

**Vanguard**<sup>®</sup>



Annual Report | October 31, 2011

## Vanguard FTSE International Index Funds

FTSE All-World ex-US Index Fund

FTSE All-World ex-US Small-Cap Index Fund

- > For the fiscal year ended October 31, 2011, Vanguard FTSE All-World ex-US Index Fund returned about -6% and Vanguard FTSE All-World ex-US Small-Cap Index Fund returned about -7%.
- > Concerns over Europe's ongoing sovereign-debt crisis and worries about slowing growth in emerging markets countries weighed heavily on international stocks during the period.
- > Both funds achieved their shared objective of tracking their target indexes, before fair-value pricing adjustments.

## Contents

Your Fund's Total Returns	1
Chairman's Letter	2
FTSE All-World ex-US Index Fund	10
FTSE All-World ex-US Small-Cap Index Fund	33
Your Fund's After-Tax Returns	54
About Your Fund's Expenses	55
Glossary	57

*Please note:* The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

**About the cover:** Vanguard was named for the HMS Vanguard, flagship of British Admiral Horatio Nelson. A ship—whose performance and safety depend on the work of all hands—has served as a fitting metaphor for the Vanguard crew as we strive to help clients reach their financial goals.

# Your Fund's Total Returns

Fiscal Year Ended October 31, 2011

	Total Returns
<b>Vanguard FTSE All-World ex-US Index Fund</b>	
Investor Shares	-6.11%
Admiral™ Shares (Inception: 9/27/2011)	7.44
Institutional Shares	-5.94
Institutional Plus Shares (Inception: 12/16/2010)	-7.36
ETF Shares	
Market Price	-6.26
Net Asset Value	-5.99
FTSE All-World ex US Index	-4.52
International Funds Average	-5.71
International Funds Average: Derived from data provided by Lipper Inc.	
<b>Vanguard FTSE All-World ex-US Small-Cap Index Fund</b>	
Investor Shares	-6.85%
Institutional Shares	-6.64
ETF Shares	
Market Price	-7.88
Net Asset Value	-6.67
FTSE Global Small Cap ex US Index	-5.23
International Small-Cap Funds Average	-4.66

International Small-Cap Funds Average: Derived from data provided by Lipper Inc.

Admiral Shares carry lower expenses and are available to investors who meet certain account-balance requirements. Institutional Shares and Institutional Plus Shares are available to certain institutional investors who meet specific administrative, service, and account-size criteria. The Vanguard ETF® Shares shown are traded on the NYSE Arca exchange and are available only through brokers. The table provides ETF returns based on both the NYSE Arca market price and the net asset value for a share. U.S. Pat. No. 6,879,964 B2; 7,337,138; 7,720,749; 7,925,573.

For the ETF Shares, the market price is determined by the midpoint of the bid-offer spread as of the closing time of the New York Stock Exchange (generally 4 p.m., Eastern time). The net asset value is also determined as of the NYSE closing time. For more information about how the ETF Shares' market prices have compared with their net asset value, visit [vanguard.com](http://vanguard.com), select your ETF, and then select the Price and Performance tab. The ETF premium/discount analysis there shows the percentages of days on which the ETF Shares' market price was above or below the NAV.



## Chairman's Letter

Dear Shareholder,

Despite political turmoil, sovereign-debt concerns, and natural disasters, international markets produced solid results during the first half of the fiscal year ended October 31, 2011. However, things changed dramatically later in the period when Europe's ongoing debt struggles intensified and global stocks retreated. Signs of slowing growth in emerging markets countries, especially China, also raised investors' concerns.

In this environment, Investor Shares of Vanguard FTSE All-World ex-US Index Fund—which provides broad exposure to non-U.S. large- and medium-sized companies—returned -6.11% for the fiscal year, lagging the average return of international funds. Investor Shares of Vanguard FTSE All-World ex-US Small-Cap Index Fund—which provides broad exposure to smaller non-U.S. companies—returned -6.85%, behind the average return of international small-cap funds.

Both funds accomplished their objective of capturing the returns of their respective target indexes. However, temporary price differences arising from fair-value pricing policies that protect fund shareholders and are required by the Securities and Exchange Commission meant that the funds' reported returns diverged from their benchmarks' results. (Please see the text box on page 6 for more on fair-value pricing.)

I'd like to note that on September 27, we began offering Admiral Shares of several additional Vanguard index funds, including the FTSE All-World ex-US Index Fund. This was done as part of our ongoing commitment to lowering the cost of investing for our clients. The minimum investment requirement for Admiral Shares is \$10,000.

If you own these funds in a taxable account, you may wish to review the table and discussion on after-tax returns for the fiscal year later in this report.

## International stocks rocked by Europe's debt crisis

By now, the sources of volatility in the global stock market are familiar: sovereign debt dramas in Europe, policymaking strife in the United States, and an economic expansion that has failed to gather enough momentum to bring down high levels of unemployment.

International markets were hit hard during the period, growing more volatile during the last few months as the European debt crisis intensified. Stock prices retreated in

## Market Barometer

	Average Annual Total Returns Periods Ended October 31, 2011		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	8.01%	12.22%	0.54%
Russell 2000 Index (Small-caps)	6.71	12.87	0.68
Dow Jones U.S. Total Stock Market Index	7.67	12.58	0.90
MSCI All Country World Index ex USA (International)	-4.66	12.92	-0.37
<b>Bonds</b>			
Barclays Capital U.S. Aggregate Bond Index (Broad taxable market)	5.00%	8.87%	6.41%
Barclays Capital Municipal Bond Index (Broad tax-exempt market)	3.78	8.31	4.80
Citigroup Three-Month U.S. Treasury Bill Index	0.10	0.15	1.53
<b>CPI</b>			
Consumer Price Index	3.53%	1.49%	2.33%

many European countries, as investors grew anxious that Greece's debt issues had spread to other parts of the region. Prices also fell in the Pacific region's developed economies and emerging markets, where growth has moderated. International stock markets returned a combined -4.66% for the period.

While U.S. stocks fared much better than their international counterparts, gains were shadowed by anxiety during the volatile period. This turbulence was so pronounced, in fact, that a one-month change in the start date would have yielded a very different perspective on performance. For the 12 months through October 31, the broad U.S. stock market returned 7.67%. For the 12 months ended September 30, however, the return was a mere 0.31%.

### Unsteady yields reflected fast-changing sentiment

Taxable bonds produced strong returns and municipal bonds solid but un spectacular results, though as in the stock market, investor sentiment was volatile. The yield of the 10-year U.S. Treasury note, a benchmark for longer-term interest rates, began the 12 months at 2.61%, drifted higher as the economic expansion seemed to gather steam, then fluttered lower to close the period at 2.17%. The decline in Treasury yields (and rise in prices) was driven by Europe's sovereign debt dramas, underwhelming economic reports, and a flight to safety that was prompted, paradoxically, by a rating agency's decision to downgrade the U.S. government debt.

### Expense Ratios

Your Fund Compared With Its Peer Group

	Investor Shares	Admiral Shares	Institutional Shares	Institutional Plus Shares	ETF Shares	Peer Group Average
FTSE All-World ex-US Index Fund	0.35%	0.18%	0.15%	0.12%	0.22%	1.42%
FTSE All-World ex-US Small-Cap Index Fund	0.55	—	0.30	—	0.33	1.57

The expense ratios shown represent estimated costs for the current fiscal year. For the FTSE All-World ex-US Index Fund Investor and Admiral Shares, the expense ratios shown are from the prospectus dated September 27, 2011. For the FTSE All-World ex-US Index Fund Institutional, Institutional Plus, and ETF Shares, the expense ratios shown are from the prospectus dated February 25, 2011. In the fiscal year ended October 31, 2011, the fund's expense ratios were 0.35% for Investor Shares, 0.18% for Admiral Shares (annualized since inception), 0.13% for Institutional Shares, 0.10% for Institutional Plus Shares (annualized since inception), and 0.18% for ETF Shares. For the FTSE All-World ex-US Small-Cap Index Fund, the expense ratios shown are from the prospectus dated February 25, 2011. In the fiscal year ended October 31, 2011, the fund's expense ratios were 0.50% for Investor Shares, 0.25% for Institutional Shares, and 0.28% for ETF Shares. The peer-group expense ratios are derived from data provided by Lipper Inc., and capture information through year-end 2010.

Peer groups: For the FTSE All-World ex-US Index Fund, International Funds; and for the FTSE All-World ex-US Small-Cap Index Fund, International Small-Cap Funds.

Vanguard's confidence in the full faith and credit of the U.S. Treasury remains unshaken.

Taxable investment-grade bonds returned 5.00% for the full 12 months. It's important to note, of course, that as yields decline, the opportunity for similarly strong returns diminishes. The broad municipal market returned 3.78%. The returns on money market instruments hovered near 0%, consistent with the Federal Reserve Board's target for short-term interest rates.

### **Growth slowed in emerging economies**

Vanguard FTSE All-World ex-US Index Fund and Vanguard FTSE All-World ex-US Small-Cap Index Fund offer investors broad

exposure to companies of various sizes in developed and emerging international markets. During the 12-month period covered in this report, exposure to countries in both markets hindered performance. Larger-company international stocks outperformed those of smaller companies, giving FTSE All-World ex-US Index Fund a slight edge over its small-cap counterpart.

Both funds were hit hardest by setbacks in the emerging markets countries. After delivering outsized returns in recent years, stocks in these markets dipped dramatically in the second half of the period amid concerns that the rapid economic expansion of these still-developing countries was beginning to lose steam.

### **Total Returns**

Inception Through October 31, 2011

	Average Annual Return
FTSE All-World ex-US Index Fund Investor Shares (Returns since inception: 3/8/2007)	-2.00%
FTSE All-World ex US Index	-1.17
International Funds Average	-3.74

International Funds Average: Derived from data provided by Lipper Inc.

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance).) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

### **A note on fair-value pricing**

The reported return of a fund that tracks an index sometimes may diverge from the index's return a bit more than would be expected. This may be the result of a fair-value pricing adjustment.

These adjustments, which are required by the Securities and Exchange Commission, address pricing discrepancies that may arise because of time-zone differences among global stock markets. Foreign stocks may trade on exchanges that close many hours before a fund's closing share price is calculated in the United States, generally at 4 p.m., Eastern time. In the hours between the foreign close and the U.S. close, the value of these foreign securities may change—because of company-specific announcements or market-wide developments, for example. Such price changes are not immediately reflected in international index values.

Fair-value pricing takes such changes into account in calculating the fund's daily net asset value, thus ensuring that the NAV doesn't include "stale" prices. The result can be a temporary divergence between the return of the fund and that of its benchmark index—a difference that usually corrects itself when the foreign markets reopen.

Some of the biggest, including India, China, and Brazil, weighed most heavily on performance.

Europe, the largest regional holding in both funds for the period, also detracted significantly. As I mentioned earlier, the Eurozone's debt crisis was at the forefront of investors' minds. Concerns over Greece's struggles to pay down its debts spilled over into other countries in the region, including Italy and Spain. Financial stocks were among the hardest hit. In some ways, it was a replay of the financial crisis of 2008, with investors feeling anxious about what might be lurking on the balance sheets of major financial institutions.

A handful of countries in Europe managed to rise above the region's ongoing debt drama. The United Kingdom (the region's largest market) and Ireland posted moderate gains in both funds for the period. In FTSE All-World ex-US Index Fund, Switzerland and Norway also contributed.

The funds posted negative results in the Pacific region as well, with Hong Kong lagging significantly in both. The FTSE All-World ex-US Index Fund was also hurt by its exposure to Japanese stocks. But in the FTSE All-World ex-US Small-Cap Index Fund, Japanese stocks were among the top contributors. Australia added modestly to the performance of both funds.

The Middle East region—representing a very small percentage of both indexes and holding only Israeli stocks—also detracted slightly.

North American holdings, comprising exclusively Canadian stocks, posted the funds' only positive regional returns for the period. Canada's contribution was more significant in FTSE All-World ex-US Small-Cap Index Fund, where the country's financial and energy stocks contributed most.

### **Fund continues to track its benchmark index**

Since the inception of Vanguard FTSE All-World ex-US Index Fund in March 2007, the world's stock markets have endured extreme periods of volatility, including one of the worst global recessions in recent history and, more recently, fallout over Europe's sovereign-debt crisis.

