

Vanguard[®]

Important notice to unitholders

Vanguard Wholesale Funds & Exchange Traded Funds Attribution Managed Investment Trust Regime (AMIT)

Fund Constitutions amended to participate in the new tax regime

About this notice

As previously advised through the website notice, dated 2 June 2017, Vanguard has decided to opt-in to the AMIT regime from 1 July 2017 for all eligible funds.

In accordance with relief from the Australian Securities and Investments Commission, this notice informs investors in the Funds (listed below) that:

- Vanguard has amended the Constitutions of the Funds to facilitate their operation under the AMIT regime with effect from 1 July 2017.

Please refer to the information below with regards to the nature and reasons for the changes made to the Constitutions and a list of impacted Funds.

What is the AMIT regime?

AMIT is a significant industry-wide reform, which introduces new concessional tax rules for managed investment trusts. The new rules are intended to reduce complexity, provide flexibility, increase certainty and minimise compliance costs for funds and their investors.

It is a new tax regime applying to managed investment schemes enacted on 5 May 2016 under certain acts, including the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. In order for the AMIT regime to apply, Vanguard must make an election to opt-in to the AMIT regime for each Fund.

Under the current tax regime, the taxable net income of a Fund is allocated to investors based on the investors proportionate share of the income of the Fund to which they are 'presently entitled'. Investors may have a downward cost base adjustment in the event that the amount distributed to investors exceeds their share of the taxable net income of the Fund.

Under the AMIT regime, investors will be assessed on the taxable income that is 'attributed' to them by a Fund on a 'fair and reasonable' basis, irrespective of the amount distributed.

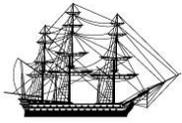
The AMIT regime also provides investors with an upward cost base adjustment in the event that the taxable income 'attributed' to them exceeds their distributions for the year, thereby minimizing the potential for double tax.

The AMIT regime also provides greater certainty regarding the tax treatment of the Fund and its members in various situations, such as with respect to the status of the Fund as a "fixed trust" for tax purposes.

Why is Vanguard making changes to the Constitutions?

To enable the Funds to effectively operate under the AMIT regime, Vanguard made changes to the Constitutions. The changes facilitate the administration of the Funds under the AMIT regime in the best interests of investors in the Funds.

For a summary of the changes to the Constitutions, please refer to "What are the changes to the Constitutions?" below.



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When will the changes take effect?

The changes came into effect from **1 July 2017**.

A number of the amendments only operate for the year in which the Funds are treated as an AMIT for tax purposes.

Which Vanguard Funds are impacted?

The changes to the Constitutions have applied to all Funds, regardless of whether the Fund is eligible to be elected into AMIT from 1 July 2017. Please refer to the below list of Vanguard Wholesale funds.

Vanguard has assessed the eligibility of each of the Funds to elect into the AMIT regime and will disclose on our website the current AMIT tax status of each Fund.

What do investors need to do?

Investors do not need to take any action to enable the Funds to be elected into AMIT. Vanguard has completed the unitholder communication process required by ASIC to modify the relevant Fund Constitutions.

Please note, changes made under the AMIT regime effective 1 July 2017, have no impact on your 2016-17 tax statement.

Where do I get more information?

All our Vanguard Product Disclosure Statements and applications forms have been updated accordingly from **1 July 2017**.

Please ensure you refer to our updated documentation which are available at www.vanguard.com.au/pds.

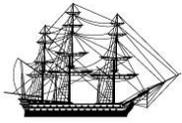
If you have any questions, please contact Vanguard Adviser Services on 1300 655 205 (8:00 am to 6:00 pm Melbourne time, Monday to Friday) or alternatively speak to your tax adviser.

What are the changes to the Constitutions?

Vanguard has amended the Constitutions to allow each Fund to be operated in a manner permitted under the AMIT Regime. Vanguard has made these amendments effective from 1 July 2017.

The purpose and effect of the amendments are summarised below:

Amendment	Summary of the amendment
<i>Provisions that relate to when the Fund is an AMIT for the relevant financial year</i>	
Definition of income	A new provision provides the default definition of the income of the fund to be the aggregate of all of the assessable income trust components, plus any further amounts which Vanguard determines to treat as income. This is consistent with the existing default definition, but adapts it to concepts used in the AMIT regime.
Determination of distributions	A new provision requires Vanguard to determine the amount distributed by the Fund each distribution period. This provides greater flexibility to Vanguard, with respect to the amount distributed, to be able to manage the Funds in the best interests of unitholders.
Accumulation of income	A new provision that provides for Vanguard to be able to accumulate Income and to determine to which unitholders the trust components referable to those accumulated amounts will be attributed to for tax purposes.
Attribution of income	A new provision that provides for Vanguard to attribute all of the tax components of the Fund to unitholders each year and the basis for that attribution. For the attribution of income, the provision requires Vanguard to adhere to specific requirements of the AMIT Regime, including that income be attributed on a 'fair and reasonable basis' and must not be based on the 'tax characteristics' of a unitholder.
Redemption attributions	A new provision allows Vanguard to attribute certain tax components to members who redeem their units in the Fund under certain qualifying redemptions. The tax components attributed to members in this situation will include the tax components which Vanguard determines are connected with the member's redemption and, if the redemption also qualifies as a "special" qualifying redemption, a pro rata share of the other unallocated taxable income components of the Fund. These provisions apply only where the Fund is an AMIT and Vanguard has determined that these provisions (and not the existing redemption income entitlement provisions discussed below) apply.



