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Product Disclosure Statement Announcement

for the Vanguard® Exchange Traded Funds (ETF)

1 November 2018

Vanguard Investments Australia Ltd has updated the Product Disclosure Statement (PDS) for the Vanguard ETFs:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard MSCI Index International Shares ETF	VGS	Updated Product Disclosure Statement
Vanguard MSCI Index International Shares (Hedged) ETF	VGAD	Updated Product Disclosure Statement
Vanguard FTSE Asia ex Japan Shares Index ETF	VAE	Updated Product Disclosure Statement

The Product Disclosure Statement dated 1 November 2018 is attached and available on the Vanguard website. If you do not have access to the internet, please contact Vanguard Client Services on 1300 655 888. A paper copy will be provided free of charge on request.

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

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Further Information

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

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

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Vanguard International Shares ETFs

Vanguard MSCI Index International Shares ETF (ASX code: VGS)
Vanguard MSCI Index International Shares (Hedged) ETF (ASX code: VGAD)
Vanguard FTSE Asia ex Japan Shares Index ETF (ASX code: VAE)

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Important notice

Authorised Participants

Please note that the offer in this Product Disclosure Statement ("PDS") is for entities 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 International Shares ETFs through a stockbroker or financial adviser. Other investors can use this PDS for informational purposes only. For further details on Vanguard Exchange Traded Funds please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

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

At the time of lodgment of this PDS with ASIC (being the date of this PDS), the ETF units have been admitted to Trading Status on the ASX and the ETF units are able to be traded on the market in the same way as other securities traded on the ASX (refer to the section 'Quotation under the AQUA Rules of the ASX' for further details).

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Disclaimers

Investment in the ETFs is subject to risk (refer to section '7. Risks), which may include possible delays in repayment and loss of income and capital invested.

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

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

None of The Vanguard Group, Inc., Vanguard Investments Australia Ltd, or their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income invested in, the ETFs described in this PDS. This PDS is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard's associates or any other person to invest in the 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.

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About this PDS

This Product Disclosure Statement ("PDS") dated 1 November 2018 is for the Vanguard International Shares ETFs. Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 ("Vanguard") is the issuer of this PDS and is solely responsible for its contents. In this PDS references to 'Vanguard', the 'responsible entity', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

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

Obtaining the latest PDS

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

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

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

Information that is not materially adverse information is subject to change from time to time and may be updated by Vanguard by publishing such information on the Vanguard website at www.vanguard.com.au. A paper copy of any updated information will be provided free of charge on request from the Vanguard ETF Capital Markets Team on 1300 655 888.

Unless otherwise stated in this PDS, references to provisions for the ETFs refer to the ETF classes of their respective Funds only. A reference to 'Fund' or 'Funds' in this PDS, is a reference to the Vanguard International Shares Index Fund, the Vanguard Global Shares Index Fund (Hedged) and/or the Vanguard Asia ex Japan Shares Index Fund (as the context requires).

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations in its capacity as responsible entity of the 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 the Vanguard ETF Capital Markets Team on 1300 655 888:

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

Classes of units

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

- The Vanguard MSCI Index International Shares ETF is a separate class of units in the Vanguard International Shares Index Fund ARSN 090 939 610.
- The Vanguard MSCI Index International Shares (Hedged) ETF is a separate class of units in the Vanguard Global Shares Index Fund (Hedged) ARSN 165 786 989.
- The Vanguard FTSE Asia ex Japan Shares Index ETF is a separate class of units in the Vanguard Asia ex Japan Shares Index Fund ARSN 606 451 110.

As such it is only the ETF class of each Fund that is quoted under the AQUA rules of the ASX (refer to section '6. Quotation under the AQUA Rules of the ASX'). This PDS relates only to the ETF class of units in each Fund.

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

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1. About Vanguard

Vanguard Investments Australia Ltd ("Vanguard") is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with more than AUD $6.8 trillion in assets under management as of 30 June 2018. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

2. About the Vanguard MSCI Index International Shares ETF

Investment strategy and investment return objective

The Vanguard MSCI Index International Shares ETF seeks to track the return of the MSCI World ex-Australia (with net dividends reinvested) in Australian dollars Index, before taking into account fees, expenses and tax.

The Fund meets its investment objective by investing in all of the securities in the index, most of the time, allowing individual security weightings to vary marginally from the index from time to time. The Fund may invest in futures traded on a licensed exchange, securities that have been removed from or are expected to be included in the index.

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

The Fund will be fully exposed to the fluctuating values of foreign currencies, as there will not be any hedging of foreign currencies to the Australian dollar. Investments in the ETF are subject to the currency risk of international securities and the value of the investment may decrease because of unfavourable changes in currency exchange rates.