Despite this rocky investment environment, the fund has successfully achieved its primary objective of tracking its benchmark index. (Please note: Vanguard doesn't typically report average annual returns for a fund with a history of less than three years. For this reason, FTSE All-World ex-US Small-Cap Index Fund, whose inception date is April 9, 2009, is not included in this discussion.) The fund's advisor, Vanguard Quantitative Equity Group, deserves credit for this successful record—no easy feat during a period of such significant market swings. The

advisor is helped in this task by the fund's low expense ratio, which is far below the average for its peer group.

While the chart on page 5 indicates a greater-than-expected difference in the returns of the fund and its benchmark, this spread can be attributed to fair-value pricing discrepancies. As previously noted, these can cause the fund's return to diverge from that of its target index for any single measurement period but tend to even out over time.

### **International stocks can help diversify your equity portfolio**

The recent spike in volatility caused by Europe's debt troubles has without a doubt been frustrating to investors. But it's important to remember that while international equities may have disappointed in the past year, not long ago they were outperforming domestic stocks.

Since domestic and international markets don't necessarily move in lockstep with each other, it's important to have exposure to both. During volatile times in the U.S. market, international stocks may help shelter your portfolio from potential losses, and vice versa.

Of course, there are times when both domestic and international stocks will perform poorly, which is why it's important to hold a diversified mix of asset classes in your portfolio as well. In the end, a well-balanced plan should include a mix of

domestic and international equities, bonds, and money market funds that's suitable for your long-term goals and risk tolerance.

As part of such a portfolio, Vanguard FTSE All-World ex-US Index Fund and Vanguard FTSE All-World ex-US Small-Cap Index Fund can provide low-cost exposure to international stocks.

Thank you for entrusting your assets to Vanguard.

Sincerely,

A handwritten signature in black ink that reads "F. William McNabb III". The signature is written in a cursive style with a large, stylized initial "F" and "W".

F. William McNabb III  
Chairman and Chief Executive Officer  
November 14, 2011

## Your Fund's Performance at a Glance

October 31, 2010, Through October 31, 2011

	Starting Share Price	Ending Share Price	Distributions Per Share	
			Income Dividends	Capital Gains
Vanguard FTSE All-World ex-US Index Fund				
Investor Shares	\$18.43	\$16.95	\$0.384	\$0.000
Admiral Shares (Inception: 9/27/2011)	25.00	26.86	0.000	0.000
Institutional Shares	92.50	85.10	2.072	0.000
Institutional Plus Shares (Inception: 12/16/2010)	99.48	90.15	2.177	0.000
ETF Shares	46.92	43.17	1.019	0.000
Vanguard FTSE All-World ex-US Small-Cap Index Fund				
Investor Shares	\$36.34	\$32.89	\$0.782	\$0.291
Institutional Shares	182.36	165.23	4.143	1.459
ETF Shares	95.38	86.38	2.182	0.763

# FTSE All-World ex-US Index Fund

## Fund Profile

As of October 31, 2011

### Share-Class Characteristics

	Investor Shares	Admiral Shares	Institutional Shares	Institutional Plus Shares	ETF Shares
Ticker Symbol	VFWIX	VFWAX	VFWSX	VFWPX	VEU
Expense Ratio <sup>1</sup>	0.35%	0.18%	0.15%	0.12%	0.22%

### Portfolio Characteristics

	Fund	FTSE All-World ex US Index
Number of Stocks	2,336	2,269
Median Market Cap	\$26.5B	\$26.8B
Price/Earnings Ratio	11.7x	11.5x
Price/Book Ratio	1.4x	1.4x
Return on Equity	17.9%	17.8%
Earnings Growth Rate	2.9%	2.9%
Dividend Yield	3.3%	3.4%
Turnover Rate	6%	—
Short-Term Reserves	0.0%	—

### Ten Largest Holdings (% of total net assets)

Royal Dutch Shell plc	Integrated Oil & Gas	1.4%
Nestle SA	Packaged Foods & Meats	1.3
BHP Billiton	Diversified Metals & Mining	1.2
HSBC Holdings plc	Diversified Banks	1.0
Vodafone Group plc	Wireless Telecommunication Services	0.9
Novartis AG	Pharmaceuticals	0.9
BP plc	Integrated Oil & Gas	0.9
Samsung Electronics Co. Ltd.	Semiconductors	0.8
Petroleo Brasileiro SA	Integrated Oil & Gas	0.8
Total SA	Integrated Oil & Gas	0.7
Top Ten		9.9%

The holdings listed exclude any temporary cash investments and equity index products.

### Volatility Measures

	FTSE All-World ex US Index
R-Squared	0.99
Beta	1.07

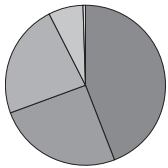
These measures show the degree and timing of the fund's fluctuations compared with the index over 36 months.

<sup>1</sup> The expense ratios shown are from the prospectus dated September 27, 2011, for Investor and Admiral Shares and from the prospectus dated February 25, 2011, for Institutional, Institutional Plus, and ETF Shares. They represent estimated costs for the current fiscal year. For the fiscal year ended October 31, 2011, the expense ratios were 0.35% for Investor Shares, 0.18% for Admiral Shares (annualized since inception), 0.13% for Institutional Shares, 0.10% for Institutional Plus Shares (annualized since inception), and 0.18% for ETF Shares.

**Sector Diversification (% of equity exposure)**

	Fund	FTSE All-World ex US Index
Consumer Discretionary	9.2%	9.2%
Consumer Staples	9.7	9.7
Energy	11.2	11.1
Financials	23.7	23.8
Health Care	6.4	6.4
Industrials	10.9	10.9
Information Technology	6.4	6.4
Materials	12.1	12.1
Telecommunication Services	6.3	6.3
Utilities	4.1	4.1

**Allocation by Region (% of portfolio)**



■	44.1% Europe
■	25.3% Emerging Markets
■	23.1% Pacific
■	7.0% North America
■	0.5% Middle East

**Market Diversification (% of equity exposure)**

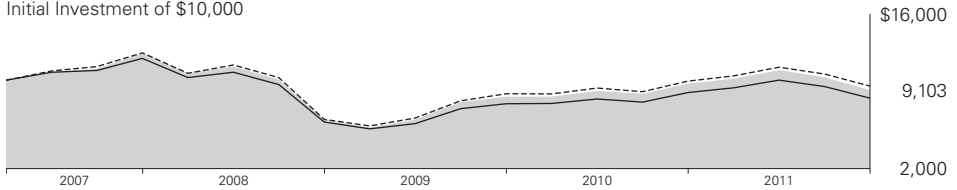
	Fund	FTSE All-World ex US Index
<b>Europe</b>		
United Kingdom	14.8%	14.9%
France	7.0	7.0
Switzerland	5.6	5.6
Germany	5.4	5.5
Spain	2.5	2.5
Sweden	2.1	2.1
Italy	1.8	1.8
Netherlands	1.6	1.6
Other	3.3	3.3
Subtotal	44.1%	44.3%
<b>Pacific</b>		
Japan	13.4%	13.5%
Australia	6.0	6.1
Hong Kong	2.4	2.4
Singapore	1.2	1.2
Other	0.1	0.1
Subtotal	23.1%	23.3%
<b>Emerging Markets</b>		
China	4.1%	4.1%
Brazil	4.0	3.9
South Korea	3.8	3.9
Taiwan	2.6	2.6
India	2.3	2.1
South Africa	2.0	2.0
Russia	1.4	1.3
Mexico	1.2	1.2
Malaysia	1.0	1.0
Other	2.9	2.8
Subtotal	25.3%	24.9%
<b>North America</b>		
Canada	7.0%	7.0%
<b>Middle East</b>		
	0.5%	0.5%

## Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance).) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

### Cumulative Performance: March 8, 2007, Through October 31, 2011

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended October 31, 2011		Final Value of a \$10,000 Investment
	One Year	Since Inception (3/8/2007)	
FTSE All-World ex-US Index Fund Investor Shares	-6.11%	-2.00%	\$9,103
FTSE All-World ex US Index	-4.52	-1.17	9,469
International Funds Average	-5.71	-3.74	8,377

International Funds Average: Derived from data provided by Lipper Inc.

"Since Inception" performance is calculated from the Investor Shares' inception date for both the fund and its comparative standards.

	Total Returns Period Ended October 31, 2011		Final Value of a \$10,000 Investment
		Since Inception (9/27/2011)	
FTSE All-World ex-US Index Fund Admiral Shares		7.44%	\$10,744
FTSE All-World ex US Index		8.32	10,832

"Since Inception" performance is calculated from the Admiral Shares' inception date for both the fund and its comparative standard.

Vanguard fund returns do not reflect the 2% fee on redemptions of shares held for less than two months. The fee does not apply to ETF Shares.

See Financial Highlights for dividend and capital gains information.

FTSE All-World ex-US Index Fund

	Average Annual Total Returns Periods Ended October 31, 2011		Final Value of a \$5,000,000 Investment
	One Year	Since Inception (4/30/2007)	
FTSE All-World ex-US Index Fund Institutional Shares	-5.94%	-3.36%	\$4,286,342
FTSE All-World ex US Index	-4.52	-2.95	4,369,079

"Since Inception" performance is calculated from the Institutional Shares' inception date for both the fund and its comparative standard.

	Total Returns Period Ended October 31, 2011		Final Value of a \$100,000,000 Investment
		Since Inception (12/16/2010)	
FTSE All-World ex-US Index Fund Institutional Plus Shares		-7.36%	\$92,638,639
FTSE All-World ex US Index		-5.73	94,265,897

"Since Inception" performance is calculated from the Institutional Plus Shares' inception date for both the fund and its comparative standard.

	Average Annual Total Returns Periods Ended October 31, 2011		Final Value of a \$10,000 Investment
	One Year	Since Inception (3/2/2007)	
FTSE All-World ex-US Index Fund ETF Shares Net Asset Value	-5.99%	-1.44%	\$9,347
FTSE All-World ex US Index	-4.52	-0.98	9,552

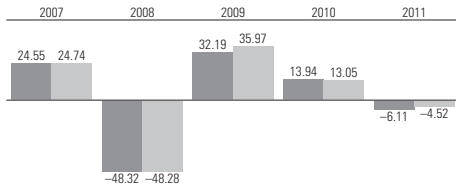
"Since Inception" performance is calculated from the ETF Shares' inception date for both the fund and its comparative standard.

**Cumulative Returns of ETF Shares: March 2, 2007, Through October 31, 2011**

	One Year	Since Inception (3/2/2007)
FTSE All-World ex-US Index Fund ETF Shares Market Price	-6.26%	-6.65%
FTSE All-World ex-US Index Fund ETF Shares Net Asset Value	-5.99	-6.53
FTSE All-World ex US Index	-4.52	-4.48

"Since Inception" performance is calculated from the ETF Shares' inception date for both the fund and its comparative standard.

Fiscal-Year Total Returns (%): March 8, 2007, Through October 31, 2011



■ FTSE All-World ex-US Index Fund Investor Shares

■ FTSE All-World ex US Index

Index returns are adjusted for withholding taxes applicable to U.S.-based mutual funds organized as Delaware statutory trusts.

Average Annual Total Returns: Periods Ended September 30, 2011

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Since Inception
Investor Shares	3/8/2007	-12.07%	-4.16%
Admiral Shares	9/27/2011	—	-2.80
Institutional Shares	4/30/2007	-11.91	-5.59
Institutional Plus Shares	12/16/2010	—	-16.18
ETF Shares	3/2/2007		
Market Price		-12.85	-3.79
Net Asset Value		-11.94	-3.59

Vanguard fund returns do not reflect the 2% fee on redemptions of shares held for less than two months. The fee does not apply to ETF Shares.

## Financial Statements

### Statement of Net Assets—Investments Summary

As of October 31, 2011

This Statement summarizes the fund's holdings by asset type. Details are reported for each of the fund's 50 largest individual holdings and for investments that, in total for any issuer, represent more than 1% of the fund's net assets. The total value of smaller holdings is reported as a single amount within each category.

