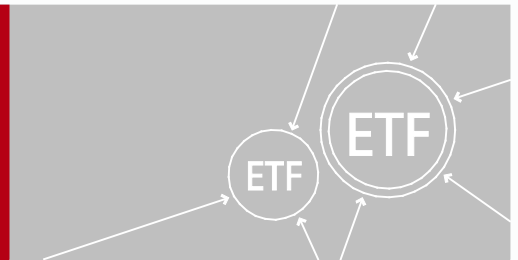


Product Disclosure Statement Announcement for the Vanguard® Exchange Traded Funds

30 October 2012



Vanguard Investments Australia Ltd announces the issue of a new Product Disclosure Statement:

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

Vanguard Investments Australia Ltd has lodged a Product Disclosure Statement ("*PDS*") dated 15 October 2012 for the Vanguard® Australian Government Bond Index ETF with the Australian Securities and Investments Commission ("*ASIC*"), a copy of which is attached.

Please note the new PDS supersedes the Vanguard® Australian Government Bond Index ETF dated 13 April 2012 (including, the Supplementary PDS dated 17 September 2012).

Note: The PDS enclosed is a combined PDS which includes The Vanguard® Australian Fixed Interest Index ETF (ASX code VAF). VAF is not currently available for trading on the ASX. It is expected to be quoted for trading on the ASX on 31 October 2012.

Further Information

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

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Vanguard Investments Australia, Level 34, Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 vanguard.com.au 03-8888 3888



Vanguard® Australian Fixed Income ETFs Product Disclosure Statement

Dated 15 October 2012

Vanguard® Australian Fixed Interest Index ETF (ASX code VAF)
Vanguard® Australian Government Bond Index ETF (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 Fixed Interest Index ETF and 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

8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries

Telephone 131 279 (within Australia)
Telephone +61 2 9338 0000 (outside Australia)

Registered office

Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Postal address

GPO Box 3006
Melbourne Vic 3001

Facsimile 1300 765 712

Email etf@vanguard.com.au

Website www.vanguard.com.au

Features at a Glance

ETF Names (ASX Code)	Vanguard Australian Fixed Interest Index ETF (VAF)	Vanguard Australian Government Bond Index ETF (VGB)
Transacting with Vanguard ¹	Only Authorised Participants are eligible to apply for or redeem ETF units with Vanguard. Applications or redemptions can be made by way of Standard Baskets, Custom Baskets, or Cash Transactions. Other investors cannot apply for or redeem ETF units with Vanguard and must instead purchase units on the AQUA market of the ASX through their adviser or broker.	
Standard Basket transactions	A Standard Basket transaction is an in-specie transfer of the standard basket of securities together with any balancing cash payment requirements (“balancing cash payment”) in exchange for ETF units. Refer to the individual ETF sections on the next page for more information about the Standard Basket constituents for each ETF.	
Custom Basket transactions	Vanguard may, at its discretion, accept a Custom Basket for applications or redemptions (i.e. baskets that differ from the published Standard Basket). Vanguard may also request a Custom Basket for applications or redemptions. A Custom Basket may include an amount of cash in the place of securities. Custom Baskets containing an amount of cash in the place of securities (other than any balancing cash payment) are subject to a buy/sell spread.	
Cash Transactions	An Authorised Participant may elect to apply for or redeem ETF units in exchange for an equivalent value of cash. Cash Transactions are subject to a buy/sell spread.	
Buy/Sell Spreads applicable to Authorised Participants ²	Certain transactions are subject to a buy/sell spread which will be reflected in the purchase/withdrawal price of ETF units. Standard Basket transactions and Custom Basket transactions which do not contain cash in the place of securities (other than a balancing cash payment) are not subject to buy/sell spreads.	
Buy/Sell Spread Applicable to Cash Transactions	Vanguard Australian Fixed Interest Index ETF Vanguard Australian Government Bond Index ETF Vanguard may change the spreads without notice.	Buy: 0.15% Sell: 0.15% Buy: 0.10% Sell: 0.10%
Buy/Sell Spread Applicable to Custom Basket transactions	Custom Baskets which contain an amount of cash in place of securities (other than a balancing cash payment) are subject to a buy/sell spread on the relevant cash portion. The buy/sell spread is communicated to Authorised Participants and depends on the amount of cash substituted for securities in the Custom Basket. Vanguard may change the spread without notice.	
Brokerage and Bid/Ask Spread applicable to other investors	Investors buying or selling ETF units on the ASX will incur customary brokerage fees and commissions and may incur a bid/ask spread (being the difference between the price at which participants are willing to buy and sell ETF units on the ASX). Please consult a stockbroker for more information in relation to their fees and charges.	
Cut-off times ¹	For Standard Baskets or Custom Baskets containing fixed income securities only (other than any balancing cash payment), the cut-off time is generally 4pm on each ASX trading day. For Cash Transactions and Custom Baskets including an amount of cash in the place of securities (other than any balancing cash payment), the cut-off time is generally 2pm on each ASX trading day. Authorised Participants wishing to transact using a Custom Basket should contact Vanguard at least one hour before the cut-off time.	
Pricing Frequency	The NAV price per unit for each ETF is generally calculated daily, typically at the close of trading for fixed income securities, which by market convention is generally 4:30pm on each business day. A purchase/withdrawal price is calculated for each issue or redemption of ETF units and takes into account the applicable buy/sell spread (if any). Prices for each ETF are typically continuously quoted through the trading day on the ASX AQUA market.	
Application/Redemption Amounts	Applications and redemptions made by Authorised Participants must be in multiples of creation units with a minimum order size of one creation unit. Vanguard may, in its absolute discretion, limit the maximum amount of a cash application that can be made by an Authorised Participant.	

