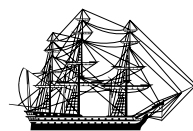
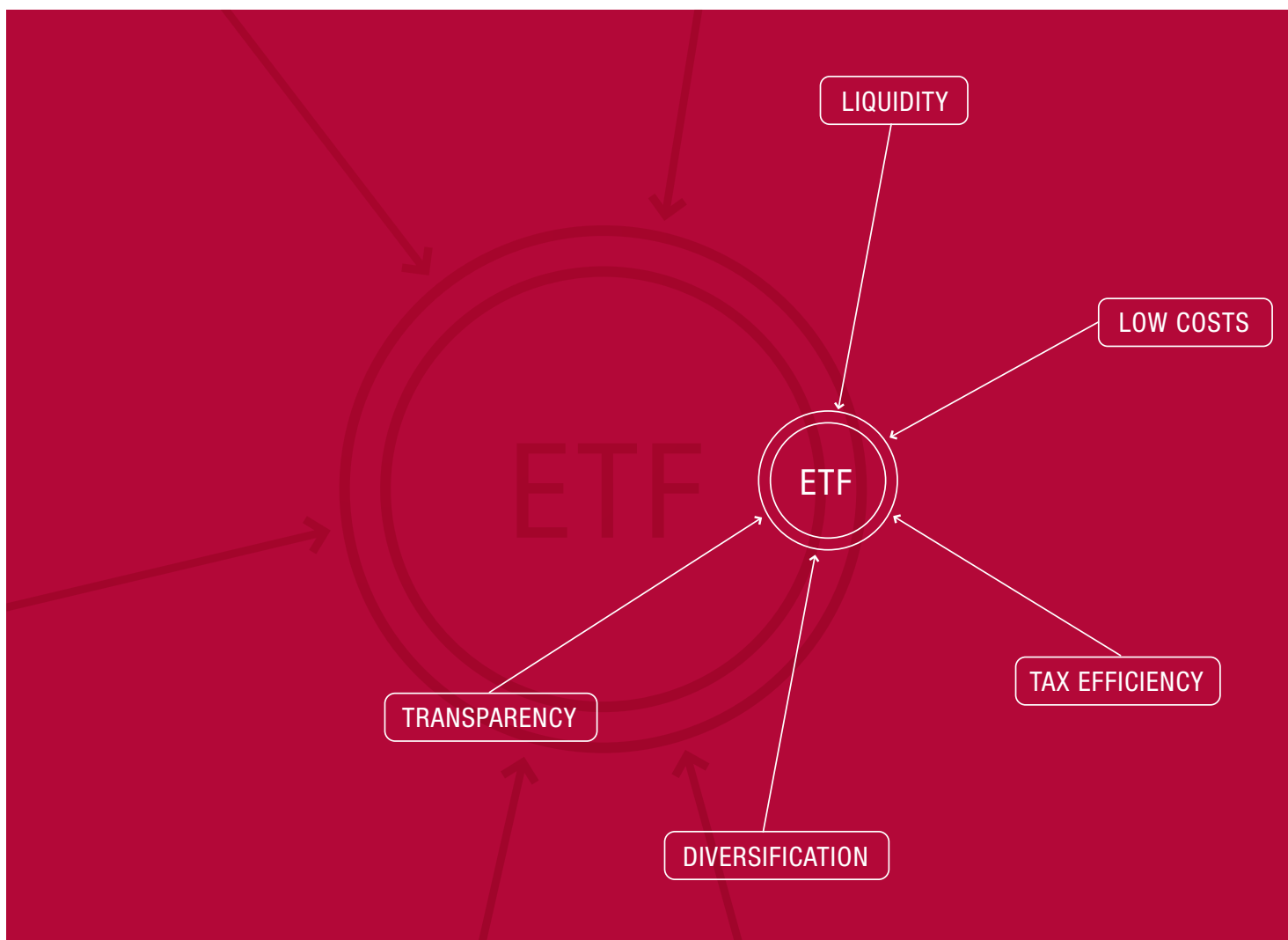


Exchange Traded Funds Investing with Vanguard ETFs™



Vanguard®



Only Vanguard ETFs enjoy our recognised expertise in index investing which, over 35 years, has made us one of the world's largest investment management groups.

Vanguard Exchange Traded Funds (ETFs) are an easy, fast and low cost* sharemarket-quoted security that can help you construct a diversified and cost effective portfolio. They are one of the most popular and rapidly growing investment solutions with hundreds of billions of dollars now invested in ETFs around the world. The Australian ETF market has also experienced strong growth in recent years, as shown in the chart above.

Investors in Vanguard ETFs own a share of a portfolio of listed securities, indexed by Vanguard, which can be readily traded on the Australian Securities Exchange (ASX). ETFs combine the low cost, diversification benefits of index funds with the trading flexibility of shares.

The power of indexing

Vanguard stands by its founding philosophy and experience that indexing is a smart way of investing.

Over the long term, Vanguard believes that it is difficult for fund managers to consistently beat the index as it is difficult to consistently pick 'winners' from 'losers'.

As an index manager our aim is to deliver the index return, before fees, by constructing diversified investment portfolios that track the same assets and weightings as the index. We don't try to pick winners from losers.