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the complete listing of the fund's holdings is available electronically on [vanguard.com](http://vanguard.com) and on the Securities and Exchange Commission's website ([sec.gov](http://sec.gov)), or you can have it mailed to you without charge by calling 800-662-7447. For the first and third fiscal quarters, the fund files the lists with the SEC on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)	Percentage of Net Assets
<b>Common Stocks</b>			
<b>Australia</b>			
BHP Billiton Ltd.	2,505,836	98,091	0.8%
Commonwealth Bank of Australia	1,217,076	62,522	0.5%
Westpac Banking Corp.	2,366,044	54,907	0.4%
Australia & New Zealand Banking Group Ltd.	2,052,735	46,385	0.4%
National Australia Bank Ltd.	1,718,729	45,907	0.4%
Australia—Other †		432,292	3.5%
		<b>740,104</b>	<b>6.0%</b>
<b>Austria †</b>		<b>26,996</b>	<b>0.2%</b>
<b>Belgium †</b>		<b>75,445</b>	<b>0.6%</b>
<b>Brazil †</b>		<b>491,302</b>	<b>4.0%</b>
<b>Canada</b>			
Royal Bank of Canada	1,111,107	54,198	0.4%
Toronto-Dominion Bank	689,705	52,056	0.4%
Bank of Nova Scotia	838,226	44,176	0.4%
Suncor Energy Inc.	1,216,927	38,763	0.3%
Barrick Gold Corp.	779,769	38,498	0.3%
Canada—Other †		640,131	5.2%
		<b>867,822</b>	<b>7.0%</b>
<b>Chile †</b>		<b>58,224</b>	<b>0.5%</b>
<b>China</b>			
China Mobile Ltd.	4,689,825	44,574	0.4%
China Construction Bank Corp.	56,318,463	41,379	0.4%
Industrial & Commercial Bank of China	50,829,976	31,741	0.3%
CNOOC Ltd.	13,943,000	26,357	0.2%
PetroChina Co. Ltd.	16,458,000	21,366	0.2%
Bank of China Ltd.	48,970,000	17,429	0.2%

FTSE All-World ex-US Index Fund

	Shares	Market Value* (\$'000)	Percentage of Net Assets
China Life Insurance Co. Ltd.	5,810,000	15,021	0.1%
China Petroleum & Chemical Corp.	13,150,000	12,436	0.1%
China Shenhua Energy Co. Ltd.	2,664,000	12,187	0.1%
China Unicom Hong Kong Ltd.	5,572,182	11,204	0.1%
Agricultural Bank of China Ltd.	18,089,304	8,119	0.1%
China Telecom Corp. Ltd.	12,596,000	7,777	0.1%
^ China Overseas Land & Investment Ltd.	3,213,760	5,947	0.1%
China Citic Bank Corp. Ltd.	8,707,840	4,678	0.1%
China Coal Energy Co. Ltd.	3,260,000	4,060	0.1%
Yanzhou Coal Mining Co. Ltd.	1,512,000	3,743	0.0%
China Resources Enterprise Ltd.	920,000	3,360	0.0%
Dongfeng Motor Group Co. Ltd.	2,042,000	3,331	0.0%
China Merchants Holdings International Co. Ltd.	956,036	2,950	0.0%
Kunlun Energy Co. Ltd.	1,950,000	2,732	0.0%
China Communications Construction Co. Ltd.	3,453,000	2,604	0.0%
China Resources Power Holdings Co. Ltd.	1,446,400	2,569	0.0%
China Resources Land Ltd.	1,669,720	2,444	0.0%
China Oilfield Services Ltd.	1,178,000	1,962	0.0%
Sinopharm Group Co. Ltd.	570,000	1,552	0.0%
Citic Pacific Ltd.	841,000	1,520	0.0%
* China Taiping Insurance Holdings Co. Ltd.	675,200	1,464	0.0%
Air China Ltd.	1,716,000	1,333	0.0%
Shanghai Industrial Holdings Ltd.	406,000	1,329	0.0%
China Resources Cement Holdings Ltd.	1,470,000	1,166	0.0%
China Railway Group Ltd.	3,221,000	1,069	0.0%
^ China COSCO Holdings Co. Ltd.	2,031,800	1,060	0.0%
China Agri-Industries Holdings Ltd.	1,302,000	1,038	0.0%
Zhuzhou CSR Times Electric Co. Ltd.	441,000	1,033	0.0%
Shanghai Electric Group Co. Ltd.	2,318,000	1,020	0.0%
China Railway Construction Corp. Ltd.	1,674,074	998	0.0%
China Longyuan Power Group Corp.	1,178,000	978	0.0%
^ CSR Corp. Ltd.	1,596,000	944	0.0%
* China Southern Airlines Co. Ltd.	1,689,000	943	0.0%
Guangdong Investment Ltd.	1,564,000	942	0.0%
Zhejiang Expressway Co. Ltd.	1,356,000	892	0.0%
^ Poly Hong Kong Investments Ltd.	1,495,000	750	0.0%
China Foods Ltd.	926,000	728	0.0%
Sinopec Shanghai Petrochemical Co. Ltd.	1,764,000	648	0.0%
China Communications Services Corp. Ltd.	1,344,000	620	0.0%
Franshion Properties China Ltd.	2,828,000	581	0.0%
*^ China Eastern Airlines Corp. Ltd.	1,440,000	567	0.0%
Angang Steel Co. Ltd.	876,000	534	0.0%
Sinofert Holdings Ltd.	1,623,153	533	0.0%
^ Metallurgical Corp. of China Ltd.	2,208,000	479	0.0%
Shanghai Lujiazui Finance & Trade Zone Development Co. Ltd. Class B	382,790	460	0.0%
Harbin Electric Co. Ltd.	432,000	435	0.0%
^ Maanshan Iron & Steel	1,428,000	425	0.0%
Sinotruk Hong Kong Ltd.	631,500	371	0.0%
China Travel International Inv HK	2,418,000	365	0.0%
* Citic Resources Holdings Ltd.	1,886,690	267	0.0%
China Merchants Property Development Co. Ltd. Class B	187,950	260	0.0%
Sinotrans Ltd.	1,258,000	260	0.0%
Guangdong Electric Power Development Co. Ltd. Class B	458,560	166	0.0%
Shenzhen Chiwan Wharf Holdings Ltd. Class B	143,700	160	0.0%

FTSE All-World ex-US Index Fund

	Shares	Market Value* (\$000)	Percentage of Net Assets
Shanghai Waigaoqiao Free Trade Zone Development Co. Ltd. Class B	124,100	87	0.0%
^ Tianjin Capital Environmental Protection Group Co. Ltd. China—Other †	286,000	80	0.0%
		185,509	1.5%
		<b>503,536</b>	<b>4.1%</b>
<b>Colombia †</b>		<b>28,694</b>	<b>0.2%</b>
<b>Czech Republic †</b>		<b>11,607</b>	<b>0.1%</b>
<b>Denmark</b>			
Novo Nordisk A/S Class B	386,118	40,993	0.3%
Denmark—Other †		50,591	0.4%
		<b>91,584</b>	<b>0.7%</b>
<b>Egypt †</b>		<b>11,473</b>	<b>0.1%</b>
<b>Finland †</b>		<b>73,510</b>	<b>0.6%</b>
<b>France</b>			
Total SA	1,743,875	90,991	0.7%
Sanofi	1,016,279	72,704	0.6%
LVMH Moet Hennessy Louis Vuitton SA	286,871	47,547	0.4%
France—Other †		650,111	5.3%
		<b>861,353</b>	<b>7.0%</b>
<b>Germany</b>			
Siemens AG	713,842	74,826	0.6%
BASF SE	720,811	52,616	0.4%
SAP AG	717,839	43,406	0.4%
Daimler AG	828,760	42,092	0.3%
Bayer AG	645,710	41,140	0.3%
Allianz SE	351,494	39,108	0.3%
Germany—Other †		376,248	3.1%
		<b>669,436</b>	<b>5.4%</b>
<b>Greece †</b>		<b>10,419</b>	<b>0.1%</b>
<b>Hong Kong</b>			
BOC Hong Kong Holdings Ltd.	3,329,737	7,918	0.1%
Hang Seng Bank Ltd.	596,100	7,686	0.1%
Orient Overseas International Ltd.	193,000	871	0.0%
Hong Kong—Other †		273,064	2.2%
		<b>289,539</b>	<b>2.4%</b>
<b>Hungary †</b>		<b>10,801</b>	<b>0.1%</b>
<b>India</b>			
Nestle India Ltd.	22,612	1,965	0.0%
India—Other †		276,602	2.3%
		<b>278,567</b>	<b>2.3%</b>
<b>Indonesia †</b>		<b>85,152</b>	<b>0.7%</b>
<b>Ireland †</b>		<b>22,494</b>	<b>0.2%</b>

FTSE All-World ex-US Index Fund

	Shares	Market Value* (\$000)	Percentage of Net Assets
<b>Israel</b>			
Osem Investments Ltd.	33,048	458	0.0%
Israel—Other †		59,435	0.5%
		<b>59,893</b>	<b>0.5%</b>
<b>Italy</b>			
ENI SPA	2,129,959	47,080	0.4%
Italy—Other †		174,829	1.4%
		<b>221,909</b>	<b>1.8%</b>
<b>Japan</b>			
Toyota Motor Corp.	1,836,576	60,976	0.5%
Mitsubishi UFJ Financial Group Inc.	11,047,637	48,012	0.4%
Canon Inc.	1,039,579	47,195	0.4%
Japan—Other †		1,494,194	12.1%
		<b>1,650,377</b>	<b>13.4%</b>
<b>Luxembourg †</b>			
		745	0.0%
<b>Malaysia †</b>			
		120,770	1.0%
<b>Mexico</b>			
America Movil SAB de CV	34,191,406	43,461	0.4%
Mexico—Other †		99,022	0.8%
		<b>142,483</b>	<b>1.2%</b>
<b>Morocco †</b>			
		3,470	0.0%
<b>Netherlands</b>			
Unilever NV	1,215,516	41,964	0.3%
Netherlands—Other †		155,525	1.3%
		<b>197,489</b>	<b>1.6%</b>
<b>New Zealand †</b>			
		13,050	0.1%
<b>Norway †</b>			
		87,844	0.7%
<b>Peru †</b>			
		13,186	0.1%
<b>Philippines †</b>			
		16,683	0.1%
<b>Poland †</b>			
		36,400	0.3%
<b>Portugal †</b>			
		24,223	0.2%
<b>Russia</b>			
Gazprom OAO ADR	3,711,887	43,029	0.3%
Russia—Other †		134,656	1.1%
		<b>177,685</b>	<b>1.4%</b>
<b>Singapore</b>			
<sup>^</sup> Cosco Corp. Singapore Ltd.	692,000	554	0.0%
Singapore—Other †		150,344	1.2%
		<b>150,898</b>	<b>1.2%</b>

FTSE All-World ex-US Index Fund

	Shares	Market Value* (\$000)	Percentage of Net Assets
<b>South Africa †</b>		<b>249,075</b>	<b>2.0%</b>
<b>South Korea</b>			
<sup>1</sup> Samsung Electronics Co. Ltd. GDR	142,409	61,036	0.5%
South Korea—Other †		410,483	3.3%
		<b>471,519</b>	<b>3.8%</b>
<b>Spain</b>			
Telefonica SA	3,585,430	76,196	0.6%
Banco Santander SA	6,590,444	55,781	0.5%
Spain—Other †		172,892	1.4%
		<b>304,869</b>	<b>2.5%</b>
<b>Sweden †</b>		<b>255,911</b>	<b>2.1%</b>
<b>Switzerland</b>			
Nestle SA	2,705,587	156,485	1.3%
Novartis AG	1,939,503	109,262	0.9%
Roche Holding AG	548,615	90,011	0.7%
Switzerland—Other †		333,583	2.7%
		<b>689,341</b>	<b>5.6%</b>
<b>Taiwan</b>			
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3,113,828	39,297	0.3%
Taiwan—Other †		285,720	2.3%
		<b>325,017</b>	<b>2.6%</b>
<b>Thailand †</b>		<b>51,129</b>	<b>0.4%</b>
<b>Turkey †</b>		<b>34,546</b>	<b>0.3%</b>
<b>United Kingdom</b>			
HSBC Holdings plc	13,912,284	121,391	1.0%
Vodafone Group plc	40,035,963	111,169	0.9%
BP plc	14,712,975	108,272	0.9%
Royal Dutch Shell plc Class A	2,807,170	99,445	0.8%
GlaxoSmithKline plc	3,968,019	89,053	0.7%
Royal Dutch Shell plc Class B	2,097,833	75,267	0.6%
British American Tobacco plc	1,558,964	71,480	0.6%
Rio Tinto plc	1,149,832	62,206	0.5%
BG Group plc	2,630,800	57,047	0.5%
BHP Billiton plc	1,649,176	51,932	0.4%
AstraZeneca plc	1,050,402	50,430	0.4%
Standard Chartered plc	1,856,361	43,318	0.4%
Diageo plc	1,966,697	40,703	0.3%
Tesco plc	6,209,283	40,034	0.3%
United Kingdom—Other †		800,635	6.5%
		<b>1,822,382</b>	<b>14.8%</b>
<b>Total Common Stocks (Cost \$12,605,993)</b>		<b>12,328,952</b>	<b>100.0%</b>