	Other investors cannot apply for or redeem ETF units with Vanguard but instead may purchase or sell ETF units through their broker or adviser. Your broker or adviser may impose a minimum transaction size.
Settlement	For Authorised Participants: Typically T+3 ³ (Cash Applications by Authorised Participants settle T+2) For Other Investors: ETF units transacted via the ASX typically settle via CHESS on T+3 ³
Vanguard Australian Government Bond Index ETF (VGB)	
Investment Objective	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.
Management Costs²	0.20% p.a.
Distributions	Quarterly
Standard Basket Constituents	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.
Creation Unit	Standard or Custom Baskets: 100,000 units Cash Transactions: 10,000 units
Transaction Costs to Create ETF units⁴	\$450 (payable by Authorised Participants for Standard or Custom Basket transactions) Vanguard reviews the Transaction Costs periodically and may change these without notice.
Transaction Costs to Redeem ETF units⁴	\$450 (payable by Authorised Participants for Standard or Custom Basket transactions) Vanguard reviews the Transaction Costs periodically and may change these without notice.
Vanguard Australian Fixed Interest Index ETF (VAF)	
Investment Objective	The Fund seeks to track the return (income and capital appreciation) of the UBS Composite Bond Index TM before taking into account Fund fees, expenses, and tax.
Management Costs²	0.20% p.a.
Distributions	Quarterly
Standard Basket Constituents	Generally a sample of 25 – 50 bonds within the UBS Composite Bond Index TM , 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.
Creation Unit	Standard or Custom Baskets: 150,000 units Cash Transactions: 10,000 units
Transaction Costs to Create ETF units⁴	\$550 (payable by Authorised Participants for Standard or Custom Basket transactions) Vanguard reviews the Transaction Costs periodically and may change these without notice.
Transaction Costs to Redeem ETF units⁴	\$550 (payable by Authorised Participants for Standard or Custom Basket transactions) Vanguard reviews the Transaction Costs periodically and may change these without notice.

¹ Please refer to the section 'How to transact with Vanguard' on pages 19.

² Please refer to the section "Fees and other costs" on pages 26 for more details.

³ 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 22).

⁴ 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.

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Disclaimers

Investment in the ETFs is subject to risk (refer to section the 'Risks' on pages 16-18), which may include possible delays in repayment and loss of income and capital invested.

None of The Vanguard Group, Inc., including Vanguard Investments Australia Ltd, or their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income invested in, the ETFs described in this PDS. Members of The Vanguard Group, Inc., and its related entities, may invest in, lend to or provide other services to the ETFs and the Funds.

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

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

Important Legal Notice - Offer not to US Persons

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

About this PDS

This Product Disclosure Statement (PDS) is for the following exchange traded funds (each an “ETF” and collectively the “ETFs”):

- Vanguard Australian Fixed Interest Index ETF
- Vanguard Australian Government Bond Index ETF

This PDS is dated 15 October 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.

This Product Disclosure Statement supersedes the Vanguard Australian Government Bond Index ETF Product Disclosure Statement dated 13 April 2012.

References to ‘this PDS’ are references to this Product Disclosure Statement for the Vanguard Australian Government Bond Index ETF and the Vanguard Australian Fixed Interest Index ETF.

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 in the Vanguard Australian Fixed Interest Index ETF are yet to be quoted. An application for quotation has been made to the ASX with respect to these ETFs to enable the ETF units to be admitted for quotation on the AQUA market. Units in the Vanguard Australian Government Bond Index ETF were admitted for quotation on the AQUA market on April 30, 2012.

Obtaining the latest PDS

A copy of the latest PDS for the ETFs 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 7) receiving the PDS (electronically or otherwise) in Australia.

Changes to information in this PDS that are not materially adverse to investors may be updated by Vanguard by publishing such information on the Vanguard website at www.vanguard.com.au (or in the case of information that is only applicable to Authorised Participants, including Buy/Sell Spreads and Transaction Costs, electronically. Refer to the section “Additional explanation of fees and costs” on page 28). A paper copy of any updated information will be provided free of charge on request from Vanguard Client Services on 1300 655 888.

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations in its capacity as responsible entity of the respective Funds and issuer of the ETFs.

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 each ETF – available monthly
- Details of the NAV price per unit for each ETF – available daily
- Standard Baskets for applications and redemptions for each ETF – available daily
- Vanguard’s unit pricing discretions policy (by contacting Vanguard Client Services and available at no cost)
- The latest copy of this PDS
- Details of any continuous disclosure notices given by Vanguard to ASIC and/or the ASX
- Details of distribution announcements given by Vanguard to the ASX via the ASX Market Announcements Platform
- Annual Reports and Financial Statements for each Fund
- Details of the ETF Distribution Reinvestment Plan
- Information about the portfolio characteristics of the Standard Baskets and the Funds (Portfolio Report) – provided as and when available, generally daily
- Information about distributions for each ETF

Classes of units

The ETFs referred to in this PDS are a separate class of units in a corresponding Fund:

- The Vanguard Australian Fixed Interest Index ETF is a separate class of units in the Vanguard Australian Fixed Interest Index Fund ARSN 090 939 941
- 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 each Fund that will be, or is, quoted on the AQUA market of the ASX (refer to pages 10-11 for further details). This PDS relates only to the ETF class of units in each Fund.

Unless otherwise stated in this PDS, references to provisions for an ETF or ETFs refer to the ETF class of a Fund or Funds only. A reference to 'Fund' in this PDS, is a reference to the Vanguard Australian Fixed Interest Index Fund ARSN 090 939 941 or, Vanguard Australian Government Bond Index Fund ARSN 134 177 807 as applicable and a reference to 'Funds' is a reference to all of them.

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 30 June 2012, managed more than AUD 2 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 exchange traded funds in the United States in 2001. As at 30 June 2012, The Vanguard Group, Inc. had 64 exchange traded funds valued at over USD 209 billion and was the third largest ETF issuer in the United States. Vanguard launched its initial range of exchange traded funds in the Australian market on 8 May 2009.

What is an exchange traded fund?

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

Exchange traded funds combine key advantages of index managed funds and listed shares in one investment. They are index funds as we know them, so they 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, exchange traded funds trade on a stock exchange so they also benefit from simple trading and intra-day pricing. Exchange traded funds carry certain risks (refer to pages 16-18).

Summary of Offer to Authorised Participants

The ETF offer	<p>The Vanguard Australian Fixed Interest Index ETF is a separate class of units in the Vanguard Australian Fixed Interest Index Fund ARSN 090 939 941.</p> <p>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.</p>
Who is this offer to?	<p>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”.</p> <p>Other investors cannot apply for or redeem units with Vanguard and must instead purchase units on the AQUA market of the ASX.</p>
Secondary market	<p>At the time of lodgement of this PDS with ASIC (being, the date of this PDS), the units of the Vanguard Australian Fixed Interest Index ETF are yet to be quoted. An application for quotation has been made to the ASX to enable the units of each of these ETFs to be admitted to quotation on the AQUA market. Upon being admitted to quotation the units of the Vanguard Australian Fixed Interest Index ETF will be able to be traded on the market in the same way as other securities trade on the ASX (refer to pages 10-11 for further details of the AQUA market of the ASX).</p> <p>Units in the Vanguard Australian Government Bond Index ETF were admitted for quotation on the AQUA market on April 30, 2012.</p>
Applications*	<p>ETF units can only be applied for in multiples of units that represent creation unit amounts (baskets).</p> <p>Application amounts must be in the form of either a Standard Application Basket or a Cash Application (as selected by an Authorised Participant in their application), or if agreed to by Vanguard at its absolute discretion, a Custom Application Basket.</p> <p>A Standard Application Basket is an application for ETF units in the form of a parcel of fixed income securities selected by Vanguard from time to time, together with any balancing cash payment required.</p> <p>A Cash Application is made with an amount of cash equal to the value of the ETF units being created determined by reference to the purchase price applicable to the transaction. Cash Applications may be subject to a maximum application amount, at Vanguard's absolute discretion.</p> <p>An Authorised Participant may request to pay application amounts using a modified parcel of securities (a Custom Application Basket) together with any balancing cash payment requirements. A Custom Application Basket may include an amount of cash in place of securities. A Custom Application Basket will be negotiated and accepted at Vanguard's discretion. On the day an order is received, Vanguard may also request that an Authorised Participant provide a Custom Application Basket (together with any balancing cash payment required) for the application. In such a case, Vanguard will negotiate any modifications to the Standard Application Basket with the Authorised Participant.</p>

