

Vanguard[®] Australian Shares Index ETF (ASX Code: VAS)

Supplementary Product Disclosure Statement

Dated: 03 August 2010

About this document

This document is a Supplementary Product Disclosure Statement ("SPDS") issued by Vanguard Investments Australia Ltd. This SPDS updates the Vanguard Australian Shares Index ETF Product Disclosure Statement dated 21 April 2009 ("PDS"), and must be read in conjunction with the PDS.

A copy of this SPDS has been lodged with the Australian Securities and Investments Commission ("ASIC") and ASIC takes no responsibility for the contents of this SPDS.

Except to the extent amended by this SPDS or updated on our website, the PDS remains in full force. Words and expressions defined in the PDS have the same meaning in this SPDS.

1. The ARSN number for the Vanguard Australian Shares Index ETF

On page 1, in the section headed "Classes of units", replace "Vanguard Australian Shares Index Fund ABN 65 759 271 740" with "Vanguard Australian Shares Index Fund ARSN 090 939 718".

2. Redemption timeframe

On page 11 under the heading "Important note for Applications and Redemptions" replace the third paragraph with the following;

"While the fund is liquid, for the purposes of the *Corporations Act*, Vanguard must redeem ETF units within 30 days of the date on which the redemption request is received or such longer period as permitted in accordance with the fund's constitution. The fund is liquid if 80% of the value of the fund's assets comprise liquid assets. If the fund is illiquid, a withdrawal request must be dealt with in accordance with the constitution and the *Corporations Act*. You may not be able to withdraw the investment in a timely manner if a fund is illiquid. It is not expected that the fund will be illiquid."

3. Clarification around Valuations and Pricing

On page 12 under the heading "Valuations and Pricing" replace the first paragraph with;

"The Net Asset Value (NAV) of the ETF is so much of the NAV of the fund as is determined to be referable to the ETF under the rules set out in the constitution for the fund. For the purposes of determining the purchase price and withdrawal amount (being the amount payable on the redemption of ETF units), part of the NAV of the fund will be allocated to the ETF. The amount allocated to the ETF class is determined under the constitution for the fund, and is based on the value of units on issue for each class and the

liabilities which are specific to each class (including the ETF class). The NAV will generally be determined on the next ASX trading day."

4. Change in the online registration address for Distribution Reinvestment election.

On page 13, in the last paragraph replace;

computershare.com.au/easyupdate/vanguard
with
computershare.com.au/easyupdate/vas

5. Changes to the Managed Investment Trusts legislation

On page 18, delete the section titled "Tax Reform" and replace the section with the following;

Changes to the tax treatment of managed investment trusts

There have been some changes to the rules relating to the characterization of gains and losses arising on the disposal of certain investments by "managed investment trusts". If the fund qualifies as a "managed investment trust" under these rules, Vanguard intends to make the election provided for under the amendments to have gains and losses arising on certain investments of the fund be assessed under the capital gains regime.

6. Redemptions

On page 18 under the heading "Redemptions", add the following paragraph;

The Commissioner of Taxation is currently involved in a dispute before the Federal Court of Australia dealing with a number of issues that are relevant to the allocation of capital gains upon the redemption of units. The outcome of the case may be relevant to the income allocation provisions under the Constitution. Vanguard will continue to monitor the issue.

Legal details of issuer:

Vanguard Investments Australia Ltd
ABN 72 072 881 086 AFSL 227263
Level 34, Freshwater Place, 2 Southbank Boulevard
Southbank Victoria 3006

In preparing the above information, your circumstances have not been taken into account and it may therefore not be applicable to your situation. Before making an investment decision, you should consider your circumstances and whether the above information is applicable to your situation.

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Vanguard® Exchange Traded Funds

Product Disclosure Statement

Vanguard® Australian Shares Index ETF (ASX code: VAS)

Dated 21 April 2009



Trading Participants Please note that the offer in this Product Disclosure Statement (PDS) is for stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the Australian Securities Exchange (ASX) Market Rules. For that reason, certain sections of the PDS (particularly those relating to applications for and redemptions of ETF units) are of direct relevance to such persons only.

All Other Investors Other investors cannot invest through this PDS directly, but can transact in the Vanguard ETFs through a stockbroker or financial adviser. Other investors can use this PDS for information purposes only.

For further details on Vanguard's Exchange Traded Funds (ETFs) please contact a stockbroker or financial adviser or visit www.vanguard.com.au.



Vanguard INVESTMENTS®

Vanguard Investments Australia Ltd
ABN 72 072 881 086 AFSL 227263 RSE L0001335

About this PDS

This Product Disclosure Statement (PDS) is for the Vanguard Australian Shares Index ETF. This PDS is dated 21 April 2009. Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 RSEL L0001335 (Vanguard) is the issuer of this PDS and is solely responsible for its contents. In this PDS references to 'Vanguard', the 'responsible entity', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

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

At the time of lodgement of this PDS with ASIC, the ETF units are yet to be quoted. An application for quotation has been made to the ASX.

Obtaining the latest PDS

A copy of the latest PDS for the ETF is available on Vanguard's website at vanguard.com.au. If you do not have access to the internet, please contact a Vanguard ETF Product Representative on (03) 8888 3888. A paper copy will be provided free of charge on request. Unless otherwise stated, data sources are Vanguard using public or licensed market data, and all material is current as at the date of this PDS. The offer to which this PDS relates is available to Authorised Participants receiving the PDS (electronically or otherwise) in Australia.

Information in this PDS that is not materially adverse to investors is subject to change from time to time and may be updated by Vanguard by publishing such information on the Vanguard website at vanguard.com.au. A paper copy of any updated information will be provided free of charge on request.

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations, in its capacity as responsible entity of the fund and issuer of the ETF. The following information can be obtained from Vanguard by visiting Vanguard's website at vanguard.com.au or contact a Vanguard ETF Product Representative on (03) 8888 3888:

- Details of the Net Asset Value (NAV) for the ETF – available monthly
- Details of the NAV price for the ETF – available daily
- Vanguard's unit pricing policy
- The latest copy of this PDS for the ETF
- Details of any continuous disclosure notices given by Vanguard to the ASX after the lodgement of the last annual report and before the date of this PDS

- Details of distribution announcements given by Vanguard to the ASX via the ASX Company Announcements Platform
- Annual Reports and Financial Statements for the fund
- Details of the ETF Distribution Reinvestment Plan.

Classes of units

The ETF referred to in this PDS is a separate class of units in the fund, i.e. the Vanguard Australian Shares Index ETF is a separate class of units in the Vanguard Australian Shares Index Fund ABN 65 759 271 740. As such it is only the ETF class, of the underlying fund, that will be quoted on the AQUA market of the ASX (refer to pages 4-6 for further details). Unless otherwise stated in this PDS, references to provisions for the ETF, refer to the ETF class only. References to 'fund' in this PDS, is a reference to Vanguard Australian Shares Index Fund.

