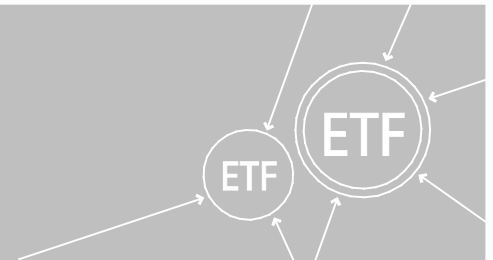




Vanguard

Product Disclosure Statement Announcement
for the Vanguard® Exchange Traded Funds

30 April 2012



Vanguard Investments Australia Ltd is pleased to launch the Vanguard® Australian Government Bond Index ETF (**VGB**).

| FUND | ASX CODE | ANNOUNCEMENT |
|--|-----------------|------------------------------|
| Vanguard® Australian Government Bond Index ETF | VGB | Product Disclosure Statement |

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

The VGB PDS is available on the Vanguard website at:

www.vanguard.com.au/personal_investors/investment/etfs/offer-documents-and-reports

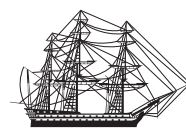
If you do not have access to the internet, please contact Vanguard Client Services on 1300 655 888. A paper copy will be provided free of charge on request.

Further Information

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

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Vanguard[®]

Vanguard[®] Australian Government Bond Index ETF Product Disclosure Statement

Dated 13th April 2012

ASX code - VGB

Vanguard Investments Australia Ltd.
ABN 72 072 881 086 / AFSL 227263.

IMPORTANT NOTICE

Authorised Participants

Please note that the offer in this Product Disclosure Statement 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[®] Australian Government Bond Index 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 (ETFs) please contact a stockbroker or financial adviser or visit vanguard.com.au.

Vanguard Client Services

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Southbank Vic 3006

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Features at a Glance

| Full Name | Vanguard Australian Government Bond Index ETF | |
|--|--|---|
| ASX Code | VGB | |
| Investment Objective | Seeks to match the return (income and capital appreciation) of the UBS Government Bond Index before taking into account Fund fees, expenses, and tax. | |
| Management Costs ¹ | 0.20% p.a. | |
| Distributions | Quarterly | |
| | The primary market for Authorised Participants | The secondary market for individual investors |
| Application/Redemption Process ² | In-specie transfer of a basket of securities together with any balancing cash payment requirements | Not Applicable. Individual investors can purchase or sell ETFs through their adviser or broker |
| Basket Constituents (Standard Basket) | Generally a sample of 20 – 40 bonds within the UBS Government Bond Index, but Vanguard may vary the number and composition of securities selected from time to time. The application and redemption baskets may differ - for example, the application basket may contain a different number of securities or different securities from the redemption basket. | Not Applicable |
| Customised Baskets ² | At Vanguard's discretion, the Fund may accept modified baskets for applications or redemptions (i.e. baskets that differ from the published Standard Basket). Vanguard may also request a modified basket for applications or redemptions. | Not Applicable |
| Minimum Application | One creation unit, or multiples of creation units | Many brokers typically set a minimum order size of \$500 |
| Creation Unit | 100,000 units | Not Applicable |
| Transaction Costs to Create ETF units ³ | \$450 | Not Applicable |
| Transaction Costs to Redeem ETF units ³ | \$450 | Not Applicable |
| Buy Spread (Purchase) | Nil | Investors (other than Authorised Participants) will incur customary brokerage fees and commissions and may incur a buy-sell 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. |
| Sell Spread (Withdrawal) | Nil | |
| Pricing Frequency | NAV price generally calculated daily | Continuous quotation through the trading day on the ASX AQUA market |
| Settlement | Typically T+3 ⁴ | Typically T+3 ⁴ |

¹ Please refer to the section "Fees and other costs" on pages 20-23 for more details.

² Please refer to the section 'How to transact with Vanguard' on pages 15-18.

³ This amount is only paid by Authorised Participants creating or redeeming creation units. Individual investors do not pay this amount for sales or purchases through their broker or adviser.

⁴ Settlement may be delayed to accommodate non-settlement days on CHESS or Austraclear (refer to the Section 'Important note for Applications and Redemptions' on page 16).

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About this PDS

This Product Disclosure Statement (PDS) is for the Vanguard Australian Government Bond Index ETF. This PDS is dated 13 April 2012. 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 Vanguard Client Services 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 (see 'Summary of Offer to Authorised Participants' on page 5) 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. A paper copy of any updated information will be provided free of charge on request.

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations in its capacity as responsible entity of the 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 Vanguard Client Services on 1300 655 888:

- Details of the Net Asset Value (NAV) for the ETF – available monthly
- Details of the NAV price for the ETF – available daily
- Standard Baskets for applications and redemptions – available daily
- Vanguard's unit pricing discretions policy (by contacting Vanguard Client Services)
- The latest copy of this PDS for the ETF
- Details of any continuous disclosure notices given by Vanguard to ASIC
- Details of distribution announcements given by Vanguard to the ASX via the ASX Market Announcements Platform
- Annual Reports and Financial Statements for the Fund
- Details of the ETF Distribution Reinvestment Plan
- Information about the portfolio characteristics of the Standard Baskets and the Fund (Portfolio Report) – provided as and when available, generally daily

Classes of units

The ETF referred to in this PDS is a separate class of units in the Fund, i.e. the Vanguard Australian Government Bond Index ETF is a separate class of units in the Vanguard Australian Government Bond Index Fund ARSN 134 177 807. As such it is only the ETF class of the Fund that will be quoted on the AQUA market of the ASX (refer to pages 8-9 for further details). This PDS relates only to the ETF class of units in the Fund.

Unless otherwise stated in this PDS, references to provisions for the ETF refer to the ETF class only. A reference to 'Fund' in this PDS is a reference to the Vanguard Australian Government Bond Index Fund.

Key features of the ETF offer

Who is Vanguard?

Vanguard Investments Australia Ltd is a wholly owned subsidiary of The Vanguard Group, Inc. which is based in the United States and, as at 31 December 2011, managed more than AUD 1.8 trillion for over 25 million institutional and personal investor accounts.

Over the past 37 years, The Vanguard Group, Inc. has grown to be one of the world's largest and most respected investment management companies. The Vanguard Group, Inc. now has a global presence with offices in the United States, Australia, Asia and Europe. In Australia, Vanguard has been helping investors meet their long-term financial goals with low cost indexing solutions for 15 years.

The Vanguard Group, Inc. first launched Vanguard ETFs in the United States in 2001. As at 31 December 2011, The Vanguard Group, Inc. had 64 ETFs valued at over USD 170 billion and was the third largest ETF issuer in the United States. Vanguard launched its initial range of ETFs in the Australian market on 8 May 2009.