	<p>A Custom Application Basket may result in different balancing cash payment requirements from the Standard Application Basket.</p> <p>Cash amounts in place of fixed income securities (other than any balancing cash payment) in any application amount are subject to a buy spread. The buy spread will be applied to the purchase price for the application and will form part of the consideration for the ETF units.</p> <p>ETF Units issued by Vanguard to an Authorised Participant will be settled through Clearing House Electronic Settlement System (CHES). Fixed income securities are transferred through the Austraclear Limited Clearing and Settlement Facility (Austraclear). ETF units issued as a result of a Cash Application and the corresponding cash settlement amount are settled on T+2.</p>
Redemptions*	<p>ETF units can only be redeemed in multiples of units that represent creation unit amounts (baskets).</p> <p>The amount payable to an investor on redemption (the withdrawal amount) must be either a Standard Redemption Basket or a Cash Redemption (at the election of the Authorised Participant in their redemption request), or if Vanguard agrees in its absolute discretion, a Custom Redemption Basket.</p> <p>A Standard Redemption Basket is a parcel of fixed income securities selected by Vanguard from time to time, together with any balancing cash payment required.</p> <p>A Cash Redemption is made by an amount of cash equal to the value of the ETF units being redeemed determined by reference to the withdrawal price applicable to the transaction.</p> <p>An Authorised Participant may request to receive the withdrawal amount using a Custom Redemption Basket, being a modified parcel of securities together with any balancing cash payment required. A Custom Redemption Basket may include an amount of cash in place of securities. A Custom Redemption Basket will be negotiated and accepted at Vanguard's discretion. On the date an order is received Vanguard may choose to deliver a Custom Redemption Basket. In such a case, Vanguard will negotiate any modifications to the Standard Redemption Basket with the Authorised Participant. A Custom Redemption Basket may result in different balancing cash payment requirements from the Standard Redemption Basket.</p> <p>Cash amounts (other than any balancing cash payment) in any withdrawal amount are subject to a sell spread. The sell spread will be applied to the withdrawal price for the redemption and will form part of the consideration for the ETF units.</p> <p>ETF investors can only redeem ETF units if they are an Authorised Participant who is also an Australian resident for tax purposes under the constitution for the Fund. ETF units redeemed will be settled through CHES. Fixed income securities are transferred through Austraclear. ETF Units redeemed as a result of a Cash Redemption and the corresponding cash settlement amount are settled on T+3.</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 relevant Fund. Please refer to the 'Distributions' and 'Taxation of ETF Units' sections of this PDS for further information regarding how this distribution is determined.</p>
Distributions	<p>Distributions will generally be calculated every quarter at 31 March, 30 June, 30 September and 31 December each year, or at such other times as determined by Vanguard, where a Fund has income available for distribution. Unitholders who hold ETF units on the relevant Distribution Entitlement Date will be entitled to receive a distribution in respect of the relevant distribution period.</p> <p>The Fund will also generally make a distribution of income as part of the withdrawal amount provided to an Authorised Participant on the redemption of ETF units, if the Fund has income available for distribution.</p> <p>Please refer to the 'Distributions' and 'Taxation of ETF Units' sections of this PDS for further information regarding how these distributions are determined.</p>

*Please refer to the section 'How to transact with Vanguard' on pages 19-23 for more details about the application and redemption process for standard and custom baskets, and the section 'Buy/sell spread costs' on page 28 regarding the buy and sell spreads.

The role of certain entities in regard to the Vanguard ETFs

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

Responsible entity and custodian

Vanguard is the responsible entity of the Funds and is responsible for the ongoing management of the assets associated with each 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
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Custodian	JPMorgan Chase Bank Level 18 18 Castlereagh Street Sydney NSW 2000
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Refer to page 33 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 ETFs. This includes details such as the quantity of the securities held, tax file numbers (if provided) and details of distribution reinvestment plan participation (where this is offered).

Registrar	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067
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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 ETF units. They do this by fulfilling two key functions:

- Maintaining reasonable quotes and volume for 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 ETF units and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can

either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

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

Material contracts

Vanguard, or The Vanguard Group, Inc., has entered into a number of contracts in relation to the offer of the 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 the 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, exchange traded funds and structured products with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement facilities offered by the ASX.

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

ASX Listing Rules	ASX AQUA Rules
<p>The equity issuer:</p> <ul style="list-style-type: none"> ■ Controls the value of its own securities and the business it runs, 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</i> (<i>Corporations Act</i>). 	<ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i>. There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. <p>What obligations apply under the AQUA Rules?</p> <ul style="list-style-type: none"> There is an obligation on issuers of ETFs to disclose information about the 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 ETFs

The ETFs offered in this PDS are:

Vanguard ETF	Vanguard Australian Fixed Interest Index ETF (ASX code VAF)	Vanguard Australian Government Bond Index ETF (ASX code VGB)
Underlying index	UBS Composite Bond Index™	UBS Government Bond Index
Investment objective	The Fund seeks to track the return (income and capital appreciation) of the UBS Composite Bond Index™ before taking into account Fund fees, expenses, and tax.	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.
Investment strategy*	The portfolio is typically a representative sample of the securities in the benchmark index resulting in a portfolio of securities whose risk and return characteristics are consistent with the benchmark index.	The portfolio is typically a representative sample of the securities in the benchmark index resulting in a portfolio of securities whose risk and return characteristics are consistent with the benchmark index
Management costs**	0.20% p.a.	0.20% p.a.

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

** Please refer to the section 'Fees and other costs' on pages 26-29 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 each Fund's benchmark index.

