSE Emerging Markets Shares ETF is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or the London Stock Exchange Group companies ("LSEG") (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE Emerging index (the "Index") (upon which the Vanguard FTSE Emerging Markets Shares ETF is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with the Vanguard FTSE Emerging Markets Shares ETF. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to Vanguard or to its clients. The Index is calculated by FTSE or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

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