Disclaimers

An investment in the ETF is subject to risk (refer to section the 'Risks' on pages 9-10), which may include possible delays in repayment and loss of income and capital invested.

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

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

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

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Key features of the ETF offer

Who is Vanguard?

Vanguard Investments Australia Ltd is a wholly owned subsidiary of The Vanguard Group, Inc. which is based in the United States and currently manages more than AUD 1.5 trillion for over 23 million institutional and personal investor accounts.

Over the past 30 years, The Vanguard Group, Inc. has grown to be one of the world's largest and most respected investment management companies. Vanguard now has a global presence with offices in the United States, Australia, Asia and Europe. Vanguard has established a reputation in Australia as an index specialist, managing over AUD 60 billion as at 31 December 2008.

The Vanguard Group, Inc. first launched Vanguard ETFs in the United States in 2001. As at 31 December 2008, The Vanguard Group, Inc. had 38 ETFs valued at over USD 45

billion and was the third largest ETF issuer in the United States. Vanguard Investments Australia Ltd will launch its initial range of ETFs in the Australian market as at the date of this PDS.

What is an ETF?

An ETF is an Exchange Traded Fund. These funds comprise a broadly diversified investment portfolio of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs combine the best features of index managed funds and listed shares in one investment. They are index funds as we know them so they come with the benefits of low cost, broad diversification, transparency and tax efficiency. However, unlike traditional index funds, ETFs trade on a stock exchange so they also benefit from simple trading and intra-day pricing. ETFs carry certain risks (refer to pages 9-10).

THE ETF OFFER	The Vanguard Australian Shares Index ETF is a class of units in the Vanguard Australian Shares Index Fund (ARSN 090 939 718).
WHO IS THIS OFFER TO?	The offer in this PDS is only available to stockbrokers acting as principal, i.e. persons who have been authorised as trading participants under the ASX Market Rules - referred to in this PDS as Authorised Participants.
SECONDARY MARKET	The ETFs are quoted on the AQUA market of the ASX and the units can be traded on the market in the same way as other listed securities (refer to pages 4-6 for further details of the AQUA market of the ASX).
APPLICATIONS*	ETF units can only be applied for in multiples of units that represent creation unit amounts (baskets). Application amounts must be in the form of a parcel of quoted securities selected by Vanguard from time to time transferred through Clearing House Electronic Subregister System (CHES), together with any balancing cash payment requirements.
REDEMPTIONS*	ETF units can only be redeemed in multiples of units that represent creation unit amounts (baskets). The amount payable to an investor on redemption (the withdrawal amount) will be paid through a transfer of a parcel of quoted securities selected by Vanguard from time to time transferred through CHES, together with any balancing cash payment requirements. ETF investors can only redeem units if they are an Authorised Participant who is also an Australian resident for tax purposes under the constitution for the fund.
DISTRIBUTIONS	Distributions are calculated every quarter at 31 March, 30 June, 30 September and 31 December each year or at such other times as determined by Vanguard. The withdrawal amount paid to an ETF investor on the redemption of ETF units may also include a distribution of the income of the fund.

* Please refer to the section 'How to transact with Vanguard' on pages 11-12.

ASX LISTING RULES

The equity issuer:

- controls the value of its own securities and the business it runs,
- the value of those securities is directly influenced by the equity issuer's performance and conduct.

e.g. BHP management and Board generally control the fate of BHP's business and, therefore, have direct influence over BHP's share price.

ASX AQUA RULES

The product issuer:

- does not control the value of the assets underlying its products, but
- offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities.

The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.

e.g. A managed fund issuer does not control the value of the shares it invests in.

Source: ASX Rules Framework

The role of certain entities in regard to the Vanguard ETF

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

Responsible entity and custodian

Vanguard Investments Australia Ltd is the responsible entity of the fund and is responsible for the ongoing management of the assets associated with the fund. The custodian is the holder of the assets on behalf of the responsible entity.

Investment Manager/Responsible Entity

Vanguard Investments Australia Ltd
 Level 34, Freshwater Place
 2 Southbank Boulevard
 Southbank Vic 3006

Custodian

JP Morgan Chase
 Level 35, AAP Centre
 259 George Street
 Sydney NSW 2000

Refer to page 20 for more details on the responsible entity and custodian.

AQUA market of the ASX

The ASX has recently introduced a new market service to provide managed funds, ETFs and structured products with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement services offered by the ASX.

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

The following information highlights the key differences between the provisions of the ASX Listing and AQUA Rules.

INFORMATION	ASX LISTING RULES	ASX AQUA RULES
CONTINUOUS DISCLOSURE	Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> .	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i>.</p> <p>There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provides the ASX with any information that may lead to the establishment of a false market in its products or would materially affect the price of its products.</p> <p>What obligations apply under the AQUA Rules?</p> <p>There is an obligation on issuers of ETFs to disclose information about the net tangible assets (NTA) or the net asset value (NAV) of the ETFs, the frequency and timing of which is disclosed in the ETF's Product Disclosure Statement.</p> <p>Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via the Company Announcements Platform (CAP).</p> <p>Any other information that is required to be disclosed to ASIC under section 675 of the <i>Corporations Act</i> must be disclosed to the ASX via CAP at the same time it is disclosed to ASIC.</p>
PERIODIC DISCLOSURE	Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	<p>Issuers of products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or annual reports under the Rules.</p> <p>Issuers of products quoted under the AQUA Rules will be subject to the ASX's capital requirements which ensure that issuers have sufficient levels of available capital for their operations.</p> <p>Responsible entities of AQUA Products that are ETFs are still required to lodge financial reports with ASIC.</p> <p>The ASX intends to introduce a requirement that issuers of products quoted under the AQUA Rules give the ASX general disclosure documents, such as financial reports, at the same time they are sent to product holders.</p>
CORPORATE CONTROL	Requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and schemes.	<p>Certain requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules.</p> <p>Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself that may lead to the establishment of a false market or materially affect the price of its products.</p>

INFORMATION	ASX LISTING RULES	ASX AQUA RULES
RELATED PARTY TRANSACTIONS	Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products.
AUDITOR ROTATION OBLIGATIONS	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i> .	Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the <i>Corporations Act</i> .
PRODUCT DISCLOSURE	<p>Entities admitted under the Listing Rules are subject to the requirements of the <i>Corporations Act</i> in relation to the issue of a PDS.</p> <p>Information on the risks associated with an investment in a product is expected to be included.</p>	<p>Products quoted under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i>.</p> <p>Investors should read the PDS carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.</p>

Source: ASX Rules Framework

Share registry

As for any listed security, the role of the share registry is to keep a record of the investors in the ETFs. This includes details such as the quantity of the securities held, tax file numbers (if provided) and details of distribution reinvestment plan participation.