	Coupon	Shares	Market Value* (\$000)	Percentage of Net Assets
<b>Temporary Cash Investment</b>				
<b>Money Market Fund</b>				
<sup>2,3</sup> Vanguard Market Liquidity Fund (Cost \$71,176)	0.128%	71,175,960	71,176	0.6%
<b>Total Investments (Cost \$12,677,169)</b>			<b>12,400,128</b>	<b>100.6%</b>
<b>Other Assets and Liabilities</b>				
Other Assets			77,366	0.6%
Liabilities <sup>3</sup>			(151,798)	(1.2%)
			<b>(74,432)</b>	<b>(0.6%)</b>
<b>Net Assets</b>			<b>12,325,696</b>	<b>100.0%</b>

At October 31, 2011, net assets consisted of:

	Amount (\$000)
Paid-in Capital	12,609,123
Undistributed Net Investment Income	329,573
Accumulated Net Realized Losses	(336,068)
Unrealized Appreciation (Depreciation)	
Investment Securities	(277,041)
Foreign Currencies	109
<b>Net Assets</b>	<b>12,325,696</b>

**Investor Shares—Net Assets**

Applicable to 78,493,976 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,330,134
<b>Net Asset Value Per Share—Investor Shares</b>	<b>\$16.95</b>

**Admiral Shares—Net Assets**

Applicable to 5,674,940 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	152,418
<b>Net Asset Value Per Share—Admiral Shares</b>	<b>\$26.86</b>

	Amount (\$000)
<b>Institutional Shares—Net Assets</b>	
Applicable to 46,714,317 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	3,975,478
<b>Net Asset Value Per Share—Institutional Shares</b>	<b>\$85.10</b>
<b>Institutional Plus Shares—Net Assets</b>	
Applicable to 6,283,570 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	566,483
<b>Net Asset Value Per Share—Institutional Plus Shares</b>	<b>\$90.15</b>
<b>ETF Shares—Net Assets</b>	
Applicable to 145,948,840 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	6,301,183
<b>Net Asset Value Per Share—ETF Shares</b>	<b>\$43.17</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

<sup>^</sup> Part of security position is on loan to broker-dealers. The total value of securities on loan is \$64,608,000.

<sup>†</sup> Represents the aggregate value, by category, of securities that are not among the 50 largest holdings and, in total for any issuer, represent 1% or less of net assets.

<sup>1</sup> Certain of the fund's securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2011, the aggregate value of these securities was \$86,478,000, representing 0.7% of net assets.

<sup>2</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

<sup>3</sup> Includes \$71,176,000 of collateral received for securities on loan.

ADR—American Depositary Receipt.

GDR—Global Depositary Receipt.

See accompanying Notes, which are an integral part of the Financial Statements.

# Statement of Operations

	Year Ended October 31, 2011
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends <sup>1</sup>	409,553
Interest <sup>2</sup>	20
Security Lending	12,928
Total Income	422,501
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	497
Management and Administrative—Investor Shares	4,518
Management and Administrative—Admiral Shares	14
Management and Administrative—Institutional Shares	2,847
Management and Administrative—Institutional Plus Shares	239
Management and Administrative—ETF Shares	8,077
Marketing and Distribution—Investor Shares	462
Marketing and Distribution—Admiral Shares	—
Marketing and Distribution—Institutional Shares	1,268
Marketing and Distribution—Institutional Plus Shares	60
Marketing and Distribution—ETF Shares	2,047
Custodian Fees	3,569
Auditing Fees	31
Shareholders' Reports—Investor Shares	20
Shareholders' Reports—Admiral Shares	—
Shareholders' Reports—Institutional Shares	15
Shareholders' Reports—Institutional Plus Shares	—
Shareholders' Reports—ETF Shares	146
Trustees' Fees and Expenses	13
Total Expenses	23,823
<b>Net Investment Income</b>	<b>398,678</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold	37,128
Foreign Currencies	(1,627)
<b>Realized Net Gain (Loss)</b>	<b>35,501</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities	(1,309,853)
Foreign Currencies	(962)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(1,310,815)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(876,636)</b>

<sup>1</sup> Dividends are net of foreign withholding taxes of \$26,100,000.

<sup>2</sup> Interest income from an affiliated company of the fund was \$20,000.

See accompanying Notes, which are an integral part of the Financial Statements.

## Statement of Changes in Net Assets

	Year Ended October 31,	
	2011 (\$000)	2010 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	398,678	235,849
Realized Net Gain (Loss)	35,501	(22,175)
Change in Unrealized Appreciation (Depreciation)	(1,310,815)	1,073,417
Net Increase (Decrease) in Net Assets Resulting from Operations	(876,636)	1,287,091
<b>Distributions</b>		
Net Investment Income		
Investor Shares	(31,143)	(15,131)
Admiral Shares	—	—
Institutional Shares	(91,968)	(39,424)
Institutional Plus Shares	(3,069)	—
ETF Shares	(143,060)	(95,039)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Institutional Shares	—	—
Institutional Plus Shares	—	—
ETF Shares	—	—
Total Distributions	(269,240)	(149,594)
<b>Capital Share Transactions</b>		
Investor Shares	13,749	586,032
Admiral Shares	144,429	—
Institutional Shares	162,384	2,117,722
Institutional Plus Shares	630,408	—
ETF Shares	644,081	1,312,763
Net Increase (Decrease) from Capital Share Transactions	1,595,051	4,016,517
Total Increase (Decrease)	449,175	5,154,014
<b>Net Assets</b>		
Beginning of Period	11,876,521	6,722,507
End of Period <sup>1</sup>	12,325,696	11,876,521

<sup>1</sup> Net Assets—End of Period includes undistributed net investment income of \$329,573,000 and \$198,157,000.

# Financial Highlights

## Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended October 31,				March 8, 2007 <sup>1</sup> to Oct. 31, 2007
	2011	2010	2009	2008	2007
<b>Net Asset Value, Beginning of Period</b>	<b>\$18.43</b>	<b>\$16.48</b>	<b>\$12.77</b>	<b>\$24.91</b>	<b>\$20.00</b>
<b>Investment Operations</b>					
Net Investment Income	.512	.418 <sup>2</sup>	.378 <sup>2</sup>	.637 <sup>2</sup>	.410 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments	(1.608)	1.853	3.622	(12.592)	4.500
Total from Investment Operations	(1.096)	2.271	4.000	(11.955)	4.910
<b>Distributions</b>					
Dividends from Net Investment Income	(.384)	(.321)	(.290)	(.185)	—
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.384)	(.321)	(.290)	(.185)	—
<b>Net Asset Value, End of Period</b>	<b>\$16.95</b>	<b>\$18.43</b>	<b>\$16.48</b>	<b>\$12.77</b>	<b>\$24.91</b>
<b>Total Return<sup>3</sup></b>	<b>-6.11%</b>	<b>13.94%</b>	<b>32.19%</b>	<b>-48.32%</b>	<b>24.55%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,330	\$1,458	\$748	\$296	\$213
Ratio of Total Expenses to Average Net Assets	0.35%	0.35%	0.40%	0.35%	0.40% <sup>4</sup>
Ratio of Net Investment Income to Average Net Assets	2.87%	2.45%	2.75%	3.24%	2.61% <sup>4</sup>
Portfolio Turnover Rate <sup>5</sup>	6%	6%	9%	7%	10%

1 Inception.

2 Calculated based on average shares outstanding.

3 Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and account service fees.

4 Annualized.

5 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

See accompanying Notes, which are an integral part of the Financial Statements.

## Financial Highlights

### Admiral Shares

For a Share Outstanding Throughout the Period	September 27, 2011 <sup>1</sup> to October 31, 2011
<b>Net Asset Value, Beginning of Period</b>	<b>\$25.00</b>
<b>Investment Operations</b>	
Net Investment Income	0.082
Net Realized and Unrealized Gain (Loss) on Investments	1.778
Total from Investment Operations	1.860
<b>Distributions</b>	
Dividends from Net Investment Income	—
Distributions from Realized Capital Gains	—
Total Distributions	—
<b>Net Asset Value, End of Period</b>	<b>\$26.86</b>
<b>Total Return<sup>2</sup></b>	<b>7.44%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$152
Ratio of Total Expenses to Average Net Assets	0.18% <sup>3</sup>
Ratio of Net Investment Income to Average Net Assets	3.04% <sup>3</sup>
Portfolio Turnover Rate <sup>4</sup>	6%

1 Inception.

2 Total returns do not include transaction fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction fees.

3 Annualized.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units

# Financial Highlights

## Institutional Shares

For a Share Outstanding Throughout Each Period	Year Ended October 31,				April 30,
	2011	2010	2009	2008	2007 <sup>1</sup> to Oct. 31, 2007
<b>Net Asset Value, Beginning of Period</b>	<b>\$92.50</b>	<b>\$82.71</b>	<b>\$64.06</b>	<b>\$124.76</b>	<b>\$107.33</b>
<b>Investment Operations</b>					
Net Investment Income	2.785	2.226 <sup>2</sup>	2.101 <sup>2</sup>	3.323 <sup>2</sup>	1.150 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments	(8.113)	9.322	18.142	(62.979)	16.280
Total from Investment Operations	(5.328)	11.548	20.243	(59.656)	17.430
<b>Distributions</b>					
Dividends from Net Investment Income	(2.072)	(1.758)	(1.593)	(1.044)	—
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(2.072)	(1.758)	(1.593)	(1.044)	—
<b>Net Asset Value, End of Period</b>	<b>\$85.10</b>	<b>\$92.50</b>	<b>\$82.71</b>	<b>\$64.06</b>	<b>\$124.76</b>
<b>Total Return<sup>3</sup></b>	<b>-5.94%</b>	<b>14.15%</b>	<b>32.56%</b>	<b>-48.18%</b>	<b>16.24%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$3,975	\$4,146	\$1,608	\$448	\$157
Ratio of Total Expenses to Average Net Assets	0.13%	0.15%	0.15%	0.10%	0.15% <sup>4</sup>
Ratio of Net Investment Income to Average Net Assets	3.09%	2.65%	3.00%	3.49%	2.86% <sup>4</sup>
Portfolio Turnover Rate <sup>5</sup>	6%	6%	9%	7%	10%

1 Inception.

2 Calculated based on average shares outstanding.

3 Total returns do not include transaction fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction fees.

4 Annualized.

5 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

See accompanying Notes, which are an integral part of the Financial Statements.

## Financial Highlights

### Institutional Plus Shares

For a Share Outstanding Throughout the Period	December 16, 2010 <sup>1</sup> to October 31, 2011
<b>Net Asset Value, Beginning of Period</b>	<b>\$99.48</b>
<b>Investment Operations</b>	
Net Investment Income	2.794
Net Realized and Unrealized Gain (Loss) on Investments	(9.947)
Total from Investment Operations	(7.153)
<b>Distributions</b>	
Dividends from Net Investment Income	(2.177)
Distributions from Realized Capital Gains	—
Total Distributions	(2.177)
<b>Net Asset Value, End of Period</b>	<b>\$90.15</b>
<b>Total Return<sup>2</sup></b>	<b>-7.36%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$566
Ratio of Total Expenses to Average Net Assets	0.10% <sup>3</sup>
Ratio of Net Investment Income to Average Net Assets	3.12% <sup>3</sup>
Portfolio Turnover Rate <sup>4</sup>	6%

1 Inception.

2 Total returns do not include transaction fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction fees.

3 Annualized.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

# Financial Highlights

## ETF Shares

For a Share Outstanding Throughout Each Period	Year Ended October 31,				March 2, 2007 <sup>1</sup> to Oct. 31, 2007
	2011	2010	2009	2008	2007
<b>Net Asset Value, Beginning of Period</b>	<b>\$46.92</b>	<b>\$41.95</b>	<b>\$32.50</b>	<b>\$63.32</b>	<b>\$49.80</b>
<b>Investment Operations</b>					
Net Investment Income	1.390	1.118 <sup>2</sup>	1.011 <sup>2</sup>	1.705 <sup>2</sup>	1.030 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments	(4.121)	4.715	9.224	(32.015)	12.490
Total from Investment Operations	(2.731)	5.833	10.235	(30.310)	13.520
<b>Distributions</b>					
Dividends from Net Investment Income	(1.019)	(.863)	(.785)	(.510)	—
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.019)	(.863)	(.785)	(.510)	—
<b>Net Asset Value, End of Period</b>	<b>\$43.17</b>	<b>\$46.92</b>	<b>\$41.95</b>	<b>\$32.50</b>	<b>\$63.32</b>
<b>Total Return</b>	<b>-5.99%</b>	<b>14.07%</b>	<b>32.41%</b>	<b>-48.23%</b>	<b>27.15%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$6,301	\$6,272	\$4,366	\$1,701	\$1,068
Ratio of Total Expenses to Average Net Assets	0.18%	0.22%	0.25%	0.20%	0.25% <sup>3</sup>
Ratio of Net Investment Income to Average Net Assets	3.04%	2.58%	2.90%	3.39%	2.76% <sup>3</sup>
Portfolio Turnover Rate <sup>4</sup>	6%	6%	9%	7%	10%

1 Inception.

2 Calculated based on average shares outstanding.

3 Annualized.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

See accompanying Notes, which are an integral part of the Financial Statements.