This is generally achieved by holding, where practical, all of the securities included in the index, or otherwise 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. Security weightings in the Funds may vary 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 Funds may exclude certain securities that are included in the index. Similarly, the Funds may also invest in securities that have been or are expected to be included in the index.

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

In accordance with the index methodology, at the time of purchase the eligible fixed income securities in each Fund

must be of an investment grade credit quality¹, which is determined by reference to ratings published by independent credit research firms. Please refer to the 'Risks' section on page 16 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 Fund to be consistent with the revised exposure of that Fund's benchmark.

Performance

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

The performance of each ETF depends on the securities held in each Fund. Performance differences between the ETFs will arise depending on a range of factors, including the nature of changes in interest rates and inflation, and the ability of issuers to meet their capital and interest repayment obligations. For more information about the

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 16 for further information about the limitations of credit ratings.

nature of the investments in each ETF please refer to the section 'Index information' on page 14.

The ETFs are separate classes of units of corresponding Vanguard Funds. Historical performance of the other class of units in each 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 corresponding 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 each of the Funds. Such variations may include changes to the target index chosen for a particular Fund. Vanguard will notify investors of any such changes. Vanguard will not make any significant change to the investment objective and strategy of a Fund 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

Details of the UBS Government Bond Index and UBS Composite Bond Index™ used in the ETFs are described below.

UBS Government Bond Index

This is the underlying Index of the Vanguard Australian Government Bond Index ETF.

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 UBS Government Bond 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 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;
- 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; and
- have a final maturity of less than 50 years

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.

UBS Composite Bond Index™

This is the underlying Index of the Vanguard Australian Fixed Interest Index ETF.

The UBS Composite Bond Index™ is designed to measure the performance of the Australian bond market which meets certain investment criteria and covers fixed interest 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 Government Bond Index and the UBS Non-Government Bond Index.

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 Composite Bond Index™ has been calculated since 30 September 1989.

Which debt securities can be included in the UBS Composite Bond Index™?

The debt securities which are included in the UBS Composite 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 Composite Bond Index™ are that the debt securities:

- 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 UBS Composite Bond Index™ is rebalanced (as further described below);
- are issued by the Australian Treasury (Commonwealth Government debt securities), Australian semi-government entities, supranational and sovereign entities and corporate entities;
- are denominated in Australian dollars;
- are governed by the law of an Australian State or Territory or the Commonwealth of Australia;

- were issued in a minimum issue size of AUD 100 million; and
- have a final maturity of less than 50 years.

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

The different debt securities are included in the UBS Composite 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 Composite 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 Composite Bond Index™ and on the basis that it is performed in market value proportions at the day's closing prices.

As the UBS Composite 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 Composite 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 Composite 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

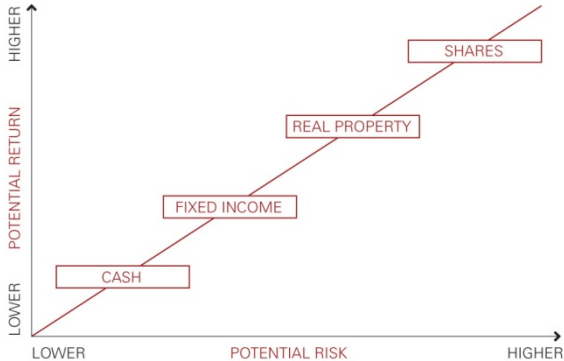
Investors in the ETFs face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment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

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

When considering an investment in the ETFs, personal tolerance for fluctuating market values should be taken into account.

An investment in the ETFs 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 ETFs, the repayment of capital from the ETFs or any particular rate of return.

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

Type of Risk	Description
Market Risk	<p>Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lowest market risk. Bonds and equities (including property securities) have increasing levels of market risk. Short-term market risks are high to very high for most asset classes. 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 to 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 in the Index Information section on page 14, certain minimum credit rating levels are one of the eligibility criteria of the indexes. 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	<p>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) or negative perceptions of the issuer's ability to make such payments may cause the price, and therefore value, of those securities to decline.</p> <p>The Vanguard Australian Government Bond Index ETF invests in a number of securities issued by the Commonwealth Government and State Governments or Territories. The level of credit risk associated with these issuers is generally lower than fixed income securities issued by other issuers including corporate entities.</p> <p>The Vanguard Australian Fixed Interest Index ETF invests in securities issued by the Commonwealth Government, State Governments or Territories, corporations and certain overseas authorities issuing debt denominated in Australian dollars. The level of credit risk in this portfolio is greater than that of the Vanguard Australian Government Bond Index ETF.</p>
Interest rate risk	<p>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.</p>
Derivative Risk	<p>The primary risks associated with the use of derivative contracts include:</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; and ■ 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 a Fund's underlying securities. The risk that a 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 Funds do not use derivative contracts for speculative purposes or to leverage Fund assets.</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 a Fund invests, the value of the ETF units in a Fund or the tax treatment of a Fund and its investors.</p> <p>A Fund or its 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, a Fund may fail to meet its objectives as a result of a number of factors, including:</p> <ul style="list-style-type: none"> ■ Vanguard's selection of securities from the index for that Fund; ■ The performance of the securities in that Fund; and ■ The costs of managing the portfolios that are not measured by the index.
Fund Risk	<p>Fund risk relates to risks that are particular to a Fund or its ETF class. These may include risks that a Fund could terminate or its 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 another investment manager.</p> <p>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.</p>

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 a given ETF for Authorised Participants. If applications and redemptions are suspended for any ETF, 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. The market maker is not obliged to make a market on certain days, including Bank Holidays in New South Wales, and accordingly there may be limited price transparency and liquidity on these days.</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>ETFs are subject to a number of operational risks including in relation to the administration and reporting of the Fund and the possibility that errors are made in the provision of services to an ETF. The failure of a service provider to administer and report on the Fund accurately may adversely impact the operations or performance of a 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>
Spread Risk	<p>Applications and redemptions made Authorised Participants by exchanging an amount of cash for ETF units (i.e. Cash Transactions or Custom Baskets including an amount of cash in place of specific securities) are subject to variations in the applicable buy/sell spread. The buy/sell spread can be varied at Vanguard's discretion depending on, for example, market liquidity conditions, the total amount of cash received in applications or redemptions for units on any particular day, or the composition of a Custom Basket.</p>

How to transact with Vanguard

An Authorised Participant may apply for and/or redeem a number of units in the ETFs by completing the ETF Application/Redemption Form attached to this PDS. Applications and redemptions must be in multiples of the creation unit for the ETF.

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

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

- using the published application/redemption basket for the relevant ETF ('Standard Application Basket' or 'Standard Redemption Basket'); or
- for an amount of cash ('Cash Transactions'). For more information regarding Cash Transactions please refer to page 21.