Share Registrar

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

Market maker

A market maker's role is to satisfy supply and demand for ETF units. They do this by fulfilling two key functions:

- Providing liquidity to the market by acting as the buyer and seller of units throughout the day, and
- Creating and redeeming ETF units off-market to ensure the number of ETF units on issue matches supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer distributing the

current fund composition to the market every morning, allowing market makers to price the basket of securities underlying the ETF. Market makers place a buy/sell spread around the true value of the ETF and send these prices to the stock exchange as orders. The orders are published to market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

In selecting market makers for Vanguard ETFs, Vanguard focuses on firms experienced in market making in both Australia and international markets. Most importantly, the firms selected by Vanguard currently make markets on the ASX in existing Australian based ETF products and have agreements with the ASX to operate in this capacity. Internationally, the market makers selected will also have experience in markets such as the New York Stock Exchange.

Material contracts

Vanguard has entered into a number of contracts in relation to the offer of the Vanguard ETFs, see below.

CONTRACT WITH	DESCRIPTION
STANDARD AND POOR'S	ETF Index Licence Agreement. The licence allows the use of certain indices in the operation of ETFs.
JP MORGAN CHASE	Custodian Agreement which sets out the services provided by the custodian on an ongoing basis together with the service standards.
COMPUTERSHARE	Share Registry Agreement which sets out the services provided by the share registrar on an ongoing basis together with the service standards.

Vanguard ETF

The ETF offered in this PDS is:

VANGUARD ETF	INVESTMENT OBJECTIVE	UNDERLYING INDEX	MANAGEMENT COSTS*
VANGUARD AUSTRALIAN SHARES INDEX ETF (ASX code VAS)	Seeks to match the total return of the S&P/ASX 300 Index before taking into account fees and expenses.	The S&P/ASX 300 Index comprises approximately 300 Australian equity securities (shares) and represents over 94% of the value of all Australian-based companies and property trusts listed on the Australian Securities Exchange	0.27% p.a.

* Please refer to the section 'Fees and other costs' on pages 14-15 for further information.

Vanguard's investment policy

Investment strategy

Vanguard employs an index management strategy designed to track the performance of the corresponding index. To closely track the index, Vanguard employs optimisation techniques to select a representative sample of securities in the index, allowing for individual security weightings to vary marginally from the index from time to time. The fund may invest in securities that have been or are expected to be included in the index.

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

Performance

Performance information for the ETF will be published on Vanguard's website at vanguard.com.au.

Neither the return of the capital nor the performance of the ETF is guaranteed. Past performance is not an indicator of future returns.

Changes to investment objectives and strategy

Vanguard may from time to time vary the investment objective and policy of the fund. Such variations may include changes to the target index chosen for the fund. Vanguard will notify investors of any such changes. Vanguard will not make any significant change to the investment objective and strategy without first obtaining a resolution of the relevant ETF investors approved by at least 75% of the votes cast by investors on the resolution.

Environmental, social and ethical considerations

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

Risks

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

The price of the ETF can fluctuate within a wide range, like fluctuations of the overall stockmarket. When considering an investment in the ETF, personal tolerance for fluctuating market values should be taken into account. There is no guarantee that the value of investment capital will be maintained.

The following outlines the risks that can affect the performance of the ETF.

Market risk

Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lowest market risk. Bonds, then property securities and then shares have increasing levels of market risk. Short-term market risks are high to very high for most asset classes.

Below is a graphical representation of the risk/return relationship associated with various asset classes.

In any asset sector, the returns of individual securities are a combination of the market return and returns specific to each security.

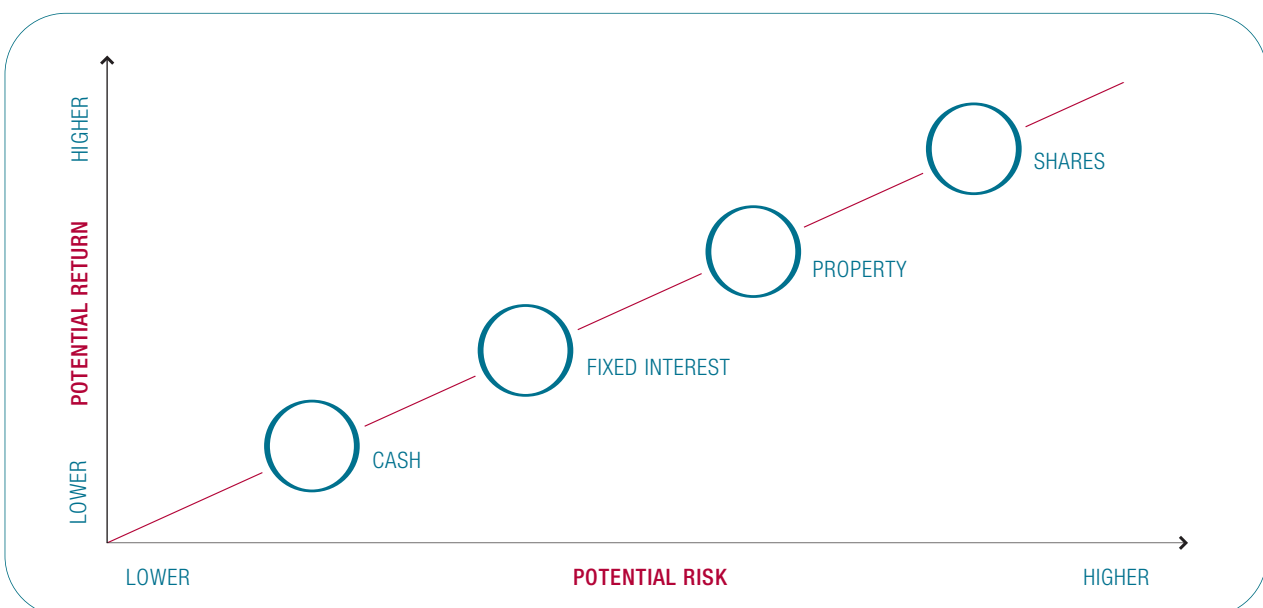
By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities (e.g. the delisting of securities). Their specific returns tend to cancel each other out, leaving the fund with the market return and its associated risk.

Derivative risk

The primary risks associated with the use of derivative contracts are:

- the values of the derivative failing to move in line with the underlying asset (a performance difference);
- the potential lack of liquidity of the derivative;
- the fund may not be able to meet payment obligations as they arise; and
- the counterparty to the derivative contract may not meet its obligations under the contract.

The risk of a performance difference is minimised by investing in derivative contracts where the behaviour is expected to resemble that of a fund's underlying securities. The risk that a fund may not be able to close out a derivatives position is minimised by entering into such transactions on an exchange with an active and liquid secondary market.



Currency risk

Fluctuations in the value of the Australian dollar and foreign currencies can affect the returns from overseas investments. This is because losses or gains must be converted back into Australian dollars.