Index information

The MSCI World ex-Australia Index captures large and mid-cap representation across developed markets countries (excluding Australia) in the financials, real estate, information technology, consumer discretionary, health care, industrials, energy, consumer staples, materials, telecommunication services and utilities sectors.

The index is based on the MSCI Global Investable Market Indexes (GIMI) Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation, size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability.

The index is reviewed quarterly – in February, May, August and November. The objective is to reflect changes in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalisation cut-off points are recalculated.

Source: MSCI
For further information regarding the benchmark index values, returns and methodology, please refer to MSCI's website at www.msci.com.

Minimum suggested investment timeframe

Seven years.

Summary risk level

High – The potential for higher returns than lower risk investments, however there is the higher potential for below average returns and/or some capital loss over the investment timeframe.

Who it may suit

Buy and hold investors seeking long-term capital growth, some tax-effective income, and with a higher tolerance for the risks associated with share market volatility.

3. About the Vanguard MSCI Index International Shares (Hedged) ETF

Investment strategy and investment return objective

The Vanguard MSCI Index International Shares (Hedged) ETF seeks to track the return of the MSCI World ex-Australia (with net dividends reinvested) hedged into Australian dollars Index, before taking into account fees, expenses and tax.

The Fund meets its investment objective by investing in the Vanguard International Shares Index Fund, forward foreign exchange contracts and futures traded on a licensed exchange. Vanguard may, at its discretion, commence investing directly in the securities that are, have been or are expected to be in the index.

The Fund is exposed to all of the securities in the index most of the time, allowing for individual security weightings to vary marginally from the index from time to time. The Fund may be exposed to securities that have been removed from or are expected to be included in the index.

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

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Index information

The MSCI World ex-Australia Index captures large and mid-cap representation across developed markets countries (excluding Australia) in the financials, real estate, information technology, consumer discretionary, health care, industrials, energy, consumer staples, materials, telecommunication services and utilities sectors.

The MSCI Hedged Indexes hedge each foreign currency in the parent index back to a home currency by notionally "selling" each foreign currency forward at the one-month forward rate at the end of each month. To construct investable and replicable indexes, MSCI calculates the performance of the MSCI Hedged Indexes using foreign currency weights and corresponding foreign currency notional amounts as of two business days before the first calendar day of the following month.

The index is based on the MSCI Global Investable Market Indexes (GIMI) Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation, size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability.

The index is reviewed quarterly – in February, May, August and November. The objective is to reflect changes in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalisation cut-off points are recalculated.

Source: MSCI
For further information regarding the benchmark index values, returns and methodology, please refer to MSCI's website at www.msci.com.

Minimum suggested investment timeframe

Seven years.

Summary risk level

High – The potential for higher returns than lower risk investments, however there is the higher potential for below average returns and/or some capital loss over the investment timeframe.

Who it may suit

Buy and hold investors seeking long-term capital growth, some tax-effective income, and with a higher tolerance for the risks associated with share market volatility.

4. About the Vanguard FTSE Asia ex Japan Shares Index ETF

Investment strategy and investment return objective

The Vanguard FTSE Asia ex Japan Shares Index ETF seeks to track the return of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax

The Fund seeks to meet its investment objective by investing substantially all of its assets in the securities included in the Index. The Fund may invest in futures traded on a licensed exchange, securities that have been removed from or are expected to be included in the index and depository receipts.

In most cases, the Fund invests directly in the securities included in the Index, but it may obtain economic exposure to these securities indirectly by purchasing depository receipts of the securities. The Fund portfolio may hold securities that the investment manager believes are economically equivalent to the securities in the Index, or which act as a proxy for securities in the Index. These securities are listed on exchanges that are members of the World Federation of Exchanges (WFE) or the Federation of European Securities Exchanges (FESE) (or otherwise the ASX has granted a waiver from that requirement).

Where it is difficult or inefficient to fully replicate the securities of the index, the Fund may employ a form of sampling to reduce transaction costs and improve tracking. Vanguard employs a sampling technique, using its discretion, based on an analysis that considers liquidity, repatriation of capital, and entry barriers in various markets, to determine whether or not to invest in particular securities.

In certain circumstances, the Fund may be restricted from investing in certain countries included in the Index. For example, a waiver is required from the ASX to hold securities in the Index that are not traded on an exchange that is a member of the WFE and FESE. Futures traded on a licensed exchange may be used to gain market exposure without investing directly in securities. This allows Vanguard to maintain the Fund's liquidity without being under-invested. Importantly, derivatives are not used to leverage the Fund's portfolio.

The Fund will be fully exposed to the fluctuating values of foreign currencies, as there will not be any hedging of foreign currencies to the Australian dollar. Investments in the ETF are subject to the currency risk of international securities and the value of the investment may decrease because of unfavourable changes in currency exchange rates.