Alternatively an Authorised Participant may request to transact using a 'Custom Basket'. A Custom Basket for an ETF consists of securities different from those published in the Standard Basket for that ETF or a substitution of an amount of cash in place of specified securities in the Standard Basket. Custom Baskets are negotiated and accepted at Vanguard's discretion. For more information regarding Custom Baskets please refer to page 20.

In certain circumstances Vanguard may request an Authorised Participant to transact using a Custom 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 particular Fund. Vanguard will negotiate the contents of the Custom Basket with the Authorised Participant.

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

Standard Baskets and Custom Baskets each consist of two components:

- an application/withdrawal securities component (including any amount of cash in place of securities in a Custom Basket); and
- a cash component, being the balancing cash payment.

These components are described later in this section.

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

Cash Transactions consist only of a cash amount equal to the application amount or withdrawal value as appropriate. For more information regarding Cash Transactions please refer to page 21.

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 typically publishes a Standard Application Basket and Standard Redemption Basket for each ETF prior to the opening of trading for every ASX trading day.

In a Custom Basket this component generally corresponds to the securities negotiated between the Authorised Participant and Vanguard, and includes an amount of cash in place of specified securities. A Custom Basket is 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 'Custom Basket Applications/Redemptions' below).

What is the cash component?

In a Standard Basket or a Custom 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 as determined by the applicable purchase or withdrawal price.

The cash component in a Custom Basket is distinct from any amount of cash delivered in place of specified securities. The cash component in a Custom 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 for Standard or Custom Basket applications and redemptions:

Vanguard ETF	Minimum Application/Redemption Size – Standard/Custom Basket (Creation Unit)
Vanguard Australian Fixed Interest Index ETF ASX Code: VAF	150,000 units
Vanguard Australian Government Bond Index ETF ASX Code: VGB	100,000 units

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

Vanguard ETF	Minimum Application/Redemption Size – Cash Transaction (Creation Unit)
Vanguard Australian Fixed Interest Index ETF ASX Code: VAF	10,000 units
Vanguard Australian Government Bond Index ETF ASX Code: VGB	10,000 units

Standard Basket Applications/redemptions

ETF Application/Redemption Forms indicating a Standard Basket and received from Authorised Participants before the order cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF units applicable for Standard Basket applications/redemptions as at the next Fund valuation point on that day.

The order cut-off time for Standard Basket applications or redemptions is normally 4:00pm on each ASX trading day. An earlier cut-off will apply when the ASX 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 relevant ETF units applicable to that transaction and as at the next Fund valuation point. Please refer to the section “Valuations and pricing” on page 22 for more details.

For Standard Basket applications, the Authorised Participant must deliver to Vanguard the basket components applicable to the Standard Application Basket for that ETF. The Authorised Participant, in return, will receive the equivalent value of ETF units.

For Standard Basket redemptions, the Authorised Participant must deliver to Vanguard the ETF units and will, in return, receive the basket components applicable to the Standard Redemption Basket for that ETF.

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

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

Custom Basket Applications/redemptions

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

The order cut-off time for Custom Basket applications or redemptions containing only fixed income securities is normally 4:00pm on each ASX trading day. The order cut-off time for Custom Basket applications or redemptions containing a cash amount in place of basket securities is normally 2:00pm on each trading day. In either case, an earlier cut-off will apply when the ASX or fixed income market closes earlier than the normal cut-off time (i.e. 2:00pm or 4:00pm). In those instances the order cut-off time will be an hour before the earlier of the closure of the ASX and/or the closure of the fixed income market.

Authorised Participants must submit the Application/Redemption Form attached to this PDS. Authorised Participants who have negotiated a Custom Basket will be provided with a Custom Basket number by Vanguard. You must identify the Custom Basket using this Custom Basket number on the Application/Redemption Form. Application/Redemption Forms received without the

Custom Basket number for the Custom Basket may not be processed.

Authorised Participants who have negotiated a Custom 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 Custom Basket order number and received from Authorised Participants before the applicable order cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF units applicable to that Custom Basket transaction as at the next Fund valuation point on 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 for that Custom Basket transaction as at the next Fund valuation point.

For applications, the Authorised Participant must deliver to Vanguard the Custom Application Basket for that ETF and will, in return, receive the ETF units valued at the purchase price applicable to that Custom Application Basket.

For redemptions, the Authorised Participant must deliver to Vanguard the ETF units and will, in return, receive the basket components applicable to the Custom Redemption Basket for that ETF valued at the withdrawal price applicable to the Custom Redemption Basket.

Custom Baskets containing an amount of cash in place of specified fixed income securities are subject to a buy or sell spread on the cash amount in place of securities. The buy/sell spread is determined by Vanguard and calculated as part of the purchase/withdrawal price for the transaction. Please refer to the section 'Buy/sell spread costs' on page 28 for more information regarding buy/sell spreads.

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

Cash Transactions

ETF Application/Redemption Forms specifying a Cash Transaction received before the Cash Transaction cut-off time on an ASX trading day are processed at the purchase or withdrawal price for the ETF units applicable for Cash Transactions as at the next Fund valuation point. ETF Application/Redemption Forms received after the order cut-off time or on a non-ASX trading day are processed at the purchase or withdrawal price of the ETF units applicable as at the next Fund valuation point.

The Cash Transaction cut-off time is normally 2:00pm on each ASX trading day. An earlier cut-off will apply when the ASX or fixed income market closes earlier than 2:00pm. In those instances the order cut-off time will be one hour before the earlier of the closure of the ASX and/or the closure of the fixed income market.

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

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

For redemptions, the Authorised Participant must deliver to Vanguard the ETF units and will, in return, receive an amount of cash equal to the value of the ETF units determined according to the withdrawal price applicable to Cash Redemptions. On a redemption the settlement of cash and ETF units occurs on T+3 (i.e. the third business day after the trade).

The purchase/redemption price applicable to Cash Transactions will include a buy/sell spread. For more information regarding buy/sell spreads please refer to the section 'Buy/sell spread costs' on page 28.

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.

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

Important note for Applications and Redemptions

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. In addition, where the ASX is closed for settlement on the first business day after the end of a distribution period (other than a distribution period ending on 30 June), but the ETF class units may be traded on the ASX and are not able to be quarantined as being ex-distribution for that day, Vanguard must suspend applications and redemptions for that day. For example, this may occur if the NSW Labour Day holiday falls on the next business day after 30 September in any given year. Vanguard will advise you when this suspension of application and redemption requests will occur.

Vanguard will advise unitholders when this suspension will occur.