What is an ETF?

An ETF is an Exchange Traded Fund. An Australian ETF is a type of managed fund whose units are generally quoted for trading on the AQUA market of the ASX. Generally, ETFs comprise a broadly diversified investment portfolio of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs combine the best features of index managed funds and listed shares in one investment. They are index funds as we know them, so they come with the benefits of low costs, broad diversification, transparency, and tax efficiency (as a result of low turnover in the fund's assets). However, unlike traditional index funds, ETFs trade on a stock exchange so they also benefit from simple trading and intra-day pricing. ETFs carry certain risks (refer to pages 12-14).

Summary of Offer to Authorised Participants

| | |
|------------------------------|---|
| The ETF offer | The Vanguard Australian Government Bond Index ETF is a class of units in the Vanguard Australian Government Bond Index Fund (ARSN 134 177 807). |
| Who is this offer to? | The offer in this PDS is only available to stockbrokers acting as principal who have entered into an Authorised Participant agreement with Vanguard – referred to in this PDS as Authorised Participants. |
| 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 trade on the ASX (refer to pages 8-9 for further details of the AQUA market of the ASX). |
| Applications* | <p>ETF units can only be applied for in multiples of units that represent creation unit amounts (baskets). Unless otherwise agreed with Vanguard, application amounts must be in the form of a parcel of fixed income securities selected by Vanguard from time to time (Standard Application Basket) transferred through the Austraclear Limited Clearing and Settlement Facility (Austraclear), together with any balancing cash payment requirements.</p> <p>An Authorised Participant may request to pay application amounts using a modified parcel of securities (a Customised Application Basket) transferred through Austraclear, together with any balancing cash payment requirements. A Customised Application Basket will be negotiated and accepted at Vanguard's discretion. On the day an order is received, Vanguard may also require an Authorised Participant to provide a Customised Application Basket (together with any balancing cash payment requirements) for the application. In such a case, Vanguard will negotiate any modifications to the Standard Application Basket with the Authorised Participant. A Customised Application Basket may result in different balancing cash payment requirements from the Standard Application Basket.</p> <p>ETF Units issued by Vanguard to an Authorised Participant will be settled through Clearing House Electronic Settlement System (CHESS).</p> |
| Redemptions* | <p>ETF units can only be redeemed in multiples of units that represent creation unit amounts (baskets). Unless otherwise agreed with Vanguard, the amount payable to an investor on redemption (the withdrawal amount) will be paid through a transfer of a parcel of fixed income securities selected by Vanguard from time to time and transferred through Austraclear, together with any balancing cash payment requirements. Generally, the basket of securities will be the Standard Redemption Basket.</p> <p>An Authorised Participant may request to receive the withdrawal amount using a modified parcel of securities (a Customised Redemption Basket) transferred through Austraclear, together with any balancing cash payment requirements. A Customised Redemption Basket will be negotiated and accepted at Vanguard's discretion. On the date an order is received Vanguard may choose to deliver a Customised Redemption Basket. In such a case, Vanguard will negotiate any modifications to the Standard Redemption Basket with the Authorised Participant. A Customised Redemption Basket may result in different balancing cash payment requirements from the Standard Redemption</p> |

| | |
|----------------------|---|
| | <p>Basket.</p> <p>ETF investors can only redeem 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 CHESS.</p> |
| Distributions | <p>Distributions will generally be made every quarter at 31 March, 30 June, 30 September and 31 December each year, or at such other times as determined by Vanguard, where the Fund has income available for distribution.</p> <p>The withdrawal amount provided to an Authorised Participant on the redemption of ETF units will also generally include a distribution of the income of the Fund.</p> |

*Please refer to the section 'How to transact with Vanguard' on pages 15-18 for more details about the application and redemption process for standard and customised baskets.

The 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:

Responsible entity and custodian

Vanguard is the responsible entity of the Fund and is responsible for the ongoing management of the assets associated with the Fund. The custodian is the holder of the assets on behalf of the responsible entity.

| | |
|---|---|
| Investment Manager/ Responsible Entity | Vanguard Investments Australia Ltd Level 34, Freshwater Place 2 Southbank Boulevard Southbank Vic 3006 |
| Custodian | JPMorgan Chase Bank, National Association Level 35 259 George Street Sydney NSW 2000 |

Refer to page 27 for more details on the responsible entity and custodian.

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.

| | |
|-----------|--|
| Registrar | Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067 |
|-----------|--|

Market maker

The ASX Operating Rules Schedule 10A (AQUA Rules) contain certain market making requirements. A market maker's role is to provide additional liquidity in the ETF units. They do this by fulfilling two key functions:

- Maintaining reasonable quotes and volume for the ETF units in the market by acting as the buyer and seller of units throughout the day.
- Creating and/or redeeming ETF units with the issuer.

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 an ETF unit and places a buy/sell 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.

Vanguard has selected J.P. Morgan Australia Limited ABN 52 002 888 011 (**JP Morgan**) as lead market maker. In selecting the market maker for the ETF, Vanguard focused on firms or corporate groups experienced in trading fixed income and equity securities in Australia. The firm selected has the capability to provide reliable market making for the ETF on the ASX and has agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. Internationally, the market maker selected (or its offshore affiliates) will also have 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 Vanguard ETFs as follows:

| Contract with | Description |
|--------------------------|--|
| UBS AG, Australia Branch | Index Licence Agreement. The licence allows the use of certain indices in the operation of ETFs. |
| 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, ETFs and structured products with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement facilities offered by the ASX.

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

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

Source: ASX Rules Framework (2011)

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

| Information | ASX Listing Rules | ASX AQUA Rules |
|-------------------------------------|--|--|
| Continuous Disclosure | <ul style="list-style-type: none"> Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act 2001 (Corporations Act)</i>. | <ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i>. There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. <p>What obligations apply under the AQUA Rules?</p> <ul style="list-style-type: none"> There is an obligation on issuers of ETFs to disclose information about the net tangible assets (NTA) or the net asset value (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 | <ul style="list-style-type: none"> Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules. | <ul style="list-style-type: none"> Responsible entities of AQUA Products that are ETFs are still required to lodge financial reports with ASIC. 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 | <ul style="list-style-type: none"> Requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes. | <ul style="list-style-type: none"> Certain requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products. |
| Related Party Transactions | <ul style="list-style-type: none"> Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions. | <ul style="list-style-type: none"> Chapter 10 of the Listing Rules does not apply to AQUA Products. ETFs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the <i>Corporations Act</i>. |
| Auditor Rotation Obligations | <ul style="list-style-type: none"> There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i>. | <ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the <i>Corporations Act</i>. |
| Product Disclosure | <ul style="list-style-type: none"> Entities admitted under the Listing Rules are subject to the requirements of the <i>Corporations Act</i> in relation to the issue of a PDS. Information on the risks associated with an investment in a product is expected to be included. | <ul style="list-style-type: none"> Products quoted under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i>. Investors should read the PDS 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)

Vanguard ETF

The ETF offered in this PDS is:

| Vanguard ETF | Investment objective | Underlying index | Management costs* |
|--|--|---|-------------------|
| Vanguard Australian Government Bond Index ETF (ASX code VGB) | The Fund seeks to track the return (income and capital appreciation) of the UBS Government Bond Index before taking into account Fund fees, expenses, and tax. | As at the date of this PDS, the UBS Government Bond Index comprises approximately 80 securities issued by the Commonwealth Government of Australia and Australian State Government authorities and treasury corporations. The number of securities in the index may vary over time. | 0.20% p.a. |

* Please refer to the section 'Fees and other costs' on pages 20-23 for further information.