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Index information
The FTSE Asia Pacific ex Japan, Australia and New Zealand Net Index was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The FTSE Asia Pacific ex Japan, Australia and New Zealand Net Index is a total return, free float market capitalisation index. The Underlying Index is denominated and quoted in Australian dollars.

FTSE International Limited ("**FTSE**") is the Index Provider of the FTSE Asia Pacific ex Japan, Australia and New Zealand Net Index.

Source: FTSE
For further information regarding the benchmark index values, returns and methodology, please refer to FTSE website at www.ftse.com.

Minimum suggested investment timeframe
Seven years.

Summary risk level
High – The potential for higher returns than lower risk investments, however there is the higher potential for below average returns and/or some capital loss over the investment timeframe.

Who it may suit
Buy and hold investors seeking long-term capital growth, some tax-effective income, and with a higher tolerance for the risks associated with share market volatility.

5. Additional information about the ETFs
Cash and liquidity management
To manage day-to-day transaction requirements such as investor withdrawals and collateral requirements, the Funds may maintain a variable balance of cash. To effectively manage this cash, a Fund may invest in (directly or through another Vanguard Fund) cash equivalent instruments that aim to preserve capital and provide liquidity.

Cash equivalent instruments include, but are not limited to, high quality short-term money market instruments and short dated debt securities such as government issued securities, government-related (semi-government) issued securities and repurchase agreements, where a high quality government or government related security is received or provided as collateral for the term of the agreement.

Securities lending
The Funds may engage in securities lending. Securities lending is a common practice where holders of securities make short term loans of shares in return for a fee, to incrementally increase returns to investors. For the Funds, Vanguard employs a value-oriented approach to securities lending which seeks to capture a scarcity premium by lending hard-to-borrow securities or 'specials'. Due to the higher fees charged per loan, higher returns can be generated with a lower level of securities lent. This is a more conservative approach that generally results in only a small percentage of the Fund's securities being lent. This amount will be capped at a maximum of 7.5%.

Vanguard has appointed an external agent lender to facilitate the lending of securities on behalf of the Fund to a select group of borrowers (banks and broker-dealers). This group of borrowers has been pre-approved in accordance with Vanguard's Global Securities Lending credit policies and limits. Each borrower is required to provide a minimum amount of collateral which is generally limited to high quality sovereign debt (or equivalent) and equal to 105% of the market value of the securities loaned, marked to market daily.

All revenue generated from the securities lending program is returned to the Fund, less agent lender fees and costs. Vanguard does not retain any portion of the revenue generated from the securities lending program. The agent lender fees and costs are reflected in the Fund's indirect costs to the extent they are material (see Section 10 Fees and Other Costs).

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

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

Changes to investment objective and strategy
Vanguard may, from time to time, vary the investment objective and/or strategy of the Funds. Such variations may include changes to the target index chosen for a Fund. Vanguard will notify investors of any such changes.

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

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6. Quotation under the AQUA Rules of the ASX

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

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

ASX Listing Rules	ASX AQUA Rules
The equity issuer: ▪ Controls the value of its own securities and the business it runs, and ▪ The value of those securities is directly influenced by the equity issuer's performance and conduct. For example, a company's management and Board generally control the company's business and, therefore, have direct influence over the company's share price.	The product issuer: ▪ Does not control the value of the assets underlying its products; but ▪ Offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. For example, a managed fund issuer does not control the value of the shares it invests in.

Source: ASX Rules Framework (2011)

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

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	▪ Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act 2001 (Corporations Act).*	▪ 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 *Corporations Act.* ▪ There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. What obligations apply under the AQUA Rules? ▪ There is an obligation on issuers of ETFs to disclose information about the NAV of the ETFs daily via either the Market Announcements Platform ("MAP") or issuer's website (as specified in the ETF's Product Disclosure Statement). ▪ Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via "MAP". ▪ Any other information that is required to be disclosed to ASIC under section 675 of the *Corporations Act* must be disclosed to the ASX via MAP at the same time it is disclosed to ASIC.
Periodic disclosure	▪ Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	▪ Responsible entities of AQUA Products that are ETFs are still required to lodge with ASIC financial reports under Chapter 2M of the *Corporations Act*. Under the AQUA Rules, the Responsible Entity must disclose these financial reports to the ASX at the same time as lodgement with ASIC. ▪ Issuers of ETFs must disclose the total number of ETF Securities on issue via MAP within 5 business days of the end of each month.