## Notes to Financial Statements

Vanguard FTSE All-World ex-US Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations. The fund offers five classes of shares: Investor Shares, Admiral Shares, Institutional Shares, Institutional Plus Shares, and ETF Shares. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares, Institutional Shares, and Institutional Plus Shares are designed for investors who meet certain administrative, service, and account-size criteria. Admiral Shares were first issued on September 27, 2011. Institutional Plus shares were first issued on December 16, 2010. ETF Shares are listed for trading on the NYSE Arca, Inc.; they can be purchased and sold through a broker.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. mutual funds. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the fund's pricing time. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. **Foreign Currency:** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the fund's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its income. Management has analyzed the fund's tax positions taken for all open federal income tax years (October 31, 2008–2011), and has concluded that no provision for federal income tax is required in the fund's financial statements.

4. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

5. **Security Lending:** The fund may lend its securities to qualified institutional borrowers to earn additional income. Security loans are required to be secured at all times by collateral at least equal to the market value of securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability for the return of the collateral, during the period the securities are on loan. Security lending income represents fees charged to borrowers plus income earned on investing cash collateral, less expenses associated with the loan.

6. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold. Fees assessed on redemptions of capital shares are credited to paid-in capital.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses) and shareholder reporting. Marketing and distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

**B.** The Vanguard Group furnishes at cost investment advisory, corporate management, administrative, marketing, and distribution services. The costs of such services are allocated to the fund under methods approved by the board of trustees. The fund has committed to provide up to 0.40% of its net assets in capital contributions to Vanguard. At October 31, 2011, the fund had contributed capital of \$1,946,000 to Vanguard (included in Other Assets), representing 0.02% of the fund's net assets and 0.78% of Vanguard's capitalization. The fund's trustees and officers are also directors and officers of Vanguard.

**C.** Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

**Level 1**—Quoted prices in active markets for identical securities.

**Level 2**—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments).

The following table summarizes the fund's investments as of October 31, 2011, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks—North and South America	1,601,710	—	—
Common Stocks—Other	165,215	10,562,027	—
Temporary Cash Investments	71,176	—	—
Total	1,838,101	10,562,027	—

The following table summarizes changes in investments valued based on Level 3 inputs during the year ended October 31, 2011. Transfers into or out of Level 3 are recognized based on values as of the date of transfer.

Amount Valued Based on Level 3 Inputs	Investments in Common Stocks—Other (\$000)
Balance as of October 31, 2010	95
Net Realized Gain (Loss)	(233)
Change in Unrealized Appreciation (Depreciation)	138
Balance as of October 31, 2011	—

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the year ended October 31, 2011, the fund realized net foreign currency losses of \$1,627,000, which decreased distributable net income for tax purposes; accordingly, such losses have been reclassified from accumulated net realized losses to undistributed net investment income. Certain of the fund's investments are in securities considered to be "passive foreign investment companies," for which any unrealized appreciation and/or realized gains are required to be included in distributable net income for tax purposes. During the year ended October 31, 2011, the fund realized gains on the sale of passive foreign investment companies of \$3,701,000, which have been included in current and prior periods' taxable income; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income. Passive foreign investment companies held at October 31, 2011, had unrealized appreciation of \$12,771,000, all of which has been distributed and is reflected in the balance of undistributed net investment income.

The fund realized gains on the sale of securities that were subject to capital gains tax in certain foreign countries. Capital gains taxes reduced realized gains for financial statement purposes but are treated as an expense for tax purposes. Accordingly, \$96,000 of capital gains tax has been reclassified from accumulated net realized losses to undistributed net investment income.

During the year ended October 31, 2011, the fund realized \$166,498,000 of net capital gains resulting from in-kind redemptions—in which shareholders exchanged fund shares for securities held by the fund rather than for cash. Because such gains are not taxable to the fund, and are not distributed to shareholders, they have been reclassified from accumulated net realized losses to paid-in capital.

For tax purposes, at October 31, 2011, the fund had \$350,359,000 of ordinary income available for distribution. The fund had available capital loss carryforwards totaling \$281,206,000 to offset future net capital gains of \$1,431,000 through October 31, 2015, \$29,919,000 through October 31, 2016, \$138,066,000 through October 31, 2017, \$32,560,000 through October 31, 2018, and \$79,230,000 through October 31, 2019.

At October 31, 2011, the cost of investment securities for tax purposes was \$12,744,802,000. Net unrealized depreciation of investment securities for tax purposes was \$344,674,000, consisting of unrealized gains of \$1,307,854,000 on securities that had risen in value since their purchase and \$1,652,528,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended October 31, 2011, the fund purchased \$2,906,070,000 of investment securities and sold \$1,224,304,000 of investment securities, other than temporary cash investments.

F. Capital share transactions for each class of shares were:

	Year Ended October 31,			
	2011		2010	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
<b>Investor Shares</b>				
Issued	500,591	26,968	839,537	48,812
Issued in Lieu of Cash Distributions	26,921	1,462	12,188	717
Redeemed <sup>1</sup>	(513,763)	(29,048)	(265,693)	(15,795)
Net Increase (Decrease)—Investor Shares	13,749	(618)	586,032	33,734
<b>Admiral Shares<sup>2</sup></b>				
Issued	146,186	5,743	—	—
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed <sup>1</sup>	(1,757)	(68)	—	—
Net Increase (Decrease)—Admiral Shares	144,429	5,675	—	—
<b>Institutional Shares</b>				
Issued	1,337,606	14,530	2,540,049	30,296
Issued in Lieu of Cash Distributions	81,713	885	32,086	377
Redeemed <sup>1</sup>	(1,256,935)	(13,521)	(454,413)	(5,300)
Net Increase (Decrease)—Institutional Shares	162,384	1,894	2,117,722	25,373
<b>Institutional Plus Shares<sup>2</sup></b>				
Issued	652,769	6,516	—	—
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed <sup>1</sup>	(22,361)	(232)	—	—
Net Increase (Decrease)—Institutional Plus Shares	630,408	6,284	—	—
<b>ETF Shares</b>				
Issued	1,098,970	22,458	1,337,408	30,206
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed <sup>1</sup>	(454,889)	(10,200)	(24,645)	(600)
Net Increase (Decrease)—ETF Shares	644,081	12,258	1,312,763	29,606

<sup>1</sup> Net of redemption fees for fiscal 2011 and 2010 of \$112,000 and \$131,000, respectively (fund totals).

<sup>2</sup> Inception was September 27, 2011, for the Admiral Shares and December 16, 2010, for the Institutional Plus Shares.

G. In preparing the financial statements as of October 31, 2011, management considered the impact of subsequent events for potential recognition or disclosure in these financial statements.

# FTSE All-World ex-US Small-Cap Index Fund

## Fund Profile

As of October 31, 2011

### Share-Class Characteristics

	Investor Shares	Institutional Shares	ETF Shares
Ticker Symbol	VFSVX	VFSNX	VSS
Expense Ratio <sup>1</sup>	0.55%	0.30%	0.33%

### Portfolio Characteristics

	Fund	FTSE Global Small Cap ex US Index
Number of Stocks	2,795	3,107
Median Market Cap	\$1.3B	\$1.3B
Price/Earnings Ratio	14.1x	14.3x
Price/Book Ratio	1.3x	1.2x
Return on Equity	11.8%	11.8%
Earnings Growth Rate	7.1%	6.9%
Dividend Yield	2.8%	2.8%
Turnover Rate	37%	—
Short-Term Reserves	0.4%	—

### Sector Diversification (% of equity exposure)

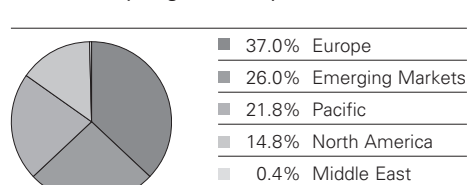
	Fund	FTSE Global Small Cap ex US Index
Consumer Discretionary	15.6%	15.7%
Consumer Staples	6.4	6.5
Energy	7.1	7.0
Financials	18.4	17.9
Health Care	4.7	4.7
Industrials	20.6	20.4
Information Technology	9.2	9.3
Materials	14.7	15.1
Telecommunication Services	1.0	1.0
Utilities	2.3	2.4

### Ten Largest Holdings (% of total net assets)

New Gold Inc.	Gold	0.3%
Athabasca Oil Sands Corp.	Oil & Gas Exploration & Production	0.3
Metro Inc. Class A	Food Retail	0.3
Franco-Nevada Corp.	Gold	0.3
Pembina Pipeline Corp.	Oil & Gas Storage & Transportation	0.3
Governor & Co. of the Bank of Ireland	Diversified Banks	0.2
Inmet Mining Corp.	Diversified Metals & Mining	0.2
Vermilion Energy Inc.	Oil & Gas Exploration & Production	0.2
Babcock International Group plc	Diversified Support Services	0.2
Onex Corp.	Multi-Sector Holdings	0.2
Top Ten		2.5%

The holdings listed exclude any temporary cash investments and equity index products.

### Allocation by Region (% of portfolio)



<sup>1</sup> The expense ratios shown are from the prospectus dated February 25, 2011, and represent estimated costs for the current fiscal year. For the fiscal year ended October 31, 2011, the expense ratios were 0.50% for Investor Shares, 0.25% for Institutional Shares, and 0.28% for ETF Shares.

Market Diversification (% of equity exposure)

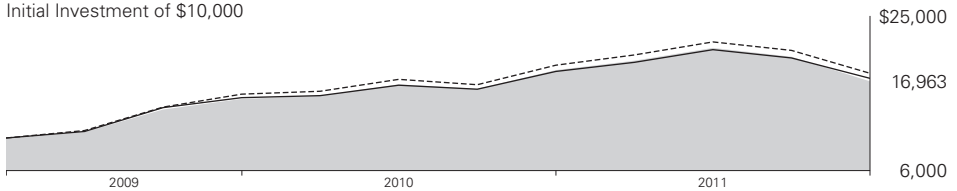
	Fund	FTSE Global Small Cap ex US Index
<b>Europe</b>		
United Kingdom	13.9%	13.9%
Germany	3.5	3.5
Switzerland	2.9	3.0
France	2.7	2.7
Sweden	2.0	2.0
Italy	2.0	2.0
Netherlands	1.7	1.6
Finland	1.5	1.6
Norway	1.5	1.5
Spain	1.4	1.5
Belgium	1.0	1.0
Ireland	1.0	0.9
Other	1.9	1.9
Subtotal	37.0%	37.1%
<b>Pacific</b>		
Japan	12.8%	12.9%
Australia	6.2	6.1
Singapore	1.4	1.4
Hong Kong	1.2	1.2
Other	0.2	0.2
Subtotal	21.8%	21.8%
<b>Emerging Markets</b>		
Taiwan	6.3%	6.4%
South Korea	4.0	4.0
China	3.5	3.6
India	2.5	2.4
Brazil	2.3	2.3
Malaysia	1.4	1.4
Other	6.0	6.1
Subtotal	26.0%	26.2%
<b>North America</b>		
Canada	14.8%	14.5%
<b>Middle East</b>		
	0.4%	0.4%

## Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance).) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

### Cumulative Performance: April 2, 2009, Through October 31, 2011

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended October 31, 2011		Final Value of a \$10,000 Investment
	One Year	Since Inception (4/2/2009)	
— FTSE All-World ex-US Small-Cap Index Fund Investor Shares	-8.22	22.72%	\$16,963
- - - FTSE Global Small Cap ex US Index	-5.23	25.45	17,953
..... International Small-Cap Funds Average	-4.66	23.75	17,332

International Small-Cap Funds Average: Derived from data provided by Lipper Inc.