Vanguard's investment policy

Investment strategy

Vanguard employs an index management strategy designed to track the return (income and capital appreciation) of the UBS Government Bond Index. This is achieved by holding all of the securities included in the index where possible, or a representative sample of these securities. Vanguard selects the securities it holds based on liquidity, access to markets, portfolio cash-flow and minimum trade quantities with the aim of tracking the return of the index. The Fund may exclude certain securities that are included in the index and security weightings in the Fund may vary marginally from the index weightings. For example, based on the liquidity of a security at a particular time, Vanguard may hold the security at a reduced weight or decide not to hold that security.

The Fund may also invest in government and semi-government bonds that have been or are expected to be included in the index. Futures traded on a licensed exchange may be used in the Fund to gain market exposure without investing directly in securities. This allows Vanguard to maintain the Fund's liquidity without being under-invested. Importantly derivatives are not used to leverage the Fund's portfolio.

In accordance with the index methodology, eligible fixed income securities must be of an investment grade credit quality¹, which is determined by reference to ratings

¹ Investment grade securities are those fixed income securities rated BBB or higher (i.e. BBB, A, AA, or AAA) by a credit rating agency. Securities with an investment grade rating are generally likely to have a high probability of payment of interest and repayment of capital. Please refer to the section 'Risks' on page 12 for further information about the limitations of credit ratings.

published by independent credit research firms. Please refer to the 'Risks' section on page 12 for more information about the impact of credit ratings and their limitations.

In response to a rebalance of the index, Vanguard adjusts the exposure of the portfolio to be consistent with the revised exposure of the benchmark.

Performance

Monthly performance information for the ETF will be published on Vanguard's website at www.vanguard.com.au. Neither the return of capital nor the performance of the ETF is guaranteed.

Government bonds can be expected to perform similarly to other fixed income investments. Performance differences will arise depending on the nature of changes in interest rates and the relative performance of government and non-government issued securities.

The ETF is a separate class of units of the Vanguard Australian Government Bond Index Fund. Historical performance of the other class of units in this Fund is available on Vanguard's website at www.vanguard.com.au. Historical Fund performance represents the performance of the wholesale class of units and may not reflect the performance outcomes of the ETF class. Past performance is not an indicator of future returns.

Changes to investment objectives and strategy

Vanguard may from time to time vary the investment objective and policy of the Fund. Such variations may include changes to the target index chosen for the Fund. Vanguard will notify investors of any such changes. Vanguard will not make any significant change to the investment objective and 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.

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

UBS Government Bond Index

The UBS Government Bond Index is designed to measure the performance of the Australian bond market which meets certain investment criteria and covers fixed income bonds issued in the Australian debt market under Australian law.

It is a composite index, in that it is composed from other indices. The other indices are the UBS Treasury Index and the UBS Semi-Government Index.

The UBS Government Bond Index, a sub-index of the UBS Composite Bond Index™, is an index of valuations of the debt securities which are included in it. Below is set out a description of the manner in which the debt securities included in it are determined and also a description of the manner in which valuations are determined.

The UBS Government Bond Index has been calculated since 30 June 1998.

Which debt securities can be included in the index?

The debt securities which are included in the UBS Government Bond Index are selected by UBS, from time to time, based on eligibility criteria. The key eligibility criteria for the debt securities which are included in the UBS Government Bond Index are that the debt securities:

- are issued by the Australian Treasury (Commonwealth Government debt securities) or Australian semi-government entities (which includes securities issued by the Australian state government authorities, namely New South Wales Treasury Corporation, Treasury Corporation of Victoria, Western Australia Treasury Corporation, Queensland Treasury Corporation, South Australian Government Financing Authority, Australian Capital Territory, Northern Territory Treasury Corporation and Tasmanian Public Finance Corporation)
- are denominated in Australian dollars;
- are governed by the law of an Australian State or Territory;
- were issued in a minimum issue size of AUD 100 million;

- have a final maturity of less than 50 years; and
- are of a minimum quality which is determined by reference to levels published by independent service providers and bond rating firms. In addition, if any debt securities fall below that minimum quality then those debt securities are removed and the index is rebalanced as further described below.

In addition to the above, certain debt securities are excluded from the UBS Government Bond Index, these include: convertibles notes, zero coupon notes, private placements, collateralised debt obligations, collateralised bond obligations, collateralised fund obligations, synthetic securitisations and hybrid capital securities.

The different debt securities are included in the UBS Government Bond Index on the basis of their gross market value proportions, not on an equally weighted basis, and these proportions can be rebalanced on a daily basis. Such rebalancings can occur, for example, when interest or principal is received on the debt securities, the debt securities are redeemed or mature, or when there is a new issue of debt securities which are to be included in the UBS Government Bond Index (which occurs at the beginning of the following month). Rebalancing is performed on the basis that interest and principal received on the debt securities are reinvested in all of the debt securities comprising the UBS Government Bond Index and on the basis that it is performed in market value proportions at the day's closing prices.

As the UBS Government Bond Index includes the value of reinvested interest and principal payments made on the debt instruments included in it, it is considered as a capital accumulation index - which means that it is designed to measure the total return from investing in those debt securities.

How are the valuations of those debt securities determined?

The UBS Government Bond Index is a gross market value weighted index. This means that all debt instruments are valued using a determination of the price which an investor would pay to acquire the debt instrument. This price includes the value of future interest payments which are to be made under the debt securities.

These prices for debt instruments making up the UBS Government Bond Index are taken from the firm closing prices at the end of the day from active UBS trading books. UBS employs periodic price testing to verify that its prices are consistent with market pricing.