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Corporate control	▪ Requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes.	▪ Certain requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. ▪ Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	▪ Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	▪ Chapter 10 of the Listing Rules does not apply to AQUA Products. ETFs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the Corporations Act.
Auditor rotation obligations	▪ There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the *Corporations Act.*	▪ Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the *Corporations Act.* ▪ Responsible entities of registered Managed Investment Schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the *Corporations Act* and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).
Product disclosure	▪ Entities admitted under the Listing Rules are subject to the requirements of the *Corporations Act* in relation to the issue of a PDS or prospectus. ▪ Information on the risks associated with an investment in a product is expected to be included.	▪ Products quoted under the AQUA Rules will also be subject to these requirements of the *Corporations Act.* ▪ Investors should read the PDS or prospectus carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

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

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7. Risks

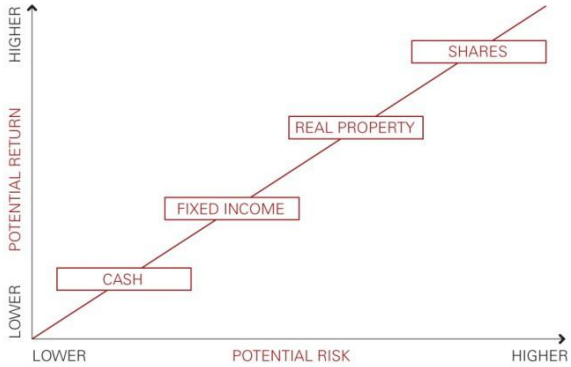
General Risks

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	Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lowest market risk. Bonds and equities (including property securities) have increasing levels of market risk. Short-term market risks are high to very high for most asset classes (including international securities). Below is a graphical representation of the risk/return relationship associated with various asset classes.  In any asset sector, the returns of individual securities are a combination of the market return and returns specific to each security. The prices of securities can rise and fall for a variety of political, economic and other reasons. You may not get back what you invested. By diversifying their holdings across a market, index funds are generally well protected from the specific risk of individual securities. From time to time the number of securities in a given index may change due to factors such as index rebalancing and this may lead to a change in the diversification of the portfolio. Investors should be aware that markets and currencies can be volatile and affect the returns of an investment portfolio.
Derivative risk	The primary risks associated with the use of derivative contracts are: ▪ the values of the derivative failing to move in line with the underlying asset (a performance difference); ▪ the potential lack of liquidity of the derivative; ▪ the Fund may not be able to meet payment obligations under the derivative contracts as they arise; and ▪ the counterparty to the derivative contract may not meet its obligations under the contract. The risk of a performance difference is minimised by investing in derivative contracts where the behaviour is expected to resemble the key risk/return characteristics of 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 such transactions on an exchange with an active and liquid secondary market, or with counterparties that are able to provide a minimum level of liquidity for any transactions in the over-the- counter market. The Funds do not use derivative contracts to leverage the assets of the Funds.
Regulatory and tax risk	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 affect the value of securities in which the Funds invest, the value of the ETF units or the tax treatment of a Fund and its investors. The Fund may not be able to trade certain securities in the index at any particular time due to the restrictions on trading securities in that jurisdiction or restrictions in other jurisdictions such as sanctions. A Fund or ETF class may be affected by changes to legislation or government policy both in Australia and in other countries.