With the exception of Cash Applications, 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). For Cash Applications, settlement of ETF units and the cash settlement amount typically occurs on T+2.

In a Standard Basket or a Custom Basket transaction 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 applications for or redemptions of units.

While a 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 relevant Fund's constitution. A Fund is liquid if 80% of the value of the Fund's assets comprise liquid assets. If a 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 Funds will be illiquid.

The withdrawal amount paid to an Authorised Participant on the redemption of ETF units will generally include a distribution of the income of the Fund. Please refer to the 'Distributions' and 'Taxation of ETF Units' sections of this PDS for further details regarding how this entitlement is determined.

No cooling off period applies in relation to ETF units.

Valuations and pricing

The Net Asset Value (NAV) of an ETF is so much of the NAV of the corresponding Fund as is determined to be referable to the ETF under the rules set out in the Fund's constitution. Under these rules, the amount of the NAV of the Fund that is allocated to the ETF class of the Fund is based on the value of units on issue for each class and the liabilities which are specific to each class (including the ETF class). The NAV will generally be determined on the next trading day.

The NAV purchase price (or NAV price) per unit in each ETF is determined by dividing so much of the NAV of each Fund as is allocated to the ETF class by the number of units on issue in the ETF at the time the purchase is determined (the valuation point), and (in the case of Custom Basket or Cash Transactions) adjusted by the applicable buy spread for the transaction.

The withdrawal amount (being the amount payable to an Authorised Participant on the redemption of their ETF units) is also determined by dividing so much of the NAV of the Fund as is allocated to the ETF class by the number of units on issue in the ETF class at the time the withdrawal amount is determined (the valuation point), and, in the case of Custom Baskets that contain cash in the place of securities (other than a balancing cash payment) or Cash Transactions, adjusted by the applicable sell spread for the transaction.

The withdrawal amount paid to an Authorised Participant on the redemption of ETF units will generally include an entitlement to the distributable income of the Fund. Please refer to 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 ETFs is typically the close of trading for fixed income securities, which by market convention is generally 4:30pm on each business day. 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 for each ETF 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 (including the 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 and Email Instructions

If you are advising Vanguard via facsimile or e-mail in respect of instructions (including applications and redemption requests) it is important to be aware that Vanguard:

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

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

Distributions

Income distributions

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

The distribution periods for the Funds 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 Funds' constitutions to determine distribution periods at other times.

The distribution entitlement date is generally the last day of the distribution period. In the case where the ASX is closed for settlement on the first business day after the end of a distribution period (other than a distribution period ending on 30 June), but the ETF class units may be traded on the ASX and are not able to be quarantined as being ex-distribution, the distribution entitlement date will be the first business day following the end of the relevant distribution period. All ETF unitholders as at the end of the distribution entitlement date will be entitled to the distribution for that distribution period that is calculated on the relevant distribution calculation date (generally 31 March, 30 June, 30 September and 31 December in each year). This means that ETF investors who purchase ETF units on the first business day after the distribution period will be entitled to the distribution for that distribution period and ETF investors who sell ETF units on the first business day after the distribution period will not be entitled to the distribution. For example, this may occur if the NSW Labour Day Holiday falls on the next business day after 30 September in any given year. Vanguard will announce details of when this will occur on the ASX Market Announcements Platform or on its website.

The amount of the distributable income of each Fund which is allocated to ETF investors in respect of each distribution period is based on the distributable income of that Fund for the financial year to date, less any amounts which may have already been distributed to investors during the financial year to date, including amounts distributed on the redemption of ETF units.

The distributions made to ETF investors for each distribution period are calculated in cents per unit and will be based on the number of ETF units on issue as at the end of the distribution period. This means that, for example, if the number of units on issue increases before the end of

a distribution period, this may decrease the amount of distributable income per unit that might otherwise have been distributed for the distribution period, and vice versa.

Distributions will generally be paid within 20 business days after the end of the distribution period to which the distribution period relates, though the constitutions of the Funds allow 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 a 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 may include a distribution of the distributable income of that Fund. Please refer to the 'Taxation of ETF Units' 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 end.

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 tax statement which outlines the amount and composition of the taxable income of that Fund on which the investor is assessed for the financial year. This may assist ETF investors in preparing their tax return for the year.

Distribution Reinvestment Plan

From time to time ETF investors may be able to participate in the ETF Distribution Reinvestment Plan (DRP).

Participation in the DRP is subject to the terms and conditions of the DRP policy.

As long as the DRP is offered, ETF investors can choose to:

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

If no DRP election is made, an investor will be deemed to have elected not to participate in any DRP on offer and distributions will automatically be paid as cash. An investor's DRP election continues until the investor makes a new DRP election. Investors can obtain a copy of the DRP Policy and elect to participate in the DRP by registering online via Vanguard's share registrar or by calling Computershare on 1300 757 905. Investors will be

notified of changes to the DRP on Vanguard's website at www.vanguard.com.au.

Vanguard ETF	Register online for DRP:
Vanguard Australian Fixed Interest Index ETF ASX Code: VAF	computershare.com.au/easyupdate/vaf
Vanguard Australian Government Bond Index ETF ASX Code: VGB	computershare.com.au/easyupdate/vgb

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:	VAF - 0.20 % p.a. VGB - 0.20% p.a.	The management cost for each ETF is calculated as a percentage of that ETF's net asset value ^B . The fee is calculated daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the relevant Fund and is reflected in the daily ETF unit price.
Service fees		
<i>Investment switching fee:</i> The fee for changing investment options	Nil	Not applicable

* Buy/sell spread costs may apply to Cash Transactions or Custom Basket transactions. Please refer to page 28 for more information concerning buy/sell spread costs. Transaction Costs may apply to Standard Basket and Custom Basket transactions. Please refer to page 29 for more information on Transaction Costs.

^A A worked dollar example is shown below.

^B Please refer to page 22 for an explanation of the net asset value for a Fund.

^C Refer to page 29 'Negotiated fees, rebates and related payments', for details on how to negotiate a rebate of management costs.

Example of annual fees and costs

The following tables provide examples of how the fees and costs can affect an investment in the Funds over a one year period. You should use these tables to compare the products with other managed investment products.

Vanguard Australian Fixed Interest 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 ^C

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 ^C

Notes to the examples of fees and costs:

^A Refer to page 29 '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 and that there is a constant investment of \$50,000 throughout the year.

^C Buy spreads may be applied to Cash Transactions or Custom Baskets that include an amount of cash in place of securities. A buy spread of 0.1% on a contribution of \$5,000 is equal to \$5. Please refer to page 28 for more information concerning buy/sell spread costs for the ETFs.