A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian assets will fall.

Regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and tax changes, or a court makes a decision regarding the interpretation of the law, that affects the value of securities in which one or more of the funds invest, the value of the ETF units in the fund or the tax treatment of the fund and its investors.

The fund may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the fund's investment objectives.

Manager risk

The fund may fail to meet its objectives as a result of:

- Vanguard's selection of securities from the index; and
- the costs of managing the portfolios that are not measured by the index.

Vanguard employs an indexing investment strategy, in all asset classes. This significantly lowers the risk of short-term underperformance, relative to those target indexes, compared to managers who employ an active investment strategy, relative to their own benchmarks.

Fund risk

Fund risk relates to risks that are particular to the fund. These may include risks that the fund could terminate, the fees and expenses could change or Vanguard could be replaced as manager. There is also a risk that investing in the fund may give different results than investing directly, because of the income or capital gains accrued in the fund and the consequences of investment and withdrawal by other investors.

Operational risk

There is a risk that circumstances beyond Vanguard's reasonable control could prevent Vanguard from managing the fund in accordance with its investment strategies and as otherwise contemplated by this PDS. Examples of these circumstances include strikes, industrial disputes, fires or other casualty, war, civil disturbance, terrorist acts, governmental pre-emption in connection with an emergency of state and epidemics (including potential epidemics). By investing in this fund you agree that Vanguard is not liable if Vanguard is prevented from managing the fund by circumstances beyond its reasonable control.

Trading risk

In certain circumstances, the ASX may suspend the trading of ETF units and therefore investors will not be able to buy or sell ETF units on the ASX. In these circumstances, Vanguard may suspend the application and redemption process for Authorised Participants.

The ASX also imposes certain requirements for ETF units to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the ETF units remain quoted.

Although the ETF units are quoted on the AQUA market of the ASX there can be no assurances that there will always be a liquid market. Vanguard has appointed a market maker to assist in maintaining liquidity for the ETF on the ASX.

The purchase price and withdrawal amount applicable to ETF units may from time to time differ from the trading price of ETF units on the ASX. The trading price is dependent on a number of factors including the demand and supply of units, investor confidence and how closely the value of the assets of the ETF track the performance of the index.

Settlement risk

The application and redemption processes outlined in this PDS are subject to the normal settlement procedures through CHESS. The ETF is exposed to some risk if the Authorised Participants fail to comply with their settlement obligations. These risks are somewhat mitigated by the Authorised Participants being subject to ASX fail fees.

How to transact with Vanguard

An Authorised Participant may apply and/or redeem such number of units in the Vanguard ETF that represent creation unit amounts (baskets) by completing the ETF Application/Redemption form attached to this PDS. The Authorised Participant must also complete the Authorised Participant Agreement prior to transacting with Vanguard. For a copy please contact a Vanguard ETF Product representative on (03) 8888 3888.

Other investors can not apply for ETF units through this PDS, but may purchase ETF units on the ASX.

The basket will consist of two components:

- **application/withdrawal securities component, plus**
- **cash component.**

What is the application/withdrawal securities component?

This component generally corresponds to the composition of the index applicable to the ETF and is prepared by Vanguard prior to the opening of trading for every ASX trading day for the ETF.

From time to time, there may be some differences between the application securities that are to be delivered by an Authorised Participant and the withdrawal securities delivered by Vanguard upon redemption.

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

What is the cash component?

The cash component is a balancing amount that ensures there is no impact (e.g. no dilution in value) for existing investors arising out of an application or redemption.

Minimum applications and redemptions

The table below details the minimum number of units:

VANGUARD AUSTRALIAN SHARES INDEX ETF

ASX CODE	VAS
MINIMUM CREATION/REDEMPTION SIZE	20,000 units
CREATION/REDEMPTION BASKET SIZE (APPROXIMATE)*	AUD 1 million

* The creation/redemption basket size is a function of the minimum number of units multiplied by the purchase price of the relevant ETF units at the relevant date.

Applications/Redemptions

ETF Application/Redemption forms received from Authorised Participants before 4.00 pm on an ASX trading day are processed at the purchase price for the ETF calculated as at close of trading on that day. ETF Application/Redemption forms received after 4.00 pm on an ASX trading day or on a non-ASX trading day are processed at the purchase price of the ETF calculated as at close of trading on the next ASX trading day.

For an application, the Authorised Participant must deliver the basket to Vanguard and will, in return, receive the equivalent amount of ETF units.

For a redemption, the Authorised Participant must deliver the units of the ETF to Vanguard and will, in return, receive the basket comprising the withdrawal securities and the cash component.

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

Important note for Applications and Redemptions

There may be occasions where Vanguard may suspend application or redemption requests. This will generally occur around the end of a distribution period when Vanguard is calculating and paying the distributable income for the relevant period or where there are factors, as determined by Vanguard, which prevent the accurate calculation of unit prices. Vanguard will advise you when this suspension will occur.

Where Vanguard cannot accurately determine the net asset value per ETF unit, Vanguard may suspend withdrawal of units.

While the fund is liquid, for the purposes of the *Corporations Act*, Vanguard must redeem ETF units within

60 days of the date on which the redemption request is received or such longer period as permitted in accordance with the fund's constitution. The fund is liquid if 80% of the value of the fund's assets comprise liquid assets. If the fund is illiquid, a withdrawal request must be dealt with in accordance with the constitution and the *Corporations Act*. You may not be able to withdraw the investment in a timely manner if a fund is illiquid. It is not expected that the fund will be illiquid.

Valuations and pricing

The Net Asset Value (NAV) of the ETF is so much of the NAV of the fund as is determined to be referable to the ETF under the rules set out in the constitution for the fund. For the purposes of determining the purchase price and withdrawal amount (being the amount payable on the redemption of ETF units), part of the NAV of the fund will be allocated to the ETF. The amount allocated is determined under the constitution for the fund, and is based on the number of units on issue for each class and the liabilities which are specific to each class (including the ETF class). The NAV will generally be determined on the next ASX trading day.

The **purchase price** (or NAV price) is determined by dividing so much of the NAV of the fund as is allocated to the ETF by the number of units on issue in the ETF at the time the purchase price is determined (the valuation point). The valuation point for an ETF is generally the close of an ASX trading day (see 'Applications/Redemptions').

The **withdrawal amount** (being the amount payable to an investor on the redemption of their ETF units) is also determined by dividing so much of the NAV of the fund as is allocated to the ETF by the number of units on issue in the ETF at the time the withdrawal amount is determined (the valuation point). The valuation point for an ETF is generally the close of an ASX trading day (see 'Applications/Redemptions').

The withdrawal amount paid to an investor on the redemption of ETF units will include an entitlement to the distributable income of the fund. Please refer to the 'Distributions' section of this document for further details regarding how this entitlement is determined. The balance of the withdrawal amount will comprise payment of the withdrawal price of the ETF units.