Risks

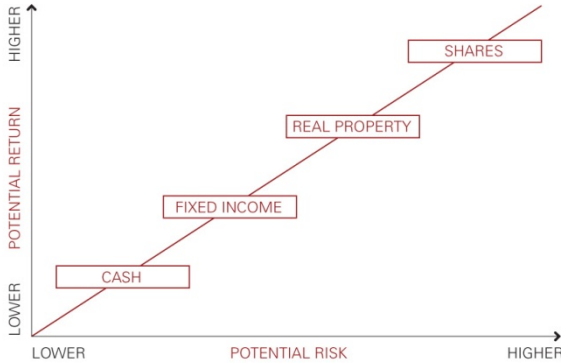
Investors in the ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment 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 this 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 |
|---------------------------|--|
| <p>Market Risk</p> | <p>Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lowest market risk. Bonds and equities (including property securities) have increasing levels of market risk. Short-term market risks are high to very high for most asset classes. Below is a graphical representation of the risk/return relationship associated with various asset classes.</p>  <p>In any asset sector, the returns of individual securities are a combination of the market return and returns specific to each security. In the case of fixed income investments, returns specific to each security will be influenced by the bond maturity date, changes in the issuer's creditworthiness, and the specific terms of the debt security. Negative perceptions of the issuers' ability to make such payments may cause the price, and therefore the value, of those securities to decline.</p> <p>By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities (e.g. the default on a bond payment by a single issuer) and the fund returns are generally related to the market return and its associated risk.</p> <p>From time to time the number of securities in a given index may change due to factors such as index rebalancing as a result of a new security issuance, maturing bonds, credit rating² downgrades or bond defaults. This may lead to a change in the diversification or general risk characteristics of the portfolio. Fixed income indices change far more quickly than share indices because bonds have a finite life (maturity). Changes to the composition of the index may require Vanguard to modify the portfolio. Where Vanguard modifies the portfolio to reflect the index as a result of a credit rating downgrade, there will generally be a similar performance impact on the Fund as there is on the index; however, credit rating downgrades may impact absolute returns – i.e. investor returns from an investment in the Fund (bearing in mind that neither the return of capital nor the performance of the ETF is</p> |

² Credit ratings are levels determined by a ratings agency and attributed to a particular security. As outlined on page 11 in the section "Which debt securities can be included in the index?", certain minimum credit rating levels are one of the eligibility criteria of the index. The levels attributed to a particular security are an assessment of an issuer's ability to meet repayment obligations of bonds or other financial instruments. Ratings are provided by specialist research firms who conduct their own research into issuers' financial strength based on publicly available information and proprietary analysis. Credit ratings are not opinions about volatility risk or liquidity risk and are generally based on assumptions at a particular point in time. Some bond issuers may pay the ratings agency for their securities to be rated. They are not and should not be used as an indicator of future returns. Investment decisions should not be based on these ratings alone. You should consult your financial adviser for further information about the impact of ratings on investments.

| Type of Risk | Description |
|--------------------------------|--|
| | guaranteed). |
| Credit risk | There is credit risk associated with fixed income securities. The issuer of fixed income or debt securities may fail to pay interest and principal in a timely manner (or at all). The index whose return the Fund will seek to track is comprised of a number of securities issued by the Commonwealth Government or State Governments or Territories. The level of credit risk associated with these issuers is generally less than fixed income securities issued by other issuers including corporate entities. |
| Interest rate risk | There is a risk that fixed income security prices overall will decline because of rising interest rates or the income from fixed income securities declines because of falling interest rates. For example, interest rates may rise and fall as a result of changes in inflation. |
| Derivative Risk | <p>The primary risks associated with the use of derivative contracts are:</p> <ul style="list-style-type: none"> ■ The values of the derivative may fail 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 for the derivative contracts as they arise ■ The counterparty to the derivative contract may not meet its obligations under the contract <p>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 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 transaction in the over-the-counter market.</p> <p>The Fund does not use derivative contracts for speculative purposes or to leverage the assets of the Fund.</p> |
| Regulatory and Tax Risk | <p>This is the risk that a government or regulator may introduce regulatory and tax changes, or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the Fund invests, the value of the ETF units in the Fund or the tax treatment of the Fund and its investors.</p> <p>The Fund or the ETF class may be affected by changes to legislation or government policy both in Australia 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.</p> |
| Index Tracking Risk | <p>Vanguard employs an indexing investment strategy. Compared to managers who employ an active investment strategy, indexing significantly lowers the risk of short-term underperformance relative to the target index.</p> <p>However, the Fund may fail to meet its objectives as a result of:</p> <ul style="list-style-type: none"> ■ Vanguard's selection of securities from the index in the Fund ■ The performance of the securities in the Fund ■ The costs of managing the portfolios that are not measured by the index. |
| Fund Risk | Fund risk relates to risks that are particular to the Fund or the specific ETF class. These may include risks that the Fund could terminate or the ETF class could be wound up, the fees and expenses could change or Vanguard could be replaced as responsible entity or could delegate its investment management functions to an investment manager. There is also a risk that investing in ETF units may give different results than an investor investing directly in the underlying securities because of the income or capital gains accrued in the ETF units in the Fund and the consequences of investment and withdrawal by other investors. |

| Type of Risk | Description |
|-------------------------|--|
| Trading Risk | <p>In certain circumstances, Vanguard or 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. In these circumstances, Vanguard may suspend the application and redemption process for Authorised Participants. If applications and redemptions are suspended, Vanguard will make an announcement on the ASX Market Announcements Platform.</p> <p>The ASX imposes certain requirements for ETF units to continuously be quoted. The ASX also imposes certain requirements for ETFs to be admitted to Trading Status, including that the index be specified in the AQUA Rules Procedures or that the ASX be otherwise satisfied that the index is widely regarded by industry as having robust and transparent eligibility criteria and governance arrangements, and a robust and transparent methodology for constructing and maintaining the index. Vanguard will endeavour to meet these requirements at all times to ensure the ETF units remain quoted.</p> <p>There can be no assurances that there will always be a liquid market for ETF units traded on the AQUA market. Vanguard has obligations to have market making arrangements in place in certain circumstances under the AQUA Rules. Vanguard has appointed a market maker to assist in maintaining liquidity for the ETF on the ASX, but there is no guarantee that the market maker will be able to maintain liquidity.</p> <p>The purchase price and withdrawal amount applicable to ETF units may, from time to time, differ from the trading price of ETF units on the ASX. The trading price is dependent on a number of factors including the demand and supply of units, investor confidence and how closely the value of the assets of the ETF tracks the performance of the index.</p> <p>If you buy or sell ETF units on the secondary market, you will pay or receive the trading price for such ETF units, which may be higher or lower than the NAV of such ETF units.</p> |
| Operational Risk | <p>The ETF is 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 the ETF. The failure of a service provider to administer and report on the Fund accurately may adversely impact the operations or performance of the Fund.</p> <p>There is also an operational risk that circumstances beyond Vanguard's reasonable control could prevent Vanguard from managing the Fund in accordance with its investment strategies and as otherwise contemplated by this PDS. Examples of these circumstances include strikes, industrial disputes, fires or other casualty, war, civil disturbance, terrorist acts, governmental pre-emption in connection with an emergency of state and epidemics (including potential epidemics). By investing in ETF units you agree that Vanguard is not liable if Vanguard is prevented from managing the Fund by circumstances beyond its reasonable control.</p> |

How to transact with Vanguard

An Authorised Participant may apply and/or redeem the number of units in the Vanguard ETF that represent creation unit amounts (baskets) by completing the ETF Application/Redemption Form attached to this PDS. The Authorised Participant must also enter into an Authorised Participant agreement with Vanguard prior to transacting with Vanguard. For a copy please contact Vanguard Client Services on 1300 655 888.