Additional explanation of fees and costs

Management costs

The management costs for the ETFs incorporate all relevant fees and other costs involved in managing the ETFs 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 each Fund incorporate Goods and Services Tax (GST) after taking into account reduced input tax credits that are available to be claimed by each Fund.

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 26, to the extent that management costs are deductible and reduce the taxable income of the Fund. Please refer to page 30 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 issue/redemption of units by way of Standard Basket or Custom Basket transactions (ETF Recovery Fee). This represents the costs associated with the custodian in respect of the issue or redemption of units

in the transaction. Vanguard may vary the Transaction Costs from time to time and will notify Authorised Participants electronically of any change.

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

	Transaction Costs for Authorised Participants ^A	
	Application	Redemption
Vanguard Australian Fixed Interest Index ETF	AUD 550	AUD 550
Vanguard Australian Government Bond Index ETF	AUD 450	AUD 450

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

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

Buy/sell spread costs

Buy/sell spreads may be applied to applications or redemptions made as Cash Transactions or Custom Baskets containing cash in the place of securities.

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

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

Custom Baskets which include an amount of cash in place of specified fixed income securities will incur a buy/sell spread on that cash amount. Buy/sell spreads for Custom Baskets are determined by Vanguard at the time Vanguard agrees to the composition of the Custom Basket. The buy/sell spread is reflected in the purchase/withdrawal price applicable for that transaction.

Vanguard will provide details of the buy/sell spread applicable for Cash Transactions to Authorised Participants electronically. The buy/sell spread for Cash Transactions may differ from the buy/sell spread for cash amounts in a Custom Basket.

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

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

Stockbroker fees for all other investors

Investors (other than Authorised Participants) will incur customary brokerage fees and commissions and may incur a bid/ask spread (being the difference between the price at which market 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 for each ETF include a management fee component which is Vanguard's remuneration for managing the Fund and an expense reimbursement component.

The constitution governing the Vanguard Australian Government Bond Index ETF limits the amount of the management fee component to 1.5% per annum (excluding GST) based on the NAV of the ETF.

The constitution governing the Vanguard Australian Fixed Interest Index ETF limits the amount of the management fee component to 0.20% per annum (excluding GST) based on the NAV of the ETF.

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

Vanguard currently does not intend to increase existing 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 a Fund. The amount of fee reduction is at Vanguard's discretion. Such investors may contact Vanguard on 1300 655 888 if they wish to apply for a rebate of management costs. Vanguard makes these payments from its own resources.

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

Taxation of ETF units

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

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

For example, the taxation information provided in this PDS:

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

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

The taxation information in this PDS has been prepared based on tax laws and administrative interpretations of such laws available at the time of publication of this PDS, which may change. The law in relation to the taxation of trusts is currently under review by the Government. There may be further changes to the laws relating to the taxation of trusts that are announced in future that may impact on the tax treatment of investing in ETF units.

Distributions from the ETF

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

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

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

A holder of ETF units receives an entitlement to the distributable income of a Fund for a financial year if they hold ETF units at the end of a distribution entitlement date, or, for Authorised Participants, if they redeem any ETF units during the financial year.

The income tax impact for a holder of ETF units of receiving an entitlement to the net taxable income of a 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 Funds from time to time. For example, given the expected investments of a Fund, it is anticipated that a distribution of the distributable income of a Fund may comprise amounts that are referable to Australian 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 each 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 2014.

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 the Funds, and the tax treatment of distributions that are made on ETF units. Vanguard will monitor these amendments and their impact on the tax treatment of the ETFs.

Selling or transferring units

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

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

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

Any capital loss arising on a disposal of ETF units may only be offset against capital gains made in that year or subsequent years, subject to any applicable integrity requirements.

Goods and Services Tax (GST)

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

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

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

Applying for and redeeming ETF units

A person will only be eligible to apply for and redeem ETF units 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 relevant 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 applying for ETF units by way of an in specie transfer of a specified basket of securities together with a balancing cash payment may be assessed on any profits arising from the transfer of those securities as ordinary income, and may be entitled to deduct any losses arising from the transfer of those securities.

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

Redemptions

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

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

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 income distribution provided as part of the withdrawal amount) should properly be regarded as the proceeds received in respect of the disposal.

That part of the withdrawal amount that is a distribution of income should also be assessable, based on the components of the income as disclosed in the tax statement.

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 tax statement will be provided after the end of each financial year detailing the amount and components of the net taxable income of the relevant Fund on which the Authorised Participant is assessed as a result of a distribution of income received on the redemption of ETF units during that year.

The distribution of income to an Authorised Participant who redeems ETF units seeks to ensure that any taxable income that arises for the relevant 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 decision casts some uncertainty regarding whether provisions in trust deeds that seek to provide trustees with discretion to allocate part of the taxable income of a trust to a redeeming unitholder will have their intended effect. The trust deed and the application of the deed in that case differs from those affecting the Funds.

In order to redeem ETF units, the Authorised Participant must also be an Australian Resident as defined in the constitution for each Fund. This means that a 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 each Fund if they provide Vanguard with an undertaking that they have been an Australian resident for tax purposes from the beginning of the financial year 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 Funds. Vanguard holds an Australian Financial Services Licence (AFSL 227263) that authorises it to act as the responsible entity of the Funds. The powers and duties of Vanguard are set out in the constitution of each 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 Funds. 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 Funds 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 constitutions

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

A copy of the constitution for each Fund 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 constitutions

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

The custodian

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

The compliance plan

Vanguard has prepared and lodged a compliance plan for the Funds 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 Funds' constitutions. 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

Vanguard, as responsible entity of each of the Funds, is subject to regular reporting and disclosure obligations in relation to each Fund. Copies of documents lodged with ASIC in relation to the Funds 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 a Fund
- Any half-yearly fund financial reports lodged with ASIC in relation to a Fund
- Any continuous disclosure notices given for a Fund after the lodgement of an annual report

A transaction statement detailing holdings and transactions will be provided to ETF investors at least once a year.

Change of index

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

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 Funds' constitutions are binding on each unitholder in the relevant 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 Funds' constitutions or at law, Vanguard is indemnified and entitled to be reimbursed out of, or paid from, the assets of each Fund for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as responsible entity of a particular 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 a Fund by calling a meeting of unitholders to enable unitholders to vote on a resolution to choose a company to be the new responsible entity. Vanguard may be removed from office by an extraordinary resolution (i.e. 50% of all units in the Fund entitled to vote) passed at a meeting of unitholders, in accordance with the *Corporations Act*.