For the purposes of calculating the purchase price and withdrawal amount, the number of units on issue includes units which are to be issued and excludes units which are to be redeemed, under completed Application/Redemption forms received by Vanguard before the close of trading on the previous ASX trading day.

Details of the daily NAV price and basket will be made available on Vanguard's website at www.vanguard.com.au or by contacting a Vanguard ETF Product Representative on (03) 8888 3888.

Unit pricing policy

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

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

Facsimile instructions

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

- will only process a facsimile instruction if it is received in full and has been signed by authorised signatories;
- is not responsible for any loss or delay that results from a facsimile transmission not being received by Vanguard;
- will not accept a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile;
- does not take responsibility for any fraudulently or incorrectly completed facsimile instructions; and
- will not compensate for any losses relating to facsimiles, unless required by law. For example, the risk that a facsimile may be sent by a person who knows the investor's account details will be borne by the investor.

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

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

Please contact a Vanguard ETF Product Representative on (03) 8888 3888 for a free copy of the agreement.

Distributions

Income distributions

The fund may earn income, such as dividends and interest. The fund may also realise capital gains or losses, or other assessable income, on the disposal of investments.

Part of the distributable income of the fund as a whole will be allocated to the ETF class. The amount allocated is determined in accordance with the constitution for the fund, and is based on so much of the NAV of the fund that is attributable to the ETF class in the fund, and the fees and expenses which are referable to each class of the fund, including the ETF.

ETF investors can become entitled to the distributable income of the fund in two ways: on the redemption of ETF units (see 'Distributions on redemption' below), or on receiving an entitlement at the end of each distribution period, based on the number of units held.

The distribution periods for the fund will generally be quarterly (i.e. as at 31 March, 30 June, 30 September and 31 December each year). The amount of the distributable income of the fund which is allocated to ETF investors at the end of each distribution period is based on the distributable income of the fund for the financial year to date, less any amounts which may have already been distributed to investors during the financial year to date, including amounts distributed on the redemption of ETF units.

Distributions are calculated in cents per unit and will be paid to investors based on the number of ETF units held as at the end of the distribution period. This means that, for example, if the number of units on issue increases before the end of a distribution period, this may decrease the level of distributable income per unit that might otherwise have been payable. Distributions will normally be paid within 15 business days after the distribution dates.

Please note that the amount of the distribution will vary from period to period, and there may be periods when a fund will not pay a distribution. If this should occur then details will be available on Vanguard's website at vanguard.com.au.

Distributions on redemption

Part of the withdrawal amount paid to an investor who on the redemption of their ETF units may include a distribu-

tion of the distributable income of the fund. Please refer to the 'Taxation' section of this document for further information regarding how this entitlement is determined.

The split between the components of the withdrawal amount (that is, how much of the withdrawal amount represents a distribution of the distributable income of the fund and how much represents the withdrawal price) and the composition of any income entitlement included in the withdrawal amount will not be known until after the financial year end.

Vanguard will notify persons who have redeemed ETF units during a financial year of the composition of the withdrawal amount and the composition of any income entitlement they received on the redemption of ETF units during that year following the end of the financial year, once that information becomes available (see below).

Tax statement

Vanguard will, as soon as reasonably practicable after the end of each financial year, issue to each ETF investor who received an entitlement to the distributable income of the fund during a financial year a statement which outlines the amount and composition of the taxable income of the fund to which the investor became entitled. This should assist ETF investors in preparing their tax return for the year.

Distribution Reinvestment Plan

From time to time ETF investors may be able to participate in the ETF Distribution Reinvestment Plan (DRP). Participation in the DRP is subject to the terms and conditions of the DRP policy document.

ETF investors can choose to:

- fully participate in the DRP, where distributions are reinvested in additional ETF units, or
- have the distributions paid directly to a nominated Australian bank account.

Partial reinvestment will not be available. If no DRP election is made, the distributions will automatically be paid as cash. Investors can elect to participate in the DRP by registering online via Vanguard's share registrar at computershare.com.au/easyupdate/vanguard or by calling Computershare on 1300 757 905.

Fees and other costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

Our fees and costs

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from each fund's assets as a whole.

Taxes are set out in another part of this PDS.

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

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND		
Establishment fee:		
The fee to open your investment	Nil	Not applicable
Application/Contribution fee:		
The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee:		
The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee:		
The fee to close your investment	Nil	Not applicable
MANAGEMENT COSTS^{AC}		
The fees and costs for managing your investment	0.27% p.a	The management cost for the ETF is calculated as a percentage of the ETF's net asset value ^B . The fee is accrued daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the fund and is reflected in the daily unit price.
SERVICE FEES		
Investment switching fee:		
The fee for changing investment options	Nil	Not applicable

^A Worked dollar examples for the fund are shown below.

^B Please refer to page 12 for an explanation of the net asset value for the funds.

^C Refer to page 16 for 'Negotiated fees, rebates and related payments', for details on how to negotiate a rebate of management costs.

Example of annual fees and costs

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

VANGUARD AUSTRALIAN SHARES INDEX ETF	AMOUNT	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR
CONTRIBUTION FEES	Nil	
PLUS MANAGEMENT COSTS^B	0.27%	For every \$50,000 you will be charged \$135 each year
EQUALS COST OF FUND		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 ^A during that year, you would be charged fees of \$135

^A Assumes that the \$5,000 investment occurs on the last business day of the year.

^B Refer to page 16 'Negotiated fees, rebates and related payments', for details on how to negotiate a rebate of management costs.

Additional explanation of fees and costs

Management costs

The management costs for the ETF incorporate all relevant fees and other costs involved in managing the ETF and deriving investment returns, other than transaction and operational costs. They include:

- responsible entity's fee;
- custodian fees (excluding transaction based fees);
- accounting and audit fees;
- index license fees;
- registry service fees; and
- any other recoverable expenses under the constitution of the fund, such as the cost of preparing and amending the constitution, the cost of producing the PDS, the cost of investor meetings, postage and other fund administration expenses.

The management costs for the fund incorporate Goods and Services Tax (GST) after taking into account any expected input tax credits.

The management costs of investing in the ETF are capped while this PDS is current. The cap excludes any transaction fees incurred by the ETF, such as ordinary brokerage and transaction fees charged by the custodians for settling trades of the ETF assets.

In calculating taxable income (and therefore income distributions) for the fund, all available tax deductions are taken into account. This means that the effective after-tax cost to investors of the relevant management costs may be lower than the amounts specified on page 15, to the extent that management costs are a tax deductible expense and reduce the taxable income of that fund. Please refer to pages 17-19 for more information on taxation.

Transaction costs for Authorised Participants

A separate fee will be charged in regard to the transaction costs associated with the creation/redemption of units. This represents the costs associated with the custodian in regard to the units in the transaction.