Authorised Participants may apply and/or redeem ETF units using the respective published creation/redemption basket (Standard Creation/Redemption Basket) or may request to transact using different securities from the published Standard Basket (Customised Basket). Customised Baskets are negotiated and accepted at Vanguard's discretion.

In certain circumstances Vanguard may require an Authorised Participant to transact using a Customised Basket. For example, where a significant number of creation units are applied for on the same day or where to satisfy a redemption request would require Vanguard to deliver redemption securities in excess of those held by the Fund. Vanguard will negotiate the contents of the Customised Basket with the Authorised Participant.

Investors who are not Authorised Participants cannot apply for ETF units through this PDS, but may purchase ETF units on the ASX.

A basket will consist of two components:

- Application/withdrawal securities component
- Cash component

There are separate baskets for applications and redemptions. The application and redemption baskets may differ - for example, the application basket may include a different number of securities or include different securities from the redemption basket.

| | Vanguard Australian Government Bond Index ETF |
|----------------------------------|---|
| ASX code | VGB |
| Minimum creation/redemption size | 100,000 units |

Standard Basket Applications/redemptions

ETF Application/Redemption Forms indicating a Standard Basket and received from Authorised Participants before

What is the application/withdrawal securities component?

In a Standard Basket, this component generally corresponds to a number of securities whose characteristics generally match those of the index applicable to the ETF. Vanguard generally publishes a Standard Application Basket and Standard Redemption Basket prior to the opening of trading for every ASX trading day for the ETF.

In a Customised Basket, this component corresponds to the securities negotiated between the Authorised Participant and Vanguard. A Customised Basket would be determined during the ASX trading day.

The application securities component and the withdrawal securities component will be determined on the day on which the purchase price or withdrawal amount for the application or redemption is determined (see 'Standard Basket Applications/Redemptions' and 'Customised Basket Applications/Redemptions' below).

What is the cash component?

In a Standard or Customised 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 created or redeemed.

The cash component in a Customised Basket may differ from the cash component in the Standard Basket.

Minimum applications and redemptions

The following table details the minimum number of ETF units:

the order cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF units applicable as at the valuation point for that day. The order cut-off time is normally 4:00pm on each ASX trading day but an earlier cut-off will apply when the ASX or fixed income market closes earlier than 4:00pm. In those

instances the order cut-off time will be the earlier of the closure of the ASX and the closure of the fixed income market.

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 as at the next Fund valuation point³.

For an application, the Authorised Participant must deliver the application securities and cash component applicable to the Standard Creation Basket to Vanguard and will, in return, receive the equivalent value of ETF units.

For a redemption, the Authorised Participant must deliver the ETF units to Vanguard and will, in return, receive the withdrawal securities and the cash component applicable to the Standard Redemption Basket.

Vanguard reserves the right to refuse any application. If an application is rejected, the Authorised Participant will be notified.

Customised Basket Applications/redemptions

Customised Baskets are negotiated between the Authorised Participant and Vanguard and accepted at Vanguard's discretion. Authorised Participants wishing to transact using a Customised Basket should contact Vanguard at least an hour prior to the order cut-off time on the relevant ASX trading day to negotiate the Customised Basket. Vanguard's agreement to the composition of a Customised Basket does not constitute acceptance of the application or redemption request.

Authorised Participants must submit the Application/Redemption Form attached to this PDS. Authorised Participants who have negotiated a Customised Basket will be provided with a Customised Basket number by Vanguard. You must identify the Customised Basket using this Customised Basket number on the Application/Redemption Form. Application/Redemption Forms received without the Customised Basket number for the Customised Basket may not be processed.

Authorised Participants who have negotiated a Customised Basket should allow sufficient time for their Application/Redemption Form to be received by Vanguard prior to the order cut-off time on the relevant ASX trading day.

ETF Application/Redemption Forms specifying a Customised Basket order number 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 as at the valuation point for that day. 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.

For an application, the Authorised Participant must deliver the application securities and cash component applicable to the Customised Creation Basket to Vanguard and will, in return, receive the equivalent value of ETF units.

For a redemption, the Authorised Participant must deliver the ETF units to Vanguard and will, in return, receive the withdrawal securities and the cash component applicable to the Customised Redemption Basket.

Vanguard reserves the right to refuse any application, including in relation to a Standard Basket or where it has negotiated or requested a Customised Basket. If an application is rejected, the Authorised Participant will be notified.

Important note for Applications and Redemptions

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 or where there are factors, as determined by Vanguard, which prevent the accurate calculation of unit prices. Vanguard will advise you when this suspension will occur.

More detailed execution and settlement procedures for the Vanguard ETFs are available in the Authorised Participant Agreement.

Please contact Vanguard Client Services on 1300 655 888 for a free copy of the agreement.

³ Please refer to the section "Valuations and pricing" on page 17 for more details.

Settlement of ETF units and the application securities component/withdrawal securities component will typically occur on T+3 (the third business day after the trade). Where, over the settlement period, Austraclear is closed for settlement but CHESS is open, or when CHESS is closed for settlement but Austraclear is open, settlement of both ETF units and the application securities component/withdrawal securities component may be extended by the relevant number of non-settlement days during the settlement period.

Vanguard does not price the units where markets are closed due to public holidays or where there are other factors preventing the accurate calculation of unit prices. Where Vanguard cannot accurately determine the net asset value per ETF unit, for example if the fixed income market were closed, Vanguard may suspend the creation or withdrawal of units.

While the Fund is liquid for the purposes of the *Corporations Act*, Vanguard will typically redeem ETF units within 30 days of the date on which the redemption request is accepted or such reasonable period as permitted in accordance with the Fund's constitution. The Fund is liquid if 80% of the value of the Fund's assets comprise 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 a Fund is illiquid. It is not expected that the Fund will be illiquid.

Valuations and pricing

The Net Asset Value (NAV) of the ETF is so much of the NAV of the Fund as is determined to be referable to the ETF under the rules set out in the constitution for the Fund. Under these rules, the amount of the NAV of the Fund that is allocated to the ETF class 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). The NAV will generally be determined on the next trading day.