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Provisions that apply generally

Unders and Overs

A new provision allows Vanguard to address any “unders” or “overs” that arise under the AMIT regime in accordance with the AMIT regime, and to limit Vanguard's liability to the extent that Vanguard exercises a discretion under those provisions.

Member objection right

A new provision imposing certain procedural requirements for a unitholder to exercise their right to object to an attribution of tax components to it under the AMIT regime and provides Vanguard with certain rights and powers in dealing with such objections. This includes, for example, the right to require the unitholder to indemnify Vanguard for costs incurred in dealing with the objection.

Powers to administer AMIT

A new provision that provides Vanguard with the powers necessary to administer the Fund under the AMIT regime. This includes, for example, the power to elect for the Fund to be an AMIT, the power to elect for each class within the Fund to be treated as a separate AMIT and all of the powers necessary to enable the Fund to be administered under the AMIT regime (this includes, for example, the power to attribute tax components to unitholders).

Limitation of liability

Provisions that limit Vanguard's liability with respect to the exercise of powers under the AMIT regime or under the Constitution in respect of the administration of the AMIT regime.

Clearly defined rights

A new provision that limits Vanguard's powers under the Constitution to the extent necessary to ensure that the Fund has “clearly defined rights”, which is a requirement for a Fund to be an AMIT.

Indemnities for tax liabilities

A new provision that requires a unitholder to indemnify Vanguard for any AMIT-related tax liabilities that arise as a result of the particular unitholder.

Recovery of tax liabilities

A new provision that provides Vanguard with the ability to recover amounts owing by a unitholder to Vanguard in respect of AMIT-related tax liabilities by either deducting those amounts payable to a unitholder or compulsorily redeeming units to facilitate their recovery.

Redemption Income Entitlements

The existing provisions in the Constitution that deal with the entitlements to income for a unitholder who redeems units have been retained and have been amended to apply where the Fund is not an AMIT or where Vanguard has not determined for the new provisions to apply (see above).

Consequential amendments

Make consequential amendments to the other provisions in the Constitution to ensure that they operate as intended following the making of the AMIT-related amendments discussed above and the operation of the Fund under the AMIT regime.



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List of Vanguard Wholesale funds in AMIT regime (as at 12 July 2018)

Fund name	ARSN
Vanguard Cash Reserve Fund	127 015 301
Vanguard Cash Plus Fund	090 940 060
Vanguard Australian Fixed Interest Index Fund	090 939 941
Vanguard Australian Government Bond Index Fund	134 177 807
Vanguard Australian Corporate Fixed Interest Index Fund	147 938 001
Vanguard Australian Inflation-Linked Bond Index Fund	147 936 249
Vanguard International Fixed Interest Index Fund (Hedged)	090 940 337
Vanguard International Credit Securities Index Fund (Hedged)	095 366 055
Vanguard Global Aggregate Bond Index Fund (Hedged)	618 350 539
Vanguard Diversified Bond Index Fund	147 937 728
Vanguard Australian Property Securities Index Fund	090 939 549
Vanguard International Property Securities Index Fund	115 001 002
Vanguard International Property Securities Index Fund (Hedged)	115 001 360
Vanguard Australian Shares Index Fund	090 939 718
Vanguard Australian Shares High Yield Fund	091 751 807
Vanguard Australian Large Companies Index Fund	147 936 105
Vanguard Australian Small Companies Index Fund	147 936 570
Vanguard International Shares Index Fund	090 939 610
Vanguard International Shares Index Fund (Hedged) – AUD Class	093 254 909
Vanguard International Shares Select Exclusions Index Fund	613 045 739
Vanguard International Shares Select Exclusions Index Fund – AUD Hedged	613 045 739
Vanguard Global Shares Index Fund (Hedged)	165 786 989
Vanguard Emerging Markets Shares Index Fund	090 939 450
Vanguard International Small Companies Index Fund	127 015 472
Vanguard International Small Companies Index Fund (Hedged)	127 015 436
Vanguard Europe Shares Index Fund	606 480 086
Vanguard Asia ex Japan Shares Index Fund	606 451 110
Vanguard Global Infrastructure Index Fund	128 385 277
Vanguard Global Infrastructure Index Fund (Hedged)	128 385 197
Vanguard Conservative Index Fund	101 565 351
Vanguard Balanced Index Fund	101 565 431
Vanguard Growth Index Fund	101 565 520
Vanguard High Growth Index Fund	101 565 637

List of Vanguard Wholesale funds not impacted by AMIT regime (as at 12 July 2018)

Fund name	ARSN
Vanguard Managed Payout Fund	165 787 324
Vanguard Global Minimum Volatility Fund	165 787 708
Vanguard Global Value Equity Fund	613 052 062
Vanguard Global Quantitative Equity Fund	608 272 626

**If you have any questions, please contact Vanguard Client Services
on 1300 655 101 (8:00 am to 6:00 pm Melbourne time, Monday to Friday).**

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