"Since Inception" performance is calculated from the Investor Shares' inception date for both the fund and its comparative standards.

	One Year	Since Inception (4/2/2009)	Final Value of a \$5,000,000 Investment
FTSE All-World ex-US Small-Cap Index Fund Institutional Shares	-8.01%	23.03%	\$8,536,216
FTSE Global Small Cap ex US Index	-5.23	25.45	8,976,347

"Since Inception" performance is calculated from the Institutional Shares' inception date for both the fund and its comparative standard.

Vanguard fund returns are adjusted to reflect the 0.75% fee on purchases and redemptions. The fee does not apply to ETF Shares. The Fiscal-Year Total Returns chart is not adjusted for fees.

See Financial Highlights for dividend and capital gains information.

FTSE All-World ex-US Small-Cap Index Fund

	Average Annual Total Returns Periods Ended October 31, 2011		Final Value of a \$10,000 Investment
	One Year	Since Inception (4/2/2009)	
FTSE All-World ex-US Small-Cap Index Fund ETF Shares Net Asset Value	-6.67%	23.69%	\$17,310
FTSE Global Small Cap ex US Index	-5.23	25.45	17,953

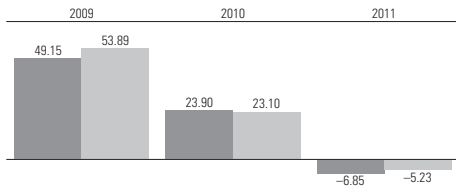
"Since Inception" performance is calculated from the ETF Shares' inception date for both the fund and its comparative standard.

Cumulative Returns of ETF Shares: April 2, 2009, Through October 31, 2011

	One Year	Since Inception (4/2/2009)
FTSE All-World ex-US Small-Cap Index Fund ETF Shares Market Price	-7.88%	71.87%
FTSE All-World ex-US Small-Cap Index Fund ETF Shares Net Asset Value	-6.67	73.10
FTSE Global Small Cap ex US Index	-5.23	79.53

"Since Inception" performance is calculated from the ETF Shares' inception date for both the fund and its comparative standard.

Fiscal-Year Total Returns (%): April 2, 2009, Through October 31, 2011



■ FTSE All-World ex-US Small-Cap Index Fund Investor Shares

■ FTSE Global Small Cap ex US Index

Index returns are adjusted for withholding taxes applicable to U.S.-based mutual funds organized as Delaware statutory trusts.

Vanguard fund returns are adjusted to reflect the 0.75% fee on purchases and redemptions. The fee does not apply to ETF Shares. The Fiscal-Year Total Returns chart is not adjusted for fees.

**Average Annual Total Returns: Periods Ended September 30, 2011**

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Since Inception
Investor Shares	4/2/2009	-11.12%	19.93%
Fee-Adjusted Returns		-12.43	19.22
Institutional Shares	4/2/2009	-10.87	20.24
Fee-Adjusted Returns		-12.19	19.53
ETF Shares	4/2/2009		
Market Price		-11.86	19.83
Net Asset Value		-10.90	20.20

Vanguard fund returns are adjusted to reflect the 0.75% fee on purchases and redemptions. The fee does not apply to ETF Shares. The Fiscal-Year Total Returns chart is not adjusted for fees.

## Financial Statements

### Statement of Net Assets—Investments Summary

As of October 31, 2011

This Statement summarizes the fund's holdings by asset type. Details are reported for each of the fund's 50 largest individual holdings and for investments that, in total for any issuer, represent more than 1% of the fund's net assets. The total value of smaller holdings is reported as a single amount within each category.

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the complete listing of the fund's holdings is available electronically on [vanguard.com](http://vanguard.com) and on the Securities and Exchange Commission's website ([sec.gov](http://sec.gov)), or you can have it mailed to you without charge by calling 800-662-7447. For the first and third fiscal quarters, the fund files the lists with the SEC on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)	Percentage of Net Assets
<b>Common Stocks</b>			
<b>Australia</b>			
Campbell Brothers Ltd.	41,863	2,015	0.2%
Atlas Iron Ltd.	585,304	1,898	0.2%
APA Group	407,120	1,857	0.1%
<sup>1</sup> Australia—Other †		64,318	5.6%
		<b>70,088</b>	<b>6.1%</b>
<b>Austria †</b>			
		<b>6,312</b>	<b>0.6%</b>
<b>Belgium †</b>			
		<b>11,148</b>	<b>1.0%</b>
<b>Brazil</b>			
Cia Hering	105,043	2,353	0.2%
Diagnosticos da America SA	226,689	1,827	0.2%
Brazil—Other †		22,207	1.9%
		<b>26,387</b>	<b>2.3%</b>
<b>Canada</b>			
* New Gold Inc.	289,312	3,585	0.3%
* Athabasca Oil Sands Corp.	262,059	3,400	0.3%
Metro Inc. Class A	66,294	3,248	0.3%
Franco-Nevada Corp.	80,491	3,189	0.3%
Pembina Pipeline Corp.	105,593	2,874	0.2%
Inmet Mining Corp.	45,687	2,727	0.2%
Vermilion Energy Inc.	57,019	2,686	0.2%
Onex Corp.	77,361	2,565	0.2%
Emera Inc.	77,445	2,543	0.2%
Alimentation Couche Tard Inc. Class B	83,893	2,525	0.2%
* Open Text Corp.	36,727	2,248	0.2%
Centerra Gold Inc.	112,998	2,240	0.2%
Viterra Inc.	215,977	2,223	0.2%
H&R Real Estate Investment Trust	100,245	2,189	0.2%

FTSE All-World ex-US Small-Cap Index Fund

	Shares	Market Value* (\$000)	Percentage of Net Assets
TMX Group Inc.	49,593	2,179	0.2%
Gildan Activewear Inc.	84,225	2,173	0.2%
* Detour Gold Corp.	62,798	2,079	0.2%
Progress Energy Resources Corp.	146,601	2,075	0.2%
* Alacer Gold Corp.	178,007	2,054	0.2%
* Precision Drilling Corp.	177,037	2,053	0.2%
Atco Ltd.	33,375	2,039	0.2%
Pan American Silver Corp.	70,976	1,983	0.2%
* SXC Health Solutions Corp.	40,220	1,867	0.2%
Industrial Alliance Insurance & Financial Services Inc.	56,750	1,846	0.2%
CAE Inc.	170,071	1,814	0.2%
Petrominerales Ltd.	68,300	1,802	0.2%
Dollarama Inc.	46,531	1,752	0.1%
Trican Well Service Ltd.	98,702	1,746	0.1%
Canada—Other †		101,384	8.8%
		<b>167,088</b>	<b>14.6%</b>
<b>Chile †</b>		<b>6,855</b>	<b>0.6%</b>
<b>China †</b>		<b>39,260</b>	<b>3.4%</b>
<b>Denmark</b>			
* Topdanmark A/S	10,833	1,784	0.1%
Denmark—Other †		5,236	0.5%
		<b>7,020</b>	<b>0.6%</b>
<b>Egypt †</b>		<b>1,886</b>	<b>0.2%</b>
<b>Finland</b>			
Elisa Oyj	108,059	2,278	0.2%
Finland—Other †		15,011	1.3%
		<b>17,289</b>	<b>1.5%</b>
<b>France †</b>		<b>30,798</b>	<b>2.7%</b>
<b>Germany</b>			
*^ SGL Carbon SE	32,249	2,004	0.2%
Symrise AG	76,273	1,974	0.2%
Germany—Other †		36,114	3.1%
		<b>40,092</b>	<b>3.5%</b>
<b>Greece †</b>		<b>4,301</b>	<b>0.4%</b>
<b>Hong Kong †</b>		<b>13,209</b>	<b>1.2%</b>
<b>Hungary †</b>		<b>304</b>	<b>0.0%</b>
<b>India †</b>		<b>27,880</b>	<b>2.4%</b>
<b>Indonesia †</b>		<b>10,207</b>	<b>0.9%</b>
<b>Ireland</b>			
* Governor & Co. of the Bank of Ireland	19,437,333	2,737	0.3%
Ireland—Other †		8,275	0.7%
		<b>11,012</b>	<b>1.0%</b>

FTSE All-World ex-US Small-Cap Index Fund

	Shares	Market Value* (\$000)	Percentage of Net Assets
Israel †		4,727	0.4%
Italy †		22,680	2.0%
Japan †		145,497	12.7%
Malaysia †		15,874	1.4%
Mexico †		8,665	0.8%
Morocco †		343	0.0%
Netherlands			
Imtech NV	63,449	1,874	0.2%
Netherlands—Other †		17,128	1.5%
		<u>19,002</u>	<u>1.7%</u>
New Zealand †		2,533	0.2%
Norway †		17,135	1.5%
Philippines †		7,996	0.7%
Poland †		5,777	0.5%
Portugal †		2,856	0.2%
Russia †		2,679	0.2%
<sup>1</sup> Singapore †		15,927	1.4%
South Africa †		6,329	0.6%
South Korea			
Korea Kumho Petrochemical	12,337	2,091	0.2%
South Korea—Other †		42,895	3.7%
		<u>44,986</u>	<u>3.9%</u>
Spain †		16,460	1.4%
Sweden †		23,145	2.0%
Switzerland			
Galenica AG	3,172	1,838	0.2%
Switzerland—Other †		31,135	2.7%
		<u>32,973</u>	<u>2.9%</u>
Taiwan †		71,894	6.3%
Thailand †		9,456	0.8%
Turkey †		8,045	0.7%

	Shares	Market Value* (\$'000)	Percentage of Net Assets
<b>United Kingdom</b>			
Babcock International Group plc	233,508	2,639	0.2%
Pennon Group plc	227,876	2,546	0.2%
Croda International plc	86,366	2,428	0.2%
Informa plc	381,885	2,218	0.2%
Aberdeen Asset Management plc	712,489	2,194	0.2%
Travis Perkins plc	154,571	2,132	0.2%
Mondi plc	248,870	1,893	0.2%
Balfour Beatty plc	468,777	1,891	0.2%
* Premier Oil plc	314,221	1,850	0.1%
United Kingdom—Other †		139,225	12.2%
		<b>159,016</b>	<b>13.9%</b>
<b>Total Common Stocks (Cost \$1,138,128)</b>		<b>1,135,131</b>	<b>99.2%</b>

Coupon

<b>Temporary Cash Investment</b>				
<b>Money Market Fund</b>				
<sup>2,3</sup> Vanguard Market Liquidity Fund (Cost \$24,519)	0.128%	24,519,089	24,519	2.1%
<b>Total Investments (Cost \$1,162,647)</b>			<b>1,159,650</b>	<b>101.3%</b>
<b>Other Assets and Liabilities</b>				
Other Assets			94,510	8.3%
Liabilities <sup>3</sup>			(109,905)	(9.6%)
			<b>(15,395)</b>	<b>(1.3%)</b>
<b>Net Assets</b>			<b>1,144,255</b>	<b>100.0%</b>

Market  
Value\*  
(\$'000)

**Statement of Assets and Liabilities**

**Assets**

Investments in Securities, at Value	1,159,650
Receivables for Investment Securities Sold	75,061
Other Assets	19,449
<b>Total Assets</b>	<b>1,254,160</b>

**Liabilities**

Payables for Investment Securities Purchased	70,775
Security Lending Collateral Payable to Brokers	24,519
Other Liabilities	14,611
<b>Total Liabilities</b>	<b>109,905</b>
<b>Net Assets</b>	<b>1,144,255</b>

At October 31, 2011, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,135,439
Undistributed Net Investment Income	20,942
Accumulated Net Realized Losses	(9,144)
Unrealized Appreciation (Depreciation)	
Investment Securities	(2,997)
Foreign Currencies	15
<b>Net Assets</b>	<b>1,144,255</b>

**Investor Shares—Net Assets**

Applicable to 6,197,042 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	203,791
<b>Net Asset Value Per Share—Investor Shares</b>	<b>\$32.89</b>

**Institutional Shares—Net Assets**

Applicable to 209,609 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	34,634
<b>Net Asset Value Per Share—Institutional Shares</b>	<b>\$165.23</b>

**ETF Shares—Net Assets**

Applicable to 10,486,479 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	905,830
<b>Net Asset Value Per Share—ETF Shares</b>	<b>\$86.38</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

^ Part of security position is on loan to broker-dealers. The total value of securities on loan is \$21,617,000.