The purchase price (or NAV price) of units in the ETF is determined by dividing so much of the NAV of the Fund as is allocated to the ETF by the number of units on issue in the ETF at the time the purchase price is determined (the valuation point).

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 by the number of units on issue in the ETF at the time the withdrawal amount is determined (the valuation point).

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 'Distributions' section of this PDS 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 close of trading on the previous ASX trading day.

The valuation point for the ETF is typically the close of trading for fixed income securities, which, by market convention, is generally 4:30pm on each business day except for New South Wales bank holidays. Vanguard may determine to use an earlier valuation point on a given day, for example where the fixed income market closes earlier than 4:30pm.

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 Vanguard Client Services on 1300 655 888.

Unit pricing policy

Vanguard has documented its policy as to how it determines unit prices for its managed funds. The policy has been designed to meet the ASIC requirements and the Unit Pricing Discretions Policy is available on request to all investors and prospective investors at no charge.

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 instructions

If you are advising Vanguard via facsimile 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 received
- Will only process a facsimile instruction 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 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
- Does not take responsibility for any fraudulently or incorrectly completed facsimile instructions
- Will not compensate for any losses relating to facsimiles, unless required by law. For example, the risk that a facsimile 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 instructions, to the extent permitted by law.

Distributions

Income distributions

The distributable income of the Fund is determined in accordance with the constitution for the Fund. ETF investors can become entitled to the distributable income of the Fund in two ways: on the redemption of ETF units (see 'Distributions on redemption' below), or as a result of holding ETF units in the Fund at the end of each distribution period (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.

The amount of the distributable income of the Fund which is allocated to ETF investors at the end of each distribution period is based on the distributable income of the 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 at the end of each distribution period are calculated in cents per unit and will be based on the number of ETF units held 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 at the end of 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 60 days 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 will

generally include a distribution of the distributable income of the Fund. Please refer to the 'Taxation' section of this PDS for further information regarding how this entitlement is determined.

Tax statement

The amount and components of the assessable income on which an ETF investor is assessed in respect of an income entitlement they received on the redemption of ETF units will not be known until after the financial year ends.

Vanguard will notify Authorised Participants who have redeemed ETF units during a financial year of the amount and components of any assessable income on which an Authorised Participant is assessed in respect of any income entitlement they received on the redemption of ETF units during that year following the end of the financial year, once that information becomes available (see below).

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 distributable income of the Fund during a financial year, a statement which outlines the amount and composition of the taxable income of the Fund on which the investor is assessed for the financial year. This should 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 document.

ETF investors can choose to:

- Participate in the DRP, where distributions are reinvested in additional ETF units, or
- Have the distributions paid directly to a nominated Australian bank account

If no DRP election is made, the distributions will automatically be paid as cash. An investor's DRP election continues until the investor makes a new 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 at computershare.com.au/easyupdate/vgb 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.

Fees and other costs

Consumer Advisory Warning

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 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 Fund's assets as a whole.

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

Taxes are set out in another part of this PDS.

| 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>Application/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 | Not applicable |
| <i>Termination fee:</i> The fee to close your investment | Nil | Not applicable |
| Management costs^{AC} | | |
| The fees and costs for managing your investment: | 0.20% p.a. | The management cost for the ETF is calculated as a percentage of the ETF's net asset value ^B . The fee is accrued 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 unit price. |
| Service fees | | |
| <i>Investment switching fee:</i> The fee for changing investment options | Nil | Not applicable |

^A Worked dollar examples for the Fund is shown below.

^B Please refer to page 17 for an explanation of the net asset value for the Fund.

^C Refer to page 23 'Negotiated fees, rebates and related payments', for details on how to negotiate a rebate of management costs.

Example of annual fees and costs

This table gives an example of how the fees and costs can affect the investment over a one year period. You should use this table to compare the product with other managed investment products.

| Vanguard Australian Government Bond Index ETF | Amount | Balance of \$50,000 with a contribution of \$5,000 during the year |
|---|--------|--|
| Contribution Fees | Nil | For every additional \$5,000 you put in, you will be charged \$0 |
| PLUS Management Costs ^A | 0.20% | And , for every \$50,000 you have in the fund, you will be charged \$100 each year |
| EQUALS Cost of Fund | | If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 ^B during that year, you would be charged fees of: \$100 |

^A Refer to page 23 'Negotiated fees, rebates and related payments', 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.

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. They include:

- Responsible entity's fee
- Custodian fees (excluding transaction based fees)
- Accounting and audit fees
- Index license fees
- Registry service fees
- 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 Fund incorporate Goods and Services Tax (GST) after taking into account any expected input tax credits.

The management costs of investing in 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 20, to the extent that management costs are deductible and reduce the taxable income of the Fund. Please refer to page 24 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 creation/redemption of units. This represents the costs associated with the custodian in respect of the creation or redemption of units in the transaction.

These transaction costs will be the same regardless of the size of the transaction. The following table gives an indication of the transaction costs regardless of the number of creation unit amounts:

| | Vanguard Australian Government Bond Index ETF |
|---------------------------------------|---|
| Transaction costs to create ETF units | AUD 450 |
| Transaction costs to redeem ETF units | AUD 450 |

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

Stockbroker fees for all other investors

Investors (other than Authorised Participants) will incur customary brokerage fees and commissions and may incur a buy-sell 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 Constitution

The management costs include a responsible entity fee component which is Vanguard's remuneration for managing the Fund and an expense reimbursement component. The constitution governing the Fund limits the amount of the responsible entity fee component of the management costs to 1.5% per annum (excluding GST) based on the NAV of the ETF. The constitution of the Fund

limits the transaction costs for the application and redemption of ETF units to the greater of AUD 5,000 or 1% of the aggregate purchase price/withdrawal amount of the ETF units.

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

Negotiated fees, rebates and related payments

Vanguard may, subject to the *Corporations Act 2001* and ASIC policy, from time to time, enter into arrangements with clients who are 'wholesale clients' under the *Corporations Act 2001*, 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.

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 ETF, 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. This document also does not consider any non-Australian tax consequences of investing in ETF units.

This document also assumes that the units will not be held as trading stock or subject to the fair value, hedging or financial reports elections under the rules affecting the taxation of financial arrangements.

The comments in this document also do 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 investor is not an Australian tax resident or is a 'temporary resident' of Australia for tax purposes.

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 income of the Fund 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 income of the Fund each year.

Investors will be assessed on their share of the net taxable income of the Fund, in the year to which their entitlement

relates, in proportion to their entitlements to the distributable 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 distributable income of the Fund for a financial year if they hold ETF units at the end of a distribution period, or, for Authorised Participants, if they redeem any ETF units during the financial year.

The income tax impact for a holder of ETF units of receiving an entitlement to the net taxable income of the Fund depends upon the components of the distribution.