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Index tracking risk	Vanguard employs an indexing investment strategy for the Funds. However, a Fund may fail to meet its objectives as a result of: ▪ Vanguard's selection of securities for a Fund; ▪ Implementation of processes which may cause a Fund to underperform its benchmark; and ▪ The costs of managing the portfolios that are not measured by the Index. Vanguard's investment approach seeks to mitigate this risk.
Fund risk	Investing in a managed investment scheme carries with it the risks of that investment vehicle including: ▪ the fees and costs for a Fund could change (refer to the section 11, additional explanation of 'Fees and Cost' for information about the limits on changes to fees and costs and 'Buy/sell spreads' for further information about variations to buy/sell spreads); ▪ the Funds may give different results than investing directly in the underlying securities yourself because of the tax consequences of the income and/or capital gains accrued in the Fund(s); ▪ Vanguard could be replaced as the responsible entity and/or investment manager for the Fund(s); or ▪ the Funds could terminate.
Currency risk	Fluctuations in the value of the Australian dollar versus foreign currencies can affect the returns from overseas investments. A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian dollar denominated assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian dollar denominated assets will fall.
Distribution risk	Forward foreign exchange contracts are used to manage currency risk for the Fund. The return of the Fund is thus relatively unaffected by currency fluctuations. However, currency hedging involves costs and implementation risks due to the volatility of currency and securities markets, and this volatility may impact distributions from the Fund. For example, when the Australian dollar is appreciating relative to other currencies, the gains from currency hedging may result in significant additional income being distributed by the Fund (unless, where the Fund is an AMIT, Vanguard determines to accumulate this additional income). Conversely, when the Australian dollar is depreciating relative to other currencies, the losses from currency hedging can totally offset other income received by the Fund, which may result in no distribution for the period (unless Vanguard determines to make a cash distribution in any event).
Operational risk	ETFs are subject to a number of operational risks including in relation to the administration and reporting of the Funds and the possibility that errors are made in the provision of services to the Funds. The failure of a service provider to adequately administer or report accurately in relation to the Funds or their investments may adversely impact the operations or performance of the Funds. There is a risk that circumstances beyond Vanguard's reasonable control could prevent Vanguard from managing the Funds in accordance with their investment strategy and as otherwise contemplated by this PDS. Examples of these circumstances include strikes, industrial disputes, fires or other catastrophe, war, civil disturbance, terrorist acts, governmental pre-emption in connection with a state of emergency and epidemics (including potential epidemics). By investing in the Funds you agree that Vanguard is not liable if Vanguard is prevented from managing the Funds by circumstances beyond its reasonable control.
Trading risk	In certain exceptional circumstances such as market disruptions, the ASX may suspend the trading of ETF units and therefore investors will not be able to buy or sell ETF units on the ASX. Where the Fund(s) has been suspended from trading, but remains liquid, Vanguard will use its best endeavours to take all reasonable steps within its control to seek to have the ETFs recommence trading as soon as possible. In these circumstances, Vanguard may suspend the application and redemption process for Authorised Participants. If applications and redemptions are suspended, Vanguard will make an announcement on the ASX Market Announcements Platform. The ASX also imposes certain requirements for ETF units to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the ETF units remain quoted. There can be no assurances that there will always be a liquid market for securities traded on the ASX. Vanguard has obligations to have market making arrangements in place under certain circumstances under the AQUA Rules. Vanguard has appointed a market maker to assist in maintaining liquidity for the ETFs on the ASX. The purchase price and withdrawal price applicable to ETF units may from time to time differ from the trading price of ETF units on the ASX. The trading price is dependent on a number of factors including the demand and supply of units, investor confidence and how closely the value of the assets of the ETF tracks the performance of the index. If you buy or sell ETF units on the secondary market, you will pay or receive the trading price, which may be higher or lower than the NAV price.

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Counterparty risk	The Funds may incur a loss due to the failure of a counterparty to meet their obligations under a contract. A Fund's counterparties may include brokers, clearing houses and other agents, including an agent lender under the securities lending program. In relation to securities lending, there is a risk that a borrower defaults on its obligations to return securities. This may in turn lead to collateral and liquidity risks if the value of the collateral and/or liquidity of the replacement securities decreases. Vanguard seeks to mitigate the risks of its securities lending program through strict credit monitoring and requiring the provision of highly liquid collateral. See "Securities Lending" in section 7 for more information.
Spread risk	Cash Transactions are subject to variations in the applicable buy/sell spread. The buy/sell spread can be varied at Vanguard's discretion depending on, for example, market liquidity conditions or the total amount of cash received in applications or redemptions for units on any particular day.
Emerging markets risk (applicable to VAE only)	The securities of companies in emerging markets can be substantially more volatile and substantially less liquid than the securities of companies located in more developed foreign markets. There is a risk that world events, such as political upheaval, financial troubles or natural disasters, will adversely affect the value of securities issued by companies in foreign countries or regions. This risk may be higher for investments in emerging markets than more developed markets.

8. How to transact with Vanguard

Investors who are not Authorised Participants cannot apply for or redeem ETF units with Vanguard through this PDS, but may purchase or sell ETF units on the ASX through their broker or adviser. Prior to transacting with Vanguard, an Authorised Participant must enter into an Authorised Participant agreement with Vanguard. If access to Vanguard's online portal is requested, the Authorised Participant must also agree to additional terms and conditions of use. Please contact the Vanguard ETF Capital Markets Team on 1300 655 888 for more information.

An Authorised Participant may apply for and/or redeem a number of units in the ETFs in accordance with their Authorised Participant agreement by submitting a request to Vanguard. ETF Application/Redemption requests can be submitted via an ETF Application/Redemption Form or through Vanguard's online portal. ETF Applications/Redemptions must be in multiples of the creation unit for the ETF.

Applications or redemptions consist only of a cash amount equal to the application amount or withdrawal value as appropriate, plus a spread. For more information regarding Cash Transactions, including cut-off times, settlement dates and transaction confirmations, Authorised Participants should refer to the Execution and Settlement Procedures.

Vanguard reserves the right to refuse any application or redemption request to the extent permitted by the constitutions of the Funds or if the application or redemption is not in accordance with the terms of the Authorised Participant agreement. If an application or redemption request is rejected, the Authorised Participant will be notified.