As a long term 'buy and hold' index investor our fees remain low because we minimise the transaction costs that are associated with portfolio turnover and typically incurred by actively traded funds. Vanguard's ETFs provide a diversified investment with low management fees that start from 0.07% p.a.²

A winning combination

The returns of an ETF, before costs, should closely match the index it tracks, just like a traditionally managed index fund, however ETF investors enjoy the following flexibility:

- ability to directly trade their investment on the ASX;
- buy and sell throughout the trading day; and
- ability to use in a margin lending portfolio.

ETFs combine two sets of benefits – the trading speed and flexibility of shares and the low cost, diversification of index funds.

The benefits of Vanguard ETFs

Low cost – ETF fees are usually significantly less than actively managed funds. ETFs are also more cost efficient than investing in the same exposure of individually purchased shares.

Diversification – Provides investors with a highly diversified investment with broad exposure to entire markets or indices. ETFs may also be in investments that investors may not be able to access directly on the ASX, such as international shares.

Tax efficiency – The traditional low turnover of investments provided by an indexing approach minimises the capital gains distribution impact. This improves performance and tax efficiency over the longer term.

Liquidity – Vanguard's ability to create and redeem ETF units on a daily basis ensures an underlying depth of liquidity. Secondary sources of liquidity exist in the volume of trading of the ETF itself and the investment environment it is trading in.

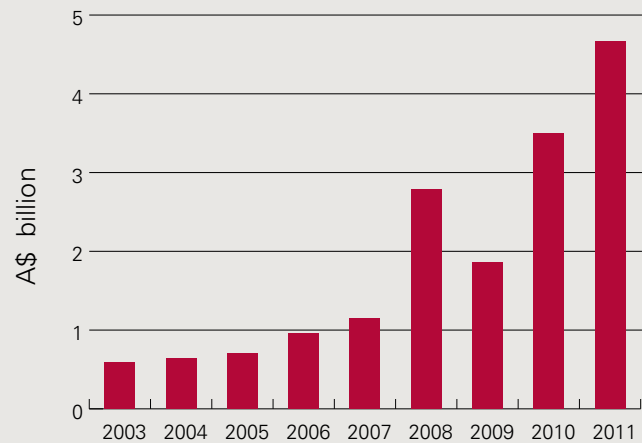
Transparency – Vanguard provides regular information to the market including the daily fund Net Asset Value (NAV) making ETFs a highly transparent investment.

¹ Investors may also incur brokerage and a bid ask spread when acquiring ETFs on the ASX.

² Refers to Vanguard® US Total Market Shares Index ETF with a fee of 0.07% p.a. as at 29 February 2012.

Growth in assets of ETFs in Australia

To 30 June 2011



Source: ASX

Investment choices with Vanguard ETFs

Vanguard ETFs offer many opportunities to provide added value for investor portfolios. The ease, flexibility, diversification and low costs of ETFs make them an innovative and effective investment solution to:

- **Construct an investment portfolio**
A combination of ETFs covering different asset types and markets can be used to build a robust, diversified investment portfolio at a low cost.
- **Build a 'core-satellite' portfolio**
Use ETFs to create a solid, diversified foundation or 'core' of an investment portfolio, to which you may add 'satellite' investments such as direct shares or actively managed funds to potentially seek extra returns and complement the core.
- **Rebalance a portfolio**
Over time portfolios can move away from their initial asset allocations and become unbalanced as the value of different assets change. ETFs can be used to quickly, easily and cost effectively correct these imbalances by purchasing the exact asset class exposures required.
- **Trade in the market**
An ETF investor can rapidly deploy cash into the market, trade as required at market prices and use ETFs as collateral for margin lending.

Risk reduction of a share portfolio

Having ETFs at the core of a share portfolio along with individual 'satellite' securities provides a degree of risk control over any single exposure of a security.



Trading with Vanguard ETFs

Trading ETFs is as easy as placing an order through an administration platform (for financial advisers) or with a full service or online broker. The trade settles just like any other share.

Vanguard ETFs can be bought or sold at any time throughout the ASX trading day. Market liquidity for ETFs is maintained by market makers who help ensure that buy and sell prices are quoted continuously on the ASX. The structure of ETFs ensures this investment generally trades close to the NAV. The NAV is the underlying total value of net assets divided by the number of units on issue.

As ETFs are quoted investments, a 'share registry' manages the administration for investors such as providing distribution and tax information. Computershare is the share registrar for the Vanguard ETFs.

About Vanguard

Vanguard is one of the world's largest investment groups, managing savings worth more than US\$1.8 trillion for more than 20 individual and institutional accounts globally.³ In Australia, Vanguard has established a reputation as an indexing specialist, using our low cost and diversified approach to investment management. Vanguard launched its first ETFs in the Australian marketplace in May 2009. In the US, Vanguard is one of the largest providers in the well established ETF market, since launching ETFs in 2001.

Further information

For personal investors

Visit: vanguard.com.au/etf
Call: Client Services on 1300 655 888
Available from 8:00am to 6:00pm
Monday to Friday (Melbourne time)
Email: clientservices@vanguard.com.au

For advisers

Visit: vanguard.com.au/etfs
Call: Adviser Services on 1300 655 205
Available from 8:00am to 6:00pm
Monday to Friday (Melbourne time)
Email: adviserservices@vanguard.com.au

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The indexing specialist > vanguard.com.au



³ As at 31 December 2011.

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