† Represents the aggregate value, by category, of securities that are not among the 50 largest holdings and, in total for any issuer, represent 1% or less of net assets.

1 Certain of the fund's securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2011, the aggregate value of these securities was \$1,353,000, representing 0.1% of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes \$24,519,000 of collateral received for securities on loan.

See accompanying Notes, which are an integral part of the Financial Statements.

# Statement of Operations

	Year Ended October 31, 2011
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends <sup>1</sup>	30,848
Interest <sup>2</sup>	8
Security Lending	1,772
<b>Total Income</b>	<b>32,628</b>
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	150
Management and Administrative—Investor Shares	896
Management and Administrative—Institutional Shares	38
Management and Administrative—ETF Shares	1,583
Marketing and Distribution—Investor Shares	55
Marketing and Distribution—Institutional Shares	5
Marketing and Distribution—ETF Shares	244
Custodian Fees	640
Auditing Fees	37
Shareholders' Reports—Investor Shares	5
Shareholders' Reports—Institutional Shares	—
Shareholders' Reports—ETF Shares	38
Trustees' Fees and Expenses	1
<b>Total Expenses</b>	<b>3,692</b>
<b>Net Investment Income</b>	<b>28,936</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold	2,128
Foreign Currencies	(607)
<b>Realized Net Gain (Loss)</b>	<b>1,521</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities	(142,878)
Foreign Currencies	(47)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(142,925)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(112,468)</b>

<sup>1</sup> Dividends are net of foreign withholding taxes of \$2,552,000.

<sup>2</sup> Interest income from an affiliated company of the fund was \$8,000.

## Statement of Changes in Net Assets

	Year Ended October 31,	
	2011 (\$000)	2010 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	28,936	11,570
Realized Net Gain (Loss)	1,521	7,477
Change in Unrealized Appreciation (Depreciation)	(142,925)	99,609
Net Increase (Decrease) in Net Assets Resulting from Operations	(112,468)	118,656
<b>Distributions</b>		
Net Investment Income		
Investor Shares	(4,104)	(739)
Institutional Shares	(553)	(83)
ETF Shares	(15,842)	(3,872)
Realized Capital Gain <sup>1</sup>		
Investor Shares	(1,527)	(492)
Institutional Shares	(195)	(52)
ETF Shares	(5,540)	(2,310)
Total Distributions	(27,761)	(7,548)
<b>Capital Share Transactions</b>		
Investor Shares	60,555	84,367
Institutional Shares	27,516	155
ETF Shares	391,489	256,271
Net Increase (Decrease) from Capital Share Transactions	479,560	340,793
Total Increase (Decrease)	339,331	451,901
<b>Net Assets</b>		
Beginning of Period	804,924	353,023
End of Period <sup>2</sup>	1,144,255	804,924

<sup>1</sup> Includes fiscal 2011 short-term gain distributions totaling \$3,294,000. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

<sup>2</sup> Net Assets—End of Period includes undistributed net investment income of \$20,942,000 and \$8,706,000.

## Financial Highlights

### Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended		March 19,
	2011	2010	2009 <sup>1</sup> to Oct. 31, 2009
<b>Net Asset Value, Beginning of Period</b>	<b>\$36.34</b>	<b>\$29.83</b>	<b>\$20.00</b>
<b>Investment Operations</b>			
Net Investment Income	.854	.603 <sup>2</sup>	.257 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>3</sup>	(3.231)	6.430	9.573
Total from Investment Operations	(2.377)	7.033	9.830
<b>Distributions</b>			
Dividends from Net Investment Income	(.782)	(.314)	—
Distributions from Realized Capital Gains	(.291)	(.209)	—
Total Distributions	(1.073)	(.523)	—
<b>Net Asset Value, End of Period</b>	<b>\$32.89</b>	<b>\$36.34</b>	<b>\$29.83</b>
<b>Total Return<sup>4</sup></b>	<b>-6.85%</b>	<b>23.90%</b>	<b>49.15%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$204	\$170	\$62
Ratio of Total Expenses to Average Net Assets	0.50%	0.55%	0.78% <sup>5</sup>
Ratio of Net Investment Income to Average Net Assets	2.35%	1.89%	1.49% <sup>5</sup>
Portfolio Turnover Rate <sup>6</sup>	37%	19%	19%

<sup>1</sup> Subscription period for the fund was March 19, 2009, to April 2, 2009, during which time all assets were held in money market instruments. Performance measurement began April 2, 2009, at a net asset value of \$20.00.

<sup>2</sup> Calculated based on average shares outstanding.

<sup>3</sup> Includes increases from purchase and redemption fees of \$.06, \$.05, and \$.04.

<sup>4</sup> Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and account service fees.

<sup>5</sup> Annualized.

<sup>6</sup> Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

## Financial Highlights

### Institutional Shares

For a Share Outstanding Throughout Each Period	Year Ended October 31,		April 2, 2009 <sup>1</sup> to Oct. 31, 2009
	2011	2010	2009
<b>Net Asset Value, Beginning of Period</b>	<b>\$182.36</b>	<b>\$149.40</b>	<b>\$100.00</b>
<b>Investment Operations</b>			
Net Investment Income	4.892	3.284 <sup>2</sup>	1.625 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>3</sup>	(16.420)	32.377	47.775
Total from Investment Operations	(11.528)	35.661	49.400
<b>Distributions</b>			
Dividends from Net Investment Income	(4.143)	(1.655)	—
Distributions from Realized Capital Gains	(1.459)	(1.046)	—
Total Distributions	(5.602)	(2.701)	—
<b>Net Asset Value, End of Period</b>	<b>\$165.23</b>	<b>\$182.36</b>	<b>\$149.40</b>
<b>Total Return<sup>4</sup></b>	<b>-6.64%</b>	<b>24.21%</b>	<b>49.40%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$35	\$9	\$7
Ratio of Total Expenses to Average Net Assets	0.25%	0.30%	0.52% <sup>5</sup>
Ratio of Net Investment Income to Average Net Assets	2.60%	2.14%	1.75% <sup>5</sup>
Portfolio Turnover Rate <sup>6</sup>	37%	19%	19%

1 Inception.

2 Calculated based on average shares outstanding.

3 Includes increases from purchase and redemption fees of \$.18, \$.32, and \$.27.

4 Total returns do not include transaction fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction fees.

5 Annualized.

6 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

See accompanying Notes, which are an integral part of the Financial Statements.

## Financial Highlights

### ETF Shares

For a Share Outstanding Throughout Each Period	Year Ended October 31,		April 2, 2009 <sup>1</sup> to Oct. 31, 2009
	2011	2010	
<b>Net Asset Value, Beginning of Period</b>	<b>\$95.38</b>	<b>\$78.21</b>	<b>\$52.36</b>
<b>Investment Operations</b>			
Net Investment Income	2.450	1.750 <sup>2</sup>	.714 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>3</sup>	(8.505)	16.884	25.136
Total from Investment Operations	(6.055)	18.634	25.850
<b>Distributions</b>			
Dividends from Net Investment Income	(2.182)	(.917)	—
Distributions from Realized Capital Gains	(.763)	(.547)	—
Total Distributions	(2.945)	(1.464)	—
<b>Net Asset Value, End of Period</b>	<b>\$86.38</b>	<b>\$95.38</b>	<b>\$78.21</b>
<b>Total Return</b>	<b>-6.67%</b>	<b>24.17%</b>	<b>49.37%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$906	\$626	\$283
Ratio of Total Expenses to Average Net Assets	0.28%	0.33%	0.55% <sup>4</sup>
Ratio of Net Investment Income to Average Net Assets	2.57%	2.11%	1.72% <sup>4</sup>
Portfolio Turnover Rate <sup>5</sup>	37%	19%	19%

1 Inception.

2 Calculated based on average shares outstanding.

3 Includes increases from purchase and redemption fees of \$.13, \$.14, and \$.07.

4 Annualized.

5 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

## Notes to Financial Statements

Vanguard FTSE All-World ex-US Small-Cap Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations. The fund offers three classes of shares: Investor Shares, Institutional Shares, and ETF Shares. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Institutional Shares are designed for investors who meet certain administrative, service, and account-size criteria. ETF Shares are listed for trading on the NYSE Arca, Inc.; they can be purchased and sold through a broker.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. mutual funds. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the fund's pricing time. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. **Foreign Currency:** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the fund's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (October 31, 2009–2011), and has concluded that no provision for federal income tax is required in the fund's financial statements.

4. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

5. **Security Lending:** The fund may lend its securities to qualified institutional borrowers to earn additional income. Security loans are required to be secured at all times by collateral at least equal to the market value of securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability for the return of the collateral, during the period the securities are on loan. Security lending income represents fees charged to borrowers plus income earned on investing cash collateral, less expenses associated with the loan.

6. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold. Fees assessed on capital share transactions are credited to paid-in capital.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses) and shareholder reporting. Marketing and distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

**B.** The Vanguard Group furnishes at cost investment advisory, corporate management, administrative, marketing, and distribution services. The costs of such services are allocated to the fund under methods approved by the board of trustees. The fund has committed to provide up to 0.40% of its net assets in capital contributions to Vanguard. At October 31, 2011, the fund had contributed capital of \$181,000 to Vanguard (included in Other Assets), representing 0.02% of the fund's net assets and 0.07% of Vanguard's capitalization. The fund's trustees and officers are also directors and officers of Vanguard.

**C.** Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

**Level 1**—Quoted prices in active markets for identical securities.

**Level 2**—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments).

The following table summarizes the fund's investments as of October 31, 2011, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks—North and South America	208,346	487	162
Common Stocks—Other	624	925,368	144
Temporary Cash Investments	24,519	—	—
Total	233,489	925,855	306

The following table summarizes changes in investments valued based on Level 3 inputs during the year ended October 31, 2011. Transfers into or out of Level 3 are recognized based on values as of the date of transfer.

Amount Valued Based on Level 3 Inputs	Investments in Common Stocks (\$000)
Balance as of October 31, 2010	26
Transfers into Level 3	306
Change in Unrealized Appreciation (Depreciation)	(26)
Balance as of October 31, 2011	306

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the year ended October 31, 2011, the fund realized net foreign currency losses of \$607,000, which decreased distributable net income for tax purposes; accordingly, such losses have been reclassified from accumulated net realized losses to undistributed net investment income. Certain of the fund's investments are in securities considered to be "passive foreign investment companies," for which any unrealized appreciation and/or realized gains are required to be included in distributable net income for tax purposes. During the year ended October 31, 2011, the fund realized gains on the sale of passive foreign investment companies of \$3,928,000, which have been included in current and prior periods' taxable income; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income. Passive foreign investment companies held at October 31, 2011, had unrealized appreciation of \$7,237,000, of which \$4,407,000 has been distributed and is reflected in the balance of undistributed net investment income.

The fund realized gains on the sale of securities that were subject to capital gains tax in certain foreign countries. Capital gains taxes reduced realized gains for financial statement purposes but are treated as an expense for tax purposes. Accordingly, \$1,000 of capital gains tax has been reclassified from accumulated net realized losses to undistributed net investment income.

During the year ended October 31, 2011, the fund realized \$7,067,000 of net capital gains resulting from in-kind redemptions—in which shareholders exchanged fund shares for securities held by the fund rather than for cash. Because such gains are not taxable to the fund, and are not distributed to shareholders, they have been reclassified from accumulated net realized losses to paid-in capital.

For tax purposes, at October 31, 2011, the fund had \$28,950,000 of ordinary income available for distribution. The fund had available capital loss carryforwards totaling \$8,715,000 to offset future net capital gains through October 31, 2019.

At October 31, 2011, the cost of investment securities for tax purposes was \$1,171,189,000. Net unrealized depreciation of investment securities for tax purposes was \$10,545,000, consisting of unrealized gains of \$100,984,000 on securities that had risen in value since their purchase and \$111,529,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended October 31, 2011, the fund purchased \$924,635,000 of investment securities and sold \$440,657,000 of investment securities, other than temporary cash investments.