Important note for applications and redemptions by Authorised Participants

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

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

In accordance with the applicable Fund constitution, redemptions may be processed progressively over a period of up to 20 business days at the withdrawal price applicable on each day on which the units are withdrawn. For the Vanguard FTSE Asia ex Japan Shares Index ETF, this applies to redemptions received on any business day which exceed 5 per cent of the Fund's value. For the Vanguard MSCI Index International Shares ETF, this applies to redemptions received on any two consecutive business days which exceed 5 percent of the Fund's value and for the Vanguard MSCI Index International Shares (Hedged) ETF, this applies to redemptions received on a single day which exceed 5 percent of the Fund's value.

No cooling off period applies in relation to ETF units.

Withdrawal rights for investors other than Authorised Participants

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

- a Fund is being wound up;
- a Fund is not liquid for the purposes of the Corporations Act; or

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- Vanguard, as responsible entity of the Funds, suspends redemptions of ETF units in accordance with the provisions of the constitution.

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

A sell spread may apply where this right is exercised. Please refer to section '11. Additional explanation of fees and costs' for more information about the sell spread. Unitholders who withdraw from the Fund will receive the withdrawal price calculated by deducting the sell spread from the relevant ETF's net asset value per unit.

No minimum withdrawal amounts apply in these circumstances.

Valuations and pricing

The value of an ETF unit is determined by dividing the NAV for the class of units (total assets for that class, less total liabilities for that class) by the number of units on issue in that class. Units are generally valued using the closing prices of the underlying securities on the relevant markets in which they trade and converted into Australian dollars. The value of units will change from time to time as the market value of the assets for a class of units rises or falls.

Units are usually valued daily, except on non-ASX trading days or if there are factors that prevent the accurate calculation of unit prices (for example, where markets are closed in relevant countries).

The purchase price per unit (being the amount paid by an Authorised Participant for the application for ETF units) is determined by dividing so much of the NAV of a Fund as is allocated to the ETF class by the number of units on issue in the ETF class at the time the purchase price is determined, and adjusted by the applicable buy spread for the transaction.

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

The withdrawal price paid to an Authorised Participant on the redemption of ETF units will generally include an attribution or entitlement of taxable income. Please refer to section '9. Distributions' for further details regarding how this entitlement is determined. The balance of the withdrawal amount will comprise payment of the withdrawal price of the ETF units.

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

Unit pricing policy

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

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

Facsimile, email or online instructions

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

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

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

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

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9. Distributions

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

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

Distributions for the Vanguard MSCI Index International Shares ETF and Vanguard FTSE Asia ex Japan Shares Index ETF will generally be made on a quarterly basis. Distributions for the Vanguard MSCI Index International Shares (Hedged) ETF will generally be made on a semi-annual basis. However, Vanguard may distribute at other times, alter the distribution periods and, in the limited circumstances discussed below, defer the distribution entitlement date.

Distributions for the Vanguard MSCI Index International Shares ETF and Vanguard FTSE Asia ex Japan Shares Index ETF will normally be paid within 20 business days following the end of the distribution period, though the constitutions for each Fund permits up to within two months. Distributions for the Vanguard MSCI Index International Shares (Hedged) ETF will normally be paid within 20 business days following the end of the distribution period, though the constitutions for each Fund permits up to within three months. The amount of distributions will vary from period to period and there may be periods in which no distribution is made. If this should occur, details will be available on our website.

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

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

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

Deferral of the distribution entitlement date

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

Allocation of taxable income of the Fund on redemption

An Authorised Participant who redeems ETF units in the ordinary course may be attributed or distributed part of the taxable income of the relevant Fund. Please refer to section '12. Taxation of ETF units' for further information regarding how this entitlement is determined.

Distribution Reinvestment Plan

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

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

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

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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 MSCI Index International Shares ETF	www.computershare.com.au/easyupdate/VGS
Vanguard MSCI Index International Shares (Hedged) ETF	www.computershare.com.au/easyupdate/VGAD
Vanguard FTSE Asia ex Japan Shares Index ETF	www.computershare.com.au/easyupdate/VAE

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10. Fees and other costs

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

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

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 ETF's assets as a whole.

Taxes are set out in another part of this PDS.