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

Stockbroker fees for all other investors

Investors (other than Authorised Participants) will incur customary brokerage fees and commissions when buying and selling ETF units on the ASX. Please consult a stockbroker for more information in relation to their fees and charges.

Notification of changes to fees

The management costs include a management fee component which is Vanguard's remuneration for managing the fund, and expense reimbursement component. The constitution governing the fund limits the amount of the management fee component to 0.25% per annum (excluding GST) and limits the transaction costs fee to the greater of AUD 5,000 or 1% of the aggregate purchase price/withdrawal amount of the ETF units.

Vanguard currently does not intend to increase existing fees or introduce new fees. At least 30 days' notice will be given to investors before any fee increase or the introduction of a new fee takes effect.

Negotiated fees, rebates and related payments

Vanguard may, from time to time, enter into arrangements with clients in order to negotiate or reduce management fees for investing sizeable amounts in the fund. The amount of fee reduction is at Vanguard's discretion. Such investors may contact Vanguard on (03) 8888 3888 if they wish to apply for a rebate of management costs. Vanguard makes these payments from its own resources.

Vanguard's reduction in management fees for an Investor Directed Portfolio Service (IDPS) Operator, is defined by the Investment and Financial Services Association as a 'fund manager payment'. Such payment may be passed on to the clients of the IDPS or retained by the IDPS operator.

Vanguard may also pay one-off or annual product access payments to IDPS Operators for including Vanguard's ETFs in their IDPS offering. As of the date of this PDS, no product access payments have been made. Vanguard would make any such payment from its own resources.

TRANSACTION COSTS

To create ETF units
To redeem ETF units

VANGUARD AUSTRALIAN SHARES INDEX ETF

AUD 3,000
AUD 3,000

Taxation of ETF units

The taxation information in this PDS is provided for general information only. It is a broad overview of some of the Australian tax consequences associated with investing in the ETF.

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

As each investor's circumstances are different, Vanguard strongly recommends that investors obtain independent professional tax advice concerning the tax implications of investing in and dealing in ETF units, particularly if the investor is not a resident of Australia or a 'temporary resident' of Australia for tax purposes.

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

Distributions from the ETF

Generally, Vanguard, as responsible entity of the fund, should not be subject to tax on the income of the fund provided that Australian resident investors in the fund are presently entitled to all of the taxable income of the fund each year. Vanguard intends to take all reasonable steps to ensure that the investors holding units in the fund will be presently entitled to all of the taxable income of the fund each year.

The taxable income of the fund, to which an investor holding ETF units becomes entitled during a financial year, forms part of the ETF investor's assessable income for that year, even if payment of the entitlement may not occur until after the end of the financial year.

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

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

Investors will be provided with tax statements after the end of each financial year detailing the components, for tax purposes, of any income distributions received from the fund during the financial year, including on the redemption of ETF units. These can be used as the basis for preparing a tax return for the year.

Franking credits

The fund may invest in Australian shares which pay franked

dividends. A person holding ETF units may receive distributions from the fund which include franking credits.

Franking credits are not a cash component of the distribution but any franking credits that form part of the distribution will need to be included as taxable income for the relevant year and declared in a tax return. Depending on the particular circumstances, any such franking credits may be offset against Australian income tax payable in the relevant year, or there may be an entitlement to a refund in respect of the franking credits to the extent that they exceed the Australian income tax payable in the relevant year.

Capital gains

If the fund disposes of any of their investments (e.g. on the transfer of the basket of securities when ETF units are redeemed), the fund may realise assessable capital gains.

Any assessable capital gains derived by the fund which an ETF investor becomes entitled forms part of the ETF investor's assessable income.

Non-assessable distributions

The fund may distribute amounts which are non-assessable. For example, investors holding ETF units may become entitled to certain tax-free or tax-deferred distributions. Investors holding ETF units may also become entitled to certain amounts which are non-assessable as a result of the capital gains discount concessions.

If an investor is assessed on the disposal of ETF units under the capital gains tax provisions, they should not be assessed on the non-assessable components of the distributions they receive. However, the receipt of distributions that include non-assessable amounts may have capital gains tax consequences. To the extent that certain amounts distributed are non-assessable as a result of the discount capital gains concession, no adjustment to the cost base of ETF units will be required.

If an investor is assessed on the disposal of ETF units other than under the capital gains tax provisions (e.g. if the investor is in the business of dealing in securities like ETF units), they may be assessed on the non-assessable components of distributions made by the fund.

Selling or transferring units

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

If an investor is assessed otherwise than under the capital gains tax provisions on a disposal of ETF units (e.g. if the investor is in the business of dealing in securities like ETF

units), any profits made on the sale or transfer of the ETF units should be assessable as ordinary income. Such investors may be able to deduct any losses made on the sale or transfer of ETF units.

If an investor is assessed under the capital gains tax provisions on disposal of ETF units, a capital gain or loss may be made on the sale or transfer of ETF units. Some investors may be eligible for the capital gain concession upon disposal of ETF units if the units are held for 12 months (or more) and the relevant requirements are satisfied. Investors should obtain professional advice about the availability of the concession.

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

Tax reform

The taxation of managed investment trusts (including the characterisation of gains and losses on the sale of certain assets) is under review by the Australian Taxation Office and the Board of Taxation. Investors should monitor developments.

Goods and Services Tax (GST)

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

Given the nature of the activities of the fund, the fund may not be entitled to claim input-tax credits for the full amount of the GST incurred. However, for the majority of the expenses, a Reduced Input-Tax Credit (RITC) of 75% of the GST paid may be able to be claimed.

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

Applying for and redeeming ETF units

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

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

If an Authorised Participant is assessed on the disposal of ETF units under the capital gains tax provisions, then the entitlement to the income of the fund which the Authorised Participant receives on the redemption of ETF units may exceed the capital gain made on the redemption of the ETF units. The Authorised Participant may not make a capital loss or be entitled to any other deduction in respect of the excess.

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

Applications

An Authorised Participant applies for ETF units by way of an in specie transfer of a specified basket of securities together with a balancing cash payment. Accordingly, an Authorised Participant applying for ETF units may be assessed on any profits arising from the transfer of those securities as ordinary income, and may be entitled to deduct any losses arising from the transfer of those securities.

The ETF units which an Authorised Participant acquires on an application for ETF units should be taken to have been acquired at a cost equal to the value of the basket of securities transferred to the fund on application, adjusted for any balancing cash payment made or received on application.

Redemptions

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

The withdrawal amount comprises a distribution of the income of the fund and the payment of the withdrawal price for the ETF units which are to be redeemed.

The distribution of the income of a fund received on the redemption of ETF units may include an entitlement to income realised by the fund on the in specie transfer of the basket of securities to the redeeming Authorised Participant.

The distribution may also include a distribution of certain other income realised by a fund (such as foreign currency gains and other hedging and derivative gains), based on the amount of such income realised by the fund up to and including the date of redemption, and the number of ETF units redeemed.

