



Vanguard

19 September 2017

Important notice to unitholders

Vanguard Wholesale Funds & Exchange Traded Funds

What has changed?

Effective 18 September 2017 (U.S open of trading), FTSE Russell ("FTSE"), the index provider for a number of Vanguard international equity index funds, will be adding Chinese N-Shares and S-Chips to their indexes that include exposure to China

N-Shares and S-Chips are equity share-classes of Chinese companies. Their names are derived from the fact that their stocks trade in New York (N-Shares) and Singapore (S-Chips). However, these companies operate in China (familiar examples include Alibaba and Baidu).

Why has it changed?

Until now, FTSE's methodology has excluded N-Shares and S-Chips from indexes that include exposure to China (they have cited the fact that these stocks trade outside of China). However, with a majority of these firms' assets and operations in China, FTSE has decided to begin including them in their indexes.

What does this mean for Vanguard's funds?

Three of the ETF's we offer out of Australia track FTSE Indexes and will follow suit and include these stocks. These are:

Fund / ETF	ETF Code	Benchmark	Exposure to China as at 30 June 2017	Incremental terminal N/S-Share addition as a % of total fund market cap*	Approximate terminal exposure to China per fund – to be achieved in June 2018**
Vanguard FTSE Emerging Markets Shares ETF	VGE	FTSE Emerging Markets All Cap China A Inclusion Index (with net dividends reinvested) in AUD	29.0%	6.50%	35.50%
Vanguard FTSE Asia ex Japan Shares Index ETF	VAE	FTSE Asia Pacific ex Japan, Australia and New Zealand Index (with net dividends reinvested) in AUD	25.1	2.25%	27.35%
Vanguard FTSE All-World ex-US Index Fund	VEU	FTSE All-World ex-US Index	5.0%	1.50%	6.50%

Beginning 18 September 2017, the securities will be added to the FTSE indexes on a quarterly basis, in 25% increments.

After inclusion, the terminal weight of N-Shares and S-Chips would be expected to be roughly 20% of each impacted Vanguard fund's China exposure.

We do not anticipate any impact to the funds' expense ratios, tracking, or tax efficiency as a result of these changes.

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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