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

Type of fee or cost	Amount		How and when paid
	Other investors	Authorised Participants	
Fees when your money moves in or out of the Fund			
Establishment fee The fee to open your investment	Nil		Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Nil[A]	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil[B]	Nil[A]	Not applicable
Exit fee The fee to close your investment	Nil		Not applicable
Management costs			
The fees and costs for managing your investment			The management cost for each ETF incorporates Vanguard's management fee and an estimate of any indirect costs (if applicable). Vanguard's management fee is calculated as a percentage of the ETF's net asset value[C]. The fee is calculated daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the Fund and is reflected in the daily ETF unit price. Indirect costs (if applicable) refer to the costs which reduce the returns of the ETFs, such as certain over-the-counter derivatives. Please refer to the section "Additional explanation of fees and costs" for further information about how and when indirect costs apply.
Vanguard MSCI Index International Shares ETF	Vanguard's management fee Indirect costs	0.18% p.a. 0.00% p.a.[D]	
Vanguard MSCI Index International Shares (Hedged) ETF	Vanguard's management fee Indirect costs	0.21% p.a. 0.00% p.a.[D]	
Vanguard FTSE Asia ex Japan Shares Index ETF	Vanguard's management fee Indirect costs	0.40% p.a. 0.00% p.a.[D]	
Service fees			
Investment switching fee The fee for changing investment options	Nil		Not applicable

A Buy/sell spreads apply. Please refer to section '11. Additional explanation of fees and costs' for more information concerning buy/sell spreads. These costs do NOT apply to investors buying or selling ETF units on the ASX.

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

C Please refer to section '8. How to transact with Vanguard' for an explanation of the net asset value for a Fund.

D Indirect costs are based on the financial year ended 30 June 2018 and to the extent necessary are estimated by Vanguard using reasonable assumptions.

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Example of annual fees and costs

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

Example – Vanguard FTSE Asia ex Japan Shares Index ETF	Amount	Balance of $50,000 with a contribution of $5,000 during the year
Contribution fees	Nil[A]	For every $5,000 you put in, you will be charged $0
PLUS Management costs, comprising	**0.40% p.a.**	**And**, for every $50,000 you have in the Fund you will be charged $200 each year.
Vanguard's management fee	0.40% p.a.	
Indirect costs	0.00% p.a.	
EQUALS cost of Fund		If you had an investment of $50,000 at the beginning of the year and you put in $5,000 during that year you will be charged fees of $200[B] **The management fee for the Fund is non-negotiable.**

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

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.

11. Additional explanation of fees and costs

Management costs

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

Management fee

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

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

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

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

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

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

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

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

Indirect costs

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

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

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Changes to management fees

Vanguard may alter the management fee in accordance with the constitutions of the Funds. The constitutions governing the Funds generally limit the amount of the management fee component (excluding GST) to 0.25% p.a. to 1.50% p.a. This limit does not apply to ordinary expenses of the Funds that Vanguard incurs and covers out of the management fee or to any extraordinary expense of the Fund that is otherwise able to be recovered. Any increase to the management fee above these maximums will generally require unitholder approval.

Transactional and operational costs

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

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

These costs will depend on the actual turnover of assets.

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

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

Buy/sell spreads

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

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

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

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

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

Withdrawal costs for investors other than Authorised Participants

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

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

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

Stockbroker fees for all other investors

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

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12. Taxation of ETF units

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

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

For example, the taxation information provided in this PDS:

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

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

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

Attribution Managed Investment Trusts (AMIT)

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

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

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

For Funds that are subject to the new AMIT regime:

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

Non–Attribution Managed Investment Trusts (non-AMIT)

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

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

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Categories of income from the Funds

Franking credits

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

Foreign income

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

Capital gains

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

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

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

CGT tax election

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

Non-assessable distributions

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

Other gains

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

Selling or transferring units

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

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

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

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

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Goods and Services Tax ("GST")

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

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

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

Applying for and redeeming ETF units

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

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

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

Applications

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

Redemption Income Entitlements

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

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

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

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

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

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

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

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

13. 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

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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. Vanguard has appointed other entities within the Vanguard group of companies to provide investment management related services to the Underlying Funds.

The custodian

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

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

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

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

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

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).

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

Material contracts

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

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

Market maker

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

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

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

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

The constitution

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

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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 each constitution upon request.

Amendments to the constitution

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 a constitution where Vanguard reasonably believes that the change will not adversely affect the rights of a unitholder. Otherwise a constitution can only be amended if approved at a meeting of unitholders.

The compliance plan

Vanguard has prepared and lodged a compliance plan for each Fund with ASIC. The compliance plan sets out the key criteria that Vanguard will follow to ensure that it is complying with the Corporations Act and each Fund's constitution. Each year compliance with the compliance plans are 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 constitutions to Vanguard;
- Reporting to ASIC if the committee is of the view that Vanguard has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- Assessing the adequacy of the compliance plan, recommending any changes and reporting these to Vanguard.

Reporting and disclosure obligations

Vanguard, as responsible entity of the Funds will comply with the provisions of the Corporations Act, including the continuous disclosure requirements that apply to an unlisted disclosing entity as if the Funds were unlisted disclosing entities. As disclosing entities, the Funds are subject to regular reporting and disclosure obligations. We will meet our continuous disclosure obligations by disclosing new material information on our website in accordance with ASIC's good practice guidance. Copies of documents lodged with ASIC in relation to the 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 the Funds;
- any half-yearly fund financial reports lodged with ASIC in relation to the Funds after the lodgement of the Annual Financial Report and before the date of the PDS;
- any continuous disclosure notices given for the Funds after the lodgement of the Annual Financial Report and before the date of the PDS; and
- a transaction statement detailing holdings and transactions will be provided to ETF investors at least once a year.