The components of the distributable income that is 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 distributable income of the Fund may comprise amounts that are referable to other income and interest.

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 distributions received from the Fund during the financial year, including on the redemption of ETF units. These can be used as the basis for preparing a tax return for the year.

Proposed changes to the tax treatment of trusts

The Government announced, on 7 May 2010, that it intends introduce a new regime for the taxation of managed investment trusts. It is currently proposed that this regime will apply from 1 July 2013.

Based on the information that is currently available, it is anticipated that the regime should provide greater certainty regarding the tax treatment of managed investment trusts, including ETFs, 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 ETF.

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 losses are applied. In order for the discount capital gains concessions to be available, certain requirements may need to be satisfied (such as the units being held for at least 12 months before they are disposed of). Investors should obtain independent professional tax advice about the availability of the CGT discount.

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

Goods and Services Tax (GST)

The issue and withdrawal of ETF units will not be subject to GST. However, fees and expenses, such as management costs, incurred by the Fund will attract GST (at the rate of 10%).

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, for the majority of the expenses, a Reduced Input-Tax Credit (RITC) of 75% of the GST paid may be able to be claimed.

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

Applying for and redeeming ETF units

A person will only be eligible to apply for and redeem ETF units 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.

If an Authorised Participant is assessed on the disposal of ETF units under the capital gains tax provisions, then the

entitlement to the income of the Fund which the Authorised Participant receives on the redemption of ETF units may exceed the capital gain that the Authorised Participant would otherwise make on the redemption of the ETF units. The Authorised Participant may not make a capital loss or be entitled to any other deduction in respect of the excess.

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

Applications

An Authorised Participant applies for ETF units by way of an in specie transfer of a specified basket of securities together with a balancing cash payment. Accordingly, an Authorised Participant applying for ETF units 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 value of the basket of securities transferred to the Fund on application, adjusted for any balancing cash payment made or received on application.

Redemptions

An Authorised Participant who redeems ETF units will become entitled to receive the withdrawal amount on the redemption. The withdrawal amount is satisfied by an in specie transfer of a basket of securities, together with any balancing cash payment required.

The withdrawal amount comprises 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 the Fund on the in specie transfer of the basket of securities to the redeeming Authorised Participant.

An Authorised Participant who redeems ETF units should 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 distribution of net taxable income 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 distribution of income.

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 statement will be provided after the end of each financial year detailing the amount and components of the net taxable income of the 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.

There has been a recent decision of the Federal Court of Australia that addressed a number of issues that are relevant to the allocation of the net taxable income of a unit trust to unitholders on redemption. The trust deed and the application of the deed in that case differs from those affecting the Fund. The decision casts some uncertainty regarding whether provisions in trust deeds that seek to provide trustees with a discretion to allocate part of the taxable income of a trust to a redeeming unitholder will have their intended effect.

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 to the time of redemption, and will continue to be until the end of the financial year. An Authorised Participant will not be an Australian Resident for tax purposes even if they provide such an undertaking if they have at any time provided Vanguard with an address outside Australia, or if they authorise Vanguard to pay any amounts to them outside Australia.

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 managed investment scheme 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 of the unitholder and the obligations of Vanguard, as responsible entity of the Fund. This PDS outlines some of the more important provisions of the constitution.

A copy of the Fund constitution may be inspected by unitholders at Vanguard's office, during business hours. Vanguard will provide unitholders with a copy of the required 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, National Association, 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 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
- Assessing the adequacy of the compliance plan, recommending any changes and reporting these to Vanguard

Reporting and disclosure obligations

The Fund is subject to regular reporting and disclosure obligations, and 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
- Any continuous disclosure notices given for the Fund after the lodgement of an annual report

Change of index

The responsible entity has the right to change the 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.

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 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.

Public register of alternative remuneration

As a member of the Financial Services Council, Vanguard is obliged to keep a public register that details any alternative form of remuneration, paid to or by Vanguard, worth more than AUD 300.

A copy can be requested from Vanguard on 1300 655 888.

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 the units that can be voted) 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 a fund (except that a person applying for units indemnifies Vanguard against any liability in respect of the applicant paying or failing to pay the application amount. A unitholder who redeems units also indemnifies Vanguard against any liability in respect of a withdrawal amount otherwise than as required by the constitution). However, no complete assurance can be given in this regard, as the ultimate liability of a unitholder has not been finally determined by the courts.

Meeting of unitholders

Vanguard may convene a meeting of unitholders of the Fund at any time, (e.g. to approve certain amendments to a 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 that 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

The Fund will only borrow where Vanguard 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 Client Services on 1300 655 888 from 8:00 am to 6:00 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:

Manager Client Services
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 Services (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 a unitholder's 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 additional personal information in the course of managing the Fund. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Vanguard may provide personal information to the unitholder'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 a unitholder's personal information to its service providers for certain related purposes (as described under the *Privacy Act 1988*) such as account administration and the production and mailing of statements. Vanguard may also use a unitholder's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep unitholders 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.

To obtain a copy of the privacy policy visit Vanguard's website at www.vanguard.com.au or contact Vanguard Client Services on 1300 655 888. You may request to update or access any personal information we hold about you.

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* (AML/CTF Laws). By completing the application form, the investor agrees that:

- They do not subscribe to the Fund under an assumed name
- Any money used to invest in the securities is not derived from or related to any criminal activities
- Any proceeds of the investment will not be used in relation to any criminal activities
- If Vanguard requests, the investor will provide additional information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor, any beneficial interest in the units, or the source of funds used to invest)
- Vanguard may obtain information about the investor or any beneficial owner of a unit from third parties if it is believed this is necessary to comply with AML/CTF Laws
- In order to comply with AML/CTF Laws Vanguard may be required to take action, including:
- Delaying or refusing the processing of any application or withdrawal, or disclosing information that Vanguard hold about the investor or any beneficial owner of the units to our related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside of Australia)
- Disclosing information that Vanguard holds about the investor or any beneficial owner of the units to Vanguard's related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside of Australia)

Interest on amounts awaiting investment or withdrawal

Amounts paid to the 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 all unitholders.

Consents to inclusion of statements

J.P. Morgan Australia Limited (**JP Morgan**) has given and not withdrawn their consent to be named in this PDS as the lead market maker of the ETF.

JP Morgan does not sponsor or endorse the Fund in any way and does not give any representation, warranty, guarantee, assurance or undertaking express or implied as to any matter in connection with the Fund (including, but not limited to, the performance of the market making function described in this PDS or the expected or projected success, profitability, return, performance, results or benefit of any investment or participation in the Fund). JP Morgan has had no involvement in the preparation of any part of this PDS (including, but not limited to, the role of the market maker and the market making function described in this PDS) other than giving its consent to being named as the lead market maker for the Fund. JP Morgan has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

UBS has given and not withdrawn their consent to the statements relating to UBS on page 11 of the PDS under the heading 'Index Information' and on page 31 of the PDS under the heading 'UBS 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 granted relief under section 601QA of the *Corporations Act* from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to allow the responsible entity to restrict eligibility to submit redemption requests in relation to units to those investors who are Australian Residents or Authorised Participants as defined in the constitution for the Fund.