Termination

Vanguard may wind up a 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 Funds' constitutions provide that the liability of each unitholder is limited to its investment in a 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 as otherwise set out in the relevant constitution, including that:

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

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

Meeting of unitholders

Vanguard may convene a meeting of unitholders of a Fund at any time, (e.g. to approve certain amendments to a Fund's constitution or to wind up a 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 a Fund's constitution binds all investors of that 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 Funds 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 Funds other than if it arises out of Vanguard's fraud, negligence or breach of trust.

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

Borrowings

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

If you have a complaint

If investors have a complaint regarding the Funds or services provided by Vanguard, please contact Vanguard 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 Funds. 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 apply for or redeem ETF units 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
 - Disclosing information that Vanguard hold about the investor or any beneficial owner of the units to Vanguard 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 a Fund may accrue interest in that 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 particular Fund for the benefit of that Fund's unitholders.

Consents to inclusion of statements

UBS has given and not withdrawn their consent to the statements relating to UBS on pages 14 and 15 of the PDS under the heading 'Index Information' and on page 37 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 constitutions for the Funds.

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 each Fund was an unlisted disclosing entity.

Periodic Statements

As at the date of this PDS, Vanguard has applied to ASIC for relief under section 1020F of the *Corporations Act* to allow Vanguard to provide periodic statements and exit statements under section 1017D that report based on either NAV or the end of day market price on the ASX and on settlement date rather than trade date. Vanguard has also applied to ASIC for relief from the requirement to provide periodic statements and exit statements under s1017D from the date of the relief instrument for reporting periods ending on or before 1 March 2013. Vanguard will provide an update of the outcome of this relief application on Vanguard's website at www.vanguard.com.au.

UBS disclaimer

Involvement of UBS AG entities in the Index

UBS AG provides the UBS Composite Bond Index™ and UBS Government Bond Index (each an "Index" and together "the Indices"). 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 the issuer of or an adviser under a debt security and 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 trademarks and names UBS Composite Bond Index™ and UBS Government Bond Index are proprietary to UBS AG (UBS). Any use of these Indices or their names must be with the consent of UBS AG acting through its Australia Branch.

UBS has agreed to the use of, and reference to the UBS Composite Bond Index™ by Vanguard in connection with the Vanguard Australian Fixed Interest Index Fund ETF and the UBS Government Bond Index in connection with the Vanguard Australian Government Bond Index ETF (the ETFs are collectively referred to as "Vanguard issued ETFs") and this product disclosure statement, but the Vanguard issued ETFs are 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 an Index or the figures or levels at which an Index stand at any particular day or otherwise. In addition, UBS gives no assurance regarding any modification or change in methodology used in calculating an Index and is under no obligation to continue the calculation, publication and dissemination of an Index.

Furthermore, UBS does not warrant or represent or guarantee to any person the accuracy or completeness of an Index and its computation or any information related thereto and no warranty or representation or guarantee of any kind whatsoever relating to an Index is given or may be implied. The process and basis of computation and compilation of an 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 respect of the use of and/or reference to an Index by us or any other person in connection with the Vanguard issued ETFs, or for any inaccuracies, omissions, mistakes or errors in the computation of an Index (and UBS shall not be obliged to advise any person, including us or any investors, or any other person dealing with the Vanguard issued ETFs, of any error therein) or for any economic or other loss which may be directly or indirectly sustained by us by any investors to the Vanguard issued ETFs or any other persons dealing with or relying on the Vanguard issued ETFs 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 person dealing with or relying on the Vanguard issued ETFs. Any investor or other person dealing with the Vanguard issued ETF does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on UBS.

Although UBS will obtain information for inclusion in or for use in the calculation of an Index from sources which UBS considers reliable, UBS will not independently verify such information and does not guarantee the accuracy and/or the completeness of an Index or any data included therein. UBS shall not be liable (whether in negligence or otherwise) to any person for any error in an Index and UBS is under no obligation to advise any person of any error therein.

No financial product relating to an Index (including the Units) is sponsored, endorsed, sold or promoted by UBS and UBS makes no express or implied representations or warranties as to (a) the advisability of purchasing or assuming any risk in connection with any financial product (b) the levels at which an Index stands at any particular time on any particular date (c) the results to be obtained by the issuer or obligor of any financial product or any investor in a financial product or any other person or entity from the use of an Index or any data included therein in connection with any licensed rights or for any other use or any other matter. UBS makes no express or implied representations or warranties of merchantability or fitness for a particular purpose with respect to an Index or any data included therein.

Without limiting any of the foregoing, in no event shall UBS have any liability (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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.

Application/Redemption form

Vanguard® Australian Fixed Interest Index ETF (VAF)

Vanguard® Australian Government Bond Index ETF (VGB)

Dated 15 October 2012

It is important to read the Vanguard 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 or email the completed Application/Redemption form to Vanguard for processing.

@ Email

client.instructions@vanguard.com.au



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 one only) ☐ Standard ☐ Custom ☐ Cash (No reference number required)

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: Cash applications/redemptions for VAF and VGB are to be made in whole multiples of 10,000 units only. Standard basket and custom basket applications/redemptions for VAF are to be made in whole multiples of 150,000 units only. Standard basket and custom basket applications/redemptions for VGB 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 Fixed Interest Index ETF	VAF	<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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
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"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

4. Signatures

- I/We acknowledge that I am/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 Fixed Income ETFs PDS dated 15 October 2012 (electronic or hard copy), 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 and Email Indemnity as referred to on page 23, and the constitutions of the funds in which I/we are investing, as referred to on page 33 of this PDS (and as amended from time to time), which govern the funds.
- 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 funds.
- 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 am/we are or I/we have engaged a Trading Participant under the ASX Operating Rules.
- I/We agree to reimburse and indemnify Vanguard for all taxes, duties and charges (Debit Amount) 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 funds.
- I/We authorise Vanguard to deduct from my/our income distributions payable from the fund, on account of the Debit Amount which Vanguard is or may become liable to pay in respect of my/our entitlement to the capital or distributable income of the fund.
- I/We consent to receive notification sent by e-mail to the e-mail address provided above or otherwise notified to Vanguard.

Authorised signatory 1

Signature _____

Name _____

Position _____

Date / /

Authorised signatory 2

Signature _____

Name _____

Position _____

Date / /



Connect with Vanguard™

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

Vanguard Investments Australia Ltd
(The Product Issuer)

Registered office

Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006
Telephone: 1300 655 888

Postal address

GPO Box 3006
Melbourne Vic 3001

Vanguard ETF Product Team

8:30 am to 5:30 pm (Melbourne time)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries

131 279 (within Australia)
+61 2 9338 0000 (outside Australia)