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

For the purposes of determining the profit or loss arising on the redemption, the withdrawal price (being the withdrawal amount less the distribution of income provided as part of

the withdrawal amount) should be regarded as the proceeds received in respect of the disposal.

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

It will not be possible to determine the amount or components of the distribution of income on the redemption of ETF units until after the end of the financial year in which the ETF units are redeemed. A statement will be provided after the end of each financial year detailing the amount and components of the distribution of income received on the redemption of ETF units during that year.

In order to redeem ETF units, the Authorised Participant must also be an Australian Resident as defined in the

constitution for the fund. This means that the fund should not be required to withhold any amounts from the withdrawal amount paid on redemption of ETF units on account of any distribution of income provided on redemption as part of the withdrawal amount.

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

Other information you need to know

Vanguard as the responsible entity

Vanguard, as the responsible entity, is solely responsible for the management and administration of the fund. Vanguard holds an Australian Financial Services Licence (AFSL 227263) that authorises it to act as the responsible entity of the fund. The powers and duties of Vanguard are set out in the constitution of the fund, the *Corporations Act* and general trust law. The duties of Vanguard under the *Corporations Act* include:

- acting in the best interests of investors and, if there is a conflict between investors' interests and Vanguard's interests, giving priority to investors' interests;
- ensuring that fund property is clearly identified as fund property and held separately from property of Vanguard and property of any other fund, and is valued at regular intervals;
- ensuring that payments out of fund property are made in accordance with the *Corporations Act*; and
- reporting to ASIC any significant breach of the *Corporations Act* in relation to a fund which has had, or is likely to have, a materially adverse effect on the interests of investors.

Vanguard is liable for its actions and the actions of its agents engaged in connection with the fund. Vanguard has the power to appoint an agent, or otherwise engage a person, to do anything that it is authorised to do in connection with the fund and, for the purpose of determining whether Vanguard has properly performed its duties as responsible entity, Vanguard is taken to have done (or failed to do) anything that the agent or person has done (or failed to do) because of the appointment or engagement, even if they were acting fraudulently or outside the scope of their authority or engagement.

The constitution

The fund is a managed investment scheme governed by a constitution. Under the constitution, Vanguard has all the powers of a natural person in respect of the fund. The constitution for the fund sets out the rights of the unitholder and the obligations of Vanguard, as responsible entity of the fund. This PDS outlines some of the more important provisions of the constitution.

A copy of the fund constitution may be inspected by unitholders at Vanguard's office, during business hours. Vanguard will provide unitholders with a copy of the required constitution upon request.

Amendments to the constitution

Vanguard may amend the constitution of the fund from time to time, subject to the provisions of the constitution and the *Corporations Act*. Generally, Vanguard can only amend the constitution where Vanguard reasonably

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

The custodian

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

The compliance plan

Vanguard has prepared and lodged a compliance plan for the fund with ASIC. The compliance plan sets out the key criteria that Vanguard will follow to ensure that it is complying with the *Corporations Act* and the fund's constitution. Each year the compliance plan is independently audited, as required by the *Corporations Act*, and the auditor's report is lodged with ASIC.

The compliance committee

Vanguard is required to and has established a compliance committee with a majority of members that are external to Vanguard. The compliance committee's functions include:

- monitoring Vanguard's compliance with the compliance plans and reporting its findings to Vanguard;
- reporting breaches of the *Corporations Act* or the constitution to Vanguard;
- reporting to ASIC if the committee is of the view that Vanguard has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- assessing the adequacy of the compliance plan, recommending any changes and reporting these to Vanguard.

Change of index

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

Rights of a unitholder

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

The terms and conditions of the fund's constitution are binding on each unitholder in the fund and all persons claiming through them respectively, as if the unitholder or person were a party to the constitution.

Reimbursement of expenses

In addition to any other indemnity which Vanguard may have under the fund constitution or at law, Vanguard is indemnified and entitled to be reimbursed out of, or paid from, the assets

of the fund for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as responsible entity of the fund.

Public register of alternative remuneration

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

A copy can be requested from a Vanguard ETF Product Representative on (03) 8888 3888.

Retirement of Vanguard

Vanguard may retire as responsible entity of the fund by calling a meeting of unitholders to enable unitholders to vote on a resolution to choose a company to be the new responsible entity. Vanguard may be removed from office by an extraordinary resolution (i.e. 50% of the units that can be voted) passed at a meeting of unitholders, in accordance with the *Corporations Act*.

Termination

Vanguard may wind up the fund at any time on giving three months notice. Following winding up, the net proceeds will be distributed to unitholders.

Limitation of liability of unitholders

The fund's constitution provides that the liability of each unitholder is limited to its investment in the fund and that a unitholder is not required to indemnify Vanguard or a creditor of Vanguard against any liability of Vanguard in respect of a fund. However, no complete assurance can be given in this regard, as the ultimate liability of a unitholder has not been finally determined by the courts.

Proxy voting

Vanguard votes proxies in companies/funds where the fund has a significant economic interest, and it is reasonably practicable to do so. This covers the vast majority of holdings by value. Vanguard believes the right to vote proxies for holdings is a significant asset. Vanguard exercises the votes with the goal of maximising the value of the investments. To obtain a copy of Vanguard's proxy voting policy please contact a Vanguard ETF Product Representative on (03) 8888 3888.

Meeting of unitholders

Vanguard may convene a meeting of unitholders of the fund at any time, (e.g. to approve certain amendments to a fund's constitution or to wind up the fund). Unitholders also have limited rights to call meetings and have the right to vote at any unitholder meetings. Except where that fund's constitution provides otherwise, or the *Corporations Act* requires

otherwise, a resolution of unitholders must be passed by unitholders who hold units exceeding 50% in value of the total value of all units held by unitholders who vote on the resolution.

A resolution passed at a meeting of investors held in accordance with the fund's constitution binds all investors of the fund.

Indemnities and limitation of liability of Vanguard

In general, Vanguard may act on the opinion of, advice of and information obtained from advisers and experts. In those cases, Vanguard is not liable for anything done in good faith in reliance on that opinion, advice or information. Vanguard is indemnified out of the fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of its duties or prosecuting or defending any action or suit in connection with the fund other than if it arises out of Vanguard's fraud, negligence or breach of trust.

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

Borrowings

The fund will only borrow where Vanguard believes it is in the best interests of unitholders to do so. It is not currently Vanguard's intention to borrow for the purposes of gearing.

If you have a complaint

If investors have a complaint regarding the fund or services provided by Vanguard, please contact Client Services on 1300 655 888 from 8:00 am to 6:00 pm Melbourne time, Monday to Friday.

If the complaint is not satisfactorily resolved within three business days you can refer the matter in writing to:

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

Vanguard will try to resolve the complaint and get back to investors as soon as possible, but in any event, within 45 days of receiving the written complaint.