Change of index

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

Rights of a unitholder

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

The terms and conditions of the Fund 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 constitutions.

Reimbursement of expenses

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

Retirement of Vanguard

Vanguard may retire as responsible entity of the Funds 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 relevant Fund entitled to vote, including members who are not present in person or by proxy) passed at a meeting of unitholders, in accordance with the *Corporations Act*.

Termination

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

- a person applying for units indemnifies Vanguard against any liability in respect of the applicant paying or failing to pay the application amount; and

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- an Authorised Participant who redeems units indemnifies Vanguard against any liability in respect of a withdrawal amount otherwise than as required by the constitution.

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

Meeting of unitholders

Vanguard may convene a meeting of unitholders of 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 the Funds constitutions provides otherwise, or the Corporations Act requires otherwise, a resolution of unitholders must be passed by unitholders who hold units exceeding 50% in value of the total value of all units held by unitholders who vote on the resolution.

A resolution passed at a meeting of investors held in accordance with the relevant 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 relevant Fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of its duties or prosecuting or defending any action or suit in connection with the relevant Fund other than if it arises out of Vanguard's fraud, negligence or breach of trust.

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

Borrowings

Vanguard is empowered by the constitutions of the Funds to borrow or raise money for each 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 655 102 from 8:00am to 6:00pm Melbourne time, Monday to Friday.

If the complaint is not satisfactorily resolved, you can refer the matter in writing to:

Client Services Manager, Vanguard Investments Australia Ltd, GPO Box 3006, Melbourne Vic 3001.

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

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides a fair and independent financial services complaint resolution service that is free to consumers. You can contact AFCA on 1800 931 678 (free call) or email on info@afca.org.au.

Privacy policy

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

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

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

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

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

For a complete description of how personal information may be handled (including other potential uses), please see

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Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

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

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

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

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

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

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

Anti-money laundering and counter-terrorism financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* ("AML/CTF Laws"). By completing the Application/Redemption form, the investor agrees that:

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

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

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

Interest on amounts awaiting investment or withdrawal

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

Consents to inclusion of statements

FTSE Group ("FTSE") and MSCI Inc ("MSCI") have given and not withdrawn their consent to the statements relating to FTSE or MSCI as provided under the headings 'FTSE disclaimer' and 'MSCI disclaimer' as applicable 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 granted relief under section 601QA(1) of the Corporations Act from the equal treatment requirement in section 601FC(1) to the extent necessary to allow the responsible entity to permit only Authorised Participants who are Australian residents for tax purposes to withdraw from 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 the Fund were an unlisted disclosing entity.

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

Relevant interest relief
Where a fund holds listed Australian securities, ASIC has granted modification relief under section 655A(1) and 673(1) of the Corporations Act with respect to relevant interest provisions in section 609 so that where an authorised participant makes a redemption request, this does not give rise to an authorised participant holding a relevant interest in the securities held by a fund for the purposes of the takeovers provisions of Chapter 6 and the substantial holding provision of Chapter 6C of the Corporations Act

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14. Glossary

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

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Authorised Participant means a person who has executed an Authorised Participant agreement with Vanguard.

Cash Transaction means a Cash Application or Cash Redemption.

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

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

CHESS means the Clearing House Electronic Subregister System.

ETF means the Vanguard MSCI Index International Shares ETF, the Vanguard MSCI Index International Shares (Hedged) ETF and the Vanguard FTSE Asia ex Japan Shares Index ETF offered in this PDS.

Fund means the Vanguard International Shares Index Fund ARSN 090 939 610, the Vanguard Global Shares Index Fund (Hedged) ARSN 165 786 989 and the Vanguard Asia ex Japan Shares Index Fund ARSN 606 451 110 each an Australian registered managed investment scheme.

Index in relation to the Vanguard MSCI Index International Shares ETF means the MSCI World ex Australia (with net dividends reinvested) in Australian dollars Index, in relation to the Vanguard MSCI Index International Shares (Hedged) ETF means the MSCI World ex Australia (with net dividends reinvested) hedged into AUD Index and in relation to the Vanguard FTSE Asia ex Japan Shares Index ETF means the FTSE Asia Pacific ex Japan, Australia and New Zealand Net Index.

Pricing Basket means a basket of securities that is created to track the movements of a Fund. It is intended to assist with intra-day pricing and is not for transactional purposes.

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

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