F. Capital share transactions for each class of shares were:

	Year Ended October 31,			
	2011		2010	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
<b>Investor Shares</b>				
Issued <sup>1</sup>	123,794	3,346	106,128	3,290
Issued in Lieu of Cash Distributions	5,080	138	1,070	35
Redeemed <sup>2</sup>	(68,319)	(1,968)	(22,831)	(736)
Net Increase (Decrease)—Investor Shares	60,555	1,516	84,367	2,589
<b>Institutional Shares</b>				
Issued <sup>1</sup>	26,768	155	—	—
Issued in Lieu of Cash Distributions	748	4	155	1
Redeemed <sup>2</sup>	—	—	—	—
Net Increase (Decrease)—Institutional Shares	27,516	159	155	1
<b>ETF Shares</b>				
Issued <sup>1</sup>	417,380	4,228	256,271	2,938
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed <sup>2</sup>	(25,891)	(300)	—	—
Net Increase (Decrease)—ETF Shares	391,489	3,928	256,271	2,938

<sup>1</sup> Includes purchase fees for fiscal 2011 and 2010 of \$1,346,000 and \$737,000, respectively (fund totals).

<sup>2</sup> Net of redemption fees for fiscal 2011 and 2010 of \$419,000 and \$404,000, respectively (fund totals).

G. In preparing the financial statements as of October 31, 2011, management considered the impact of subsequent events for potential recognition or disclosure in these financial statements.

# Report of Independent Registered Public Accounting Firm

To the Trustees of Vanguard International Equity Index Funds and the Shareholders of Vanguard FTSE All-World ex-US Index Fund and Vanguard FTSE All-World ex-US Small-Cap Index Fund:

In our opinion, the accompanying statements of net assets—investment summaries, the statement of assets and liabilities and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Vanguard FTSE All-World ex-US Index Fund and Vanguard FTSE All-World ex-US Small-Cap Index Fund (constituting two separate portfolios of Vanguard International Equity Index Funds, hereafter referred to as the “Funds”) at October 31, 2011, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2011 by correspondence with the custodian and by agreement to the underlying ownership records of Vanguard Market Liquidity Fund, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania

December 12, 2011

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**Special 2011 tax information (unaudited) for Vanguard FTSE All-World ex-US Index Fund**

This information for the fiscal year ended October 31, 2011, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$191,591,000 of qualified dividend income to shareholders during the fiscal year.

The fund designates to shareholders foreign source income of \$366,913,000 and foreign taxes paid of \$26,144,000. Shareholders will receive more detailed information with their Form 1099-DIV in January 2012 to determine the calendar year amounts to be included on their 2011 tax returns.

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**Special 2011 tax information (unaudited) for Vanguard FTSE All-World ex-US Small-Cap Index Fund**

This information for the fiscal year ended October 31, 2011, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$9,565,000 of qualified dividend income to shareholders during the fiscal year.

The fund designates to shareholders foreign source income of \$29,951,000 and foreign taxes paid of \$2,483,000. Shareholders will receive more detailed information with their Form 1099-DIV in January 2012 to determine the calendar year amounts to be included on their 2011 tax returns.

## Your Fund's After-Tax Returns

This table presents returns for your fund both before and after taxes. The after-tax returns are shown in two ways: (1) assuming that an investor owned the fund during the entire period and paid taxes on the fund's distributions, and (2) assuming that an investor paid taxes on the fund's distributions and sold all shares at the end of each period.

Calculations are based on the highest individual federal income tax and capital gains tax rates in effect at the times of the distributions and the hypothetical sales. State and local taxes were not considered. After-tax returns reflect any qualified dividend income, using actual prior-year figures and estimates for 2011. (In the example, returns after the sale of fund shares may be higher than those assuming no sale. This occurs when the sale would have produced a capital loss. The calculation assumes that the investor received a tax deduction for the loss.)

The table shows returns for Investor Shares only; returns for other share classes will differ. Please note that your actual after-tax returns will depend on your tax situation and may differ from those shown. Also note that if you own the fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to you. Such accounts are not subject to current taxes.

Finally, keep in mind that a fund's performance—whether before or after taxes—does not guarantee future results.

### Average Annual Total Returns: FTSE International Index Funds

Periods Ended October 31, 2011

	One Year	Since Inception (3/8/2007)
FTSE All-World ex-US Index Fund Investor Shares		
Returns Before Taxes	-6.11%	-2.00%
Returns After Taxes on Distributions	-6.43	-2.23
Returns After Taxes on Distributions and Sale of Fund Shares	-3.57	-1.71

	One Year	Since Inception (4/2/2009)
FTSE All-World ex-US Small-Cap Index Fund Investor Shares		
Returns Before Taxes	-8.22%	22.72%
Returns After Taxes on Distributions	-8.81	22.19
Returns After Taxes on Distributions and Sale of Fund Shares	-4.93	19.54

Returns for the FTSE All-World ex-US Small-Cap Index Fund are adjusted to reflect the 0.75% fee on purchases and redemptions. Returns for the FTSE All-World ex-US Index Fund do not reflect the 2% fee on redemptions of shares held for less than two months.

## About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the fund's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund's current prospectus.

Six Months Ended October 31, 2011

	Beginning Account Value 4/30/2011	Ending Account Value 10/31/2011	Expenses Paid During Period
<b>Based on Actual Fund Return</b>			
FTSE All-World ex-US Index Fund			
Investor Shares	\$1,000.00	\$834.15	\$1.62
Institutional Shares	1,000.00	834.80	0.55
Institutional Plus Shares	1,000.00	834.88	0.42
ETF Shares	1,000.00	834.53	0.69
FTSE All-World ex-US Small-Cap Index Fund			
Investor Shares	\$1,000.00	\$810.90	\$2.15
Institutional Shares	1,000.00	811.86	1.00
ETF Shares	1,000.00	811.69	1.14
<b>Based on Hypothetical 5% Yearly Return</b>			
FTSE All-World ex-US Index Fund			
Investor Shares	\$1,000.00	\$1,023.44	\$1.79
Institutional Shares	1,000.00	1,024.60	0.61
Institutional Plus Shares	1,000.00	1,024.75	0.46
ETF Shares	1,000.00	1,024.45	0.77
FTSE All-World ex-US Small-Cap Index Fund			
Investor Shares	\$1,000.00	\$1,022.84	\$2.40
Institutional Shares	1,000.00	1,024.10	1.12
ETF Shares	1,000.00	1,023.95	1.28

The calculations are based on expenses incurred in the most recent six-month period. The funds' annualized six-month expense ratios for that period are: for the FTSE All-World ex-US Index Fund, 0.35% for Investor Shares, 0.12% for Institutional Shares, 0.09% for Institutional Plus Shares, and 0.15% for ETF Shares; and for the FTSE All-World ex-US Small-Cap Index Fund, 0.47% for Investor Shares, 0.22% for Institutional Shares, and 0.25% for ETF Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period. This table does not include data for funds or share classes with fewer than six months of history.

# Glossary

**Beta.** A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

**Dividend Yield.** Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a fund). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a fund, the dividend yield is based solely on stock holdings and does not include any income produced by other investments.

**Earnings Growth Rate.** The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

**Equity Exposure.** A measure that reflects a fund's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

**Expense Ratio.** The percentage of a fund's average net assets used to pay its annual administrative and advisory expenses. These expenses directly reduce returns to investors.

**Inception Date.** The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

**Median Market Cap.** An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

**Price/Book Ratio.** The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

**Price/Earnings Ratio.** The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

**R-Squared.** A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the fund's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the fund and the index.

**Return on Equity.** The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

**Short-Term Reserves.** The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

**Turnover Rate.** An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

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# The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 180 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at [vanguard.com](http://vanguard.com).

## Interested Trustee<sup>1</sup>

### F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group and of each of the investment companies served by The Vanguard Group since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International, Ltd. (diversified manufacturing and services) and Hewlett-Packard Co. (electronic computer manufacturing); Senior Advisor at New Mountain Capital; Trustee of The Conference Board; Member of the Board of Managers of Delphi Automotive LLP (automotive components).

### Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science in the School of Arts and Sciences with secondary appointments at the Annenberg School for Communication and the Graduate School of Education of the University of Pennsylvania; Director of Carnegie Corporation of New York, Schuylkill River Development Corporation, and Greater Philadelphia Chamber of Commerce; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

## Independent Trustees

### Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2010 Distinguished Minett Professor at the Rochester Institute of Technology; Director of SPX Corporation (multi-industry manufacturing), the United Way of Rochester, Amerigroup Corporation (managed health care), the University of Rochester Medical Center, Monroe Community College Foundation, and North Carolina A&T University.

### JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/consumer products); Director of Skytop Lodge Corporation (hotels), the University Medical Center at Princeton, the Robert Wood Johnson Foundation, and the Center for Work Life Policy; Member of the Advisory Board of the Maxwell School of Citizenship and Public Affairs at Syracuse University.

### Rajiv L. Gupta

Born 1945. Trustee Since December 2001.<sup>2</sup> Principal Occupation(s) During the Past Five Years: Chairman and Chief Executive Officer (retired 2009)

**F. Joseph Loughrey**

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years: President and Chief Operating Officer (retired 2009) and Vice Chairman of the Board (2008–2009) of Cummins Inc. (industrial machinery); Director of SKF AB (industrial machinery), Hillenbrand, Inc. (specialized consumer services), the Lumina Foundation for Education, and Oxfam America; Chairman of the Advisory Council for the College of Arts and Letters and Member of the Advisory Board to the Kellogg Institute for International Studies at the University of Notre Dame.

**André F. Perold**

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years: George Gund Professor of Finance and Banking at the Harvard Business School (retired July 2011); Chief Investment Officer and co-Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

**Alfred M. Rankin, Jr.**

Born 1941. Trustee Since January 1993. Principal Occupation(s) During the Past Five Years: Chairman, President, and Chief Executive Officer of NACCO Industries, Inc. (forklift trucks/housewares/lignite); Director of Goodrich Corporation (industrial products/ aircraft systems and services) and the National Association of Manufacturers; Chairman of the Federal Reserve Bank of Cleveland; Vice Chairman of University Hospitals of Cleveland; President of the Board of The Cleveland Museum of Art.

**Peter F. Volanakis**

Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010); Overseer of the Amos Tuck School of Business Administration at Dartmouth College.

**Executive Officers****Glenn Booraem**

Born 1967. Controller Since July 2010. Principal Occupation(s) During the Past Five Years: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group since 2010; Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

**Thomas J. Higgins**

Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group since 2008; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

**Kathryn J. Hyatt**

Born 1955. Treasurer Since November 2008. Principal Occupation(s) During the Past Five Years: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group since 2008; Assistant Treasurer of each of the investment companies served by The Vanguard Group (1988–2008).

**Heidi Stam**

Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years: Managing Director of The Vanguard Group, Inc., since 2006; General Counsel of The Vanguard Group since 2005; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group since 2005; Director and Senior Vice President of Vanguard Marketing Corporation since 2005; Principal of The Vanguard Group (1997–2006).

**Vanguard Senior Management Team**

<b>R. Gregory Barton</b>	<b>Chris D. McIsaac</b>
<b>Mortimer J. Buckley</b>	<b>Michael S. Miller</b>
<b>Kathleen C. Gubanich</b>	<b>James M. Norris</b>
<b>Paul A. Heller</b>	<b>Glenn W. Reed</b>
<b>Martha G. King</b>	<b>George U. Sauter</b>

**Chairman Emeritus and Senior Advisor****John J. Brennan**

Chairman, 1996–2009  
Chief Executive Officer and President, 1996–2008

**Founder****John C. Bogle**

Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, Vanguard Growth Equity Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.



**Vanguard®**

P.O. Box 2600  
Valley Forge, PA 19482-2600

**Connect with Vanguard®** > [vanguard.com](http://vanguard.com)

**Fund Information** > 800-662-7447

**Direct Investor Account Services** > 800-662-2739

**Institutional Investor Services** > 800-523-1036

**Text Telephone for People**

**With Hearing Impairment** > 800-749-7273

**This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.**

All comparative mutual fund data are from Lipper Inc. or Morningstar, Inc., unless otherwise noted.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](http://sec.gov). In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

You can review and copy information about your fund at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your fund is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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