In the event that investors are not satisfied with the outcome of the complaint, they have the right to refer the matter to an external complaints resolution scheme. Vanguard is a member of the Financial Ombudsman Services (FOS). Investors can contact FOS on 1800 780 808.

Privacy policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information.

Vanguard is committed to respecting the privacy of a unitholder's personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard collects personal information in the ETF Application/Redemption Form, and may collect additional personal information in the course of managing the fund. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Vanguard may provide personal information to the unitholder's financial adviser if written consent is provided to Vanguard. Vanguard may disclose personal information to authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre (AUSTRAC) in connection with anti-money laundering and counter-terrorism financing.

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

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

To obtain a copy of the privacy policy visit Vanguard's website at vanguard.com.au or contact a Vanguard ETF Product Representative on (03) 8888 3888.

Anti-money laundering

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

- they do not subscribe to the fund under an assumed name;

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

Interest on amounts awaiting investment or redemption

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

ASX and S&P disclaimer

The ETF is not sponsored, endorsed, sold or promoted by Standard & Poor's and its affiliates 'S&P' or by the Australian Securities Exchange Ltd and its affiliates 'ASX'. S&P and ASX make no representation, condition or warranty, express or implied, to the owners of the ETF or any member of the public regarding the advisability of investing in securities generally or in the ETF particularly or the ability of the S&P/ASX 300 Index to track the performance of certain financial markets and/or sections thereof and/or of groups of assets or asset classes. S&P's and ASX's only relationship to Vanguard is the licensing of certain trademarks and trade names and of the S&P/ASX 300 Index which is determined, composed and calculated by S&P without regard to Vanguard or the ETF. S&P and ASX have no obligation to take the needs of Vanguard or the owners of the ETF into consideration in determining, composing or calculating the S&P/ASX 300 Index. S&P

and ASX are not responsible for and have not participated in the determination of the prices and amount of the ETF or the timing of the issuance or sale of the ETF or in the determination or calculation of the equation by which the ETF units are to be converted into cash. S&P and ASX have no obligation or liability in connection with the administration, marketing, or trading of the ETF.

S&P and ASX do not guarantee the accuracy and/or the completeness of the S&P/ASX 300 Index or any data included therein and S&P and ASX shall have no liability for any errors, omissions, or interruptions therein. S&P and ASX make no warranty, condition or representation, express or implied, as to results to be obtained by Vanguard, owners of the ETF, or any other person or entity from the use of the S&P/ASX 300 Index, or any data included therein. S&P and ASX make no express or implied warranties, representations or conditions, and expressly disclaim all warranties or conditions of merchantability or fitness for a particular purpose or use and any other express or implied warranty or condition with respect to the S&P/ASX 300 Index, or any data included therein. Without limiting any of the foregoing, in no event shall S&P or ASX have any liability for any special, punitive, indirect, or consequential damages (including lost profits) resulting from the use of the S&P/ASX 300 Index or any data included therein, even if notified of the possibility of such damages.

ASIC relief

Equal Treatment Relief

ASIC has granted relief under section 601QA of the *Corporations Act* from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to allow the responsible entity to restrict eligibility to submit redemption requests in relation to units to those who are Australian Residents as defined in the constitution for the fund.

PDS and Issue of Securities Requirements

ASIC has granted relief under section 1020F(1)(c) of the *Corporations Act* from sections 1013H and 1016D, to reflect the continuous offering of units in the fund. For the purposes of this relief an application for quotation of the ETF units on the AQUA market of the ASX will be made within 7 days of the date of each new issue of the ETF units, and the maximum time in which application moneys will be held before the issue of relevant units will generally not exceed 7 days. In certain circumstances, this period may be extended to one month from the date of receipt of the application money.

Redemption Facility – Relevant Interest in Fund Assets

ASIC has granted relief under section 655A(1) and 673(1) of the *Corporations Act* by modifying section 609 of the *Corporations Act* to ensure that the ability to lodge a redemption request under the redemption facility offered by the fund does not by itself give investors a relevant interest in the securities held by the fund. The instrument clarifies that those relevant interests do not need to be taken into account by investors in relation to their obligations under the takeover and substantial holder notices regimes in the *Corporations Act*. The relief will not apply once the relevant units are redeemed.

3. Signature

- I/We acknowledge that we are an Australian Resident for tax purposes at the time this form was signed (both for an application and redemption).
- I/We have received the Vanguard ETFs PDS dated 21 April 2009 (electronic or hard copy), and I/we have detached this ETF Application/Redemption Form from this PDS and declare all details given in this form are true and correct.
- I/We have read this PDS to which this application/redemption applies and agree to be bound by the terms and conditions of this PDS, the Facsimile Indemnity as referred to on page 14, and the constitution of the fund in which I/we are investing, as referred to on page 23 of this PDS (and as amended from time to time), which govern the fund.
- I/We understand that none of The Vanguard Group, Inc. (including Vanguard Investments Australia Ltd) or their related entities, directors or officers guarantees the performance of, the repayment of capital, or income invested in the fund.
- I/We declare that I/we have the capacity and power to make an investment in accordance with the application/redemption.
- I/We declare that in making a decision to invest the only information and representations provided by Vanguard are those contained in this PDS to which this application/redemption relates.
- If signed under power of attorney, the attorney verifies that no notice or revocation of that power has been received.
- I/We acknowledge that I/we are a professional investor (as defined in the Corporations Act) and therefore eligible to become a unitholder of the fund.
- I/We agree to reimburse and indemnify Vanguard for all taxes, duties and charges imposed against Vanguard or its agents that may be assessed against Vanguard as a result of my/our entitlement to the capital or distributable income of the fund (Taxation Amount).
- I/We authorise Vanguard to deduct from my/our income distributions payable from the fund, on account of the Taxation Amount which Vanguard is or may become liable to pay in respect of my/our entitlement to the capital or distributable income of the fund.

Applicant signatures

Each signatory below confirms that they have been duly authorised to execute this application/redemption on behalf of the applicant/s and that the signing authorities specified below have also been duly authorised.

Signatory 1	<input type="text"/>
Name	<input type="text"/>
Position	<input type="text"/>
Date	<input type="text"/>
Signatory 2	<input type="text"/>
Name	<input type="text"/>
Position	<input type="text"/>
Date	<input type="text"/>

Contacting Vanguard

The responsibility entity

Vanguard Investments Australia Ltd

Registered office

Level 34, Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006
Telephone: (03) 8888 3888

Postal address

GPO Box 3006FF
Melbourne Vic 3001

Vanguard ETF Product Representative

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

Telephone: (03) 8888 3888

Facsimile: 1300 765 712

E-mail: etf@vanguard.com.au

Website: vanguard.com.au

ASX enquiries

Telephone: 131 279 (within Australia)

Telephone: +61 2 9338 0000 (outside Australia)

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