Ongoing Disclosure of Material Changes and Significant Events

ASIC has granted 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 is an unlisted disclosing entity.

UBS disclaimer

Involvement of UBS AG entities in the Index

UBS AG provides the UBS Government Bond Index. Conflicts of interest may exist between UBS AG in this role and UBS AG entities acting in other capacities. For example, a UBS AG entity may act as a dealer, calculation agent or hedge provider in relation to a debt security. Various conflicts of interest may arise as a result of these different roles as well as from the overall activities of UBS AG entities. UBS AG entities shall be entitled to receive fees or other payments and exercise all rights, including rights of termination or resignation, which they may have, even though this may have a detrimental effect on the Issuer, the constituent debt securities, an index or the Units.

No UBS AG entity acts on behalf of, or accepts any duty of care or any fiduciary duty to any investors in the Units or any other person. Each relevant UBS AG entity will pursue actions and take steps that it deems necessary or appropriate to protect its interests without regard to the consequences for investors in the Units. UBS AG entities may be in possession at any time of information in relation to the Issuer, the Units or the constituent debt securities which may not be available to investors in the Units. There is no obligation on any UBS AG entity to disclose to investors any such information.

The mark and name UBS Government Bond Index is proprietary to UBS AG (UBS). UBS has agreed to the use of, and reference to the UBS Government Bond Index (the "Index") by Vanguard in connection with the Vanguard Australian Government Bond Index ETF and this product disclosure statement, but the Vanguard Australian Government Bond Index ETF is not in any way sponsored, endorsed or promoted by UBS.

UBS does not make any warranty or representation or guarantee whatsoever, express or implied, either as to the results to be obtained from the use of the Index or the figures or levels at which the Index stands at any particular time on any particular day or otherwise. In addition, UBS gives no assurance regarding any modification or change in methodology used in calculating the Index and is under no obligation to continue the calculation, publication and dissemination of the Index.

Furthermore, UBS does not warrant or represent or guarantee to any person the accuracy or completeness of the Index and its computation or any information related thereto and no warranty or representation or guarantee of any kind whatsoever relating to the Index is given or may be implied. The process and basis of computation and compilation of the Index and the related formula, constituent benchmarks and factors may at any time be changed or altered by UBS without notice.

No responsibility or liability is accepted by UBS (whether for negligence or otherwise) to any third party, including any investor, in connection with the Vanguard Australian Government Bond Index ETF, or for any inaccuracies, omissions, mistakes or errors in the computation of the Index (and UBS shall not be obliged to advise any third party, including any investor, of any error therein) or for any economic or other loss which may be directly or indirectly sustained by any investors to the Vanguard Australian Government Bond Index ETF or any other third parties dealing with the Vanguard Australian Government Bond Index ETF as a result thereof and no claims, actions or legal proceedings may be brought against UBS (including any of its subsidiaries or affiliates) in any manner whatsoever by any investor or other third party dealing with the Vanguard Australian Government Bond Index ETF. Any investor or other third party dealing with the Vanguard Australian Government Bond Index ETF does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on UBS.

For avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any investor other person and UBS and must not be construed to have created such relationship.

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Application/Redemption form

Vanguard® Australian Government Bond Index ETF

Dated 13 April 2012

It is important to read the Vanguard Australian Government Bond Index ETF Product Disclosure Statement (PDS) carefully. If this PDS was obtained electronically, a paper copy of this PDS and the ETF Application/redemption form will be provided free of charge upon request.

Please complete ALL sections in BLOCK letters.

You can fax the completed Application/Redemption form to the fax number displayed in the next column.



Fax

From Australia
1300 765 712
From Overseas
(+61) 3 8888 3777



Note

This form is for use by participants authorised by Vanguard Investments Australia Ltd only.

1. Application Details

Name _____

ACN/ABN

Email _____

Postal address _____

Suburb _____ State Postcode

Telephone () Fax ()

Participant ID (PID)

2. Basket Details

Select basket type (select only one) Standard Custom

Basket reference number

3. Number of Units to be Applied or Redeemed

This Applicant hereby applies to Vanguard Investments Australia Ltd for Units as specified below.

Please note: Applications are to be made in whole multiples of 100,000 units only.

| Fund name | ASX code | Number of application units | Number of redemption units |
|--|----------|---|---|
| Vanguard® Australian Government Bond Index ETF | VGB | <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> |

4. Signatures

- I/We acknowledge that we are an Australian Resident for tax purposes at the time this form was signed (both for an application and redemption).
- I/We have received the Vanguard Australian Government Bond Index ETF PDS dated 13 April 2012 (electronic or hard copy), and I/we have detached this ETF Application/Redemption Form from this PDS and declare all details given in this form are true and correct.
- I/We have read this PDS to which this application/redemption applies and agree to be bound by the terms and conditions of this PDS, the Facsimile Indemnity as referred to on page 17, and the constitution of the fund in which I/we are investing, as referred to on page 27 of this PDS (and as amended from time to time), which govern the fund.
- I/We understand that none of The Vanguard Group, Inc. (including Vanguard Investments Australia Ltd) or their related entities, directors or officers guarantees the performance of, the repayment of capital, or income invested in the fund.
- I/We declare that I/we have the capacity and power to make an investment in accordance with the application/redemption.
- I/We declare that in making a decision to invest the only information and representations provided by Vanguard are those contained in this PDS to which this application/redemption relates.
- If signed under power of attorney, the attorney verifies that no notice or revocation of that power has been received.
- I/We acknowledge that I/we are or I/we have engaged a Trading Participant as defined in the ASX Operating Rules.
- I/We agree to reimburse and indemnify Vanguard for all taxes, duties and charges imposed against Vanguard or its agents that may be assessed against Vanguard as a result of my/our entitlement to the capital or distributable income of the fund (Taxation Amount).
- I/We authorise Vanguard to deduct from my/our income distributions payable from the fund, on account.

| Authorised signatory 1 | Authorised signatory 2 |
|------------------------|------------------------|
| Signature _____ | Signature _____ |
| Name _____ | Name _____ |
| Position _____ | Position _____ |
| Date _____ | Date _____ |



Connect with Vanguard™

The indexing specialist > vanguard.com.au > 1300 655 888

Vanguard Investments Australia Ltd
(The Product Issuer)

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Southbank Vic 3006
Telephone: 1300 655 888

Postal address

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Melbourne Vic 3001

Vanguard ETF Product Team

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