



PRESS RELEASE

For a full list of the impacted funds and more information, contact Vanguard Public Relations at 610-669-5002.

VANGUARD TO CHANGE TARGET BENCHMARKS FOR 22 INDEX FUNDS

VALLEY FORGE, PA (October 2, 2012)—Vanguard plans to transition six international stock index funds to FTSE benchmarks and 16 U.S. stock and balanced index funds to new benchmarks developed by the University of Chicago's Center for Research in Security Prices (CRSP). The transition from the current MSCI benchmarks for the 22 funds is expected to result in considerable savings for the funds' shareholders over time.

"The indexes from FTSE and CRSP are well constructed, offer comprehensive coverage of their respective markets, and meet Vanguard's 'best practice' standards for market benchmarks," said Vanguard Chief Investment Officer Gus Sauter. "Equally important, and with our clients' best interests in mind, we negotiated licensing agreements for these benchmarks that we expect will enable us to deliver significant value to our index fund and ETF shareholders and lower expense ratios over time." In an environment in which index licensing fees, in general, have represented a growing portion of the expenses that investors pay to own index funds and ETFs, Mr. Sauter noted that the long-term agreements with FTSE and CRSP will provide cost certainty going forward with these two index providers.

"Vanguard is the mutual fund industry's only client-owned firm that manages its funds and ETFs at cost*," said Mr. Sauter. "Our structure, along with our ongoing commitment to keep operating costs at the lowest reasonable levels, leads to low expenses that are enduring in nature."

Vanguard pioneered the first index mutual fund for individual investors in 1976 with the introduction of Vanguard 500 Index Fund and has continually sought and contributed to improvements and innovations in benchmark construction. During his 25-year career, Mr. Sauter has been in the forefront of cutting-edge index construction methodology. For instance, in 2003, Vanguard was the first to adopt benchmarks incorporating objective rules, float-adjustment, and overlapping market capitalization buffer zones that are now standard in the mutual fund industry.

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FTSE: A Global Index Leader

Vanguard has used FTSE indexes since 2003 and now employs the firm's benchmarks for more than 20 index portfolios around the world, representing \$26 billion in aggregate assets. "Vanguard is very pleased to expand our deep relationship with FTSE and looks forward to adopting its benchmarks for our largest and most widely held international funds and ETFs," said Mr. Sauter. "The benchmarks offer comprehensive and diversified coverage of the international developed and emerging markets."

Six Vanguard international index funds with aggregate assets of \$170 billion will transition to benchmarks in the FTSE Global Equity Index Series, including the \$67 billion Vanguard Emerging Markets Stock Index Fund. This fund and its ETF Shares (ticker: VWO), the world's largest emerging markets ETF (source: Strategic Insight, as of 7/31/12), will move from the MSCI Emerging Markets Index to the FTSE Emerging Index. While the two indexes are generally comparable, the FTSE Emerging Index classifies South Korea as a developed market.

With Vanguard's move to the new benchmarks, FTSE will become the third-largest equity exchange-traded index benchmark provider globally.

"Today's agreement with Vanguard represents another significant step forward in building our presence in North America and in making FTSE a household name in the marketplace," said Mark Makepeace, chief executive of FTSE. "Our strategy for the FTSE brand is a global one, and we are committed to building long-term, sustainable relationships with all of our clients globally to bring real value to investors."

CRSP: An Index Innovator

CRSP is one of 11 research centers at the University of Chicago Booth School of Business. The research organization pioneered the development of U.S. stock market data in 1960 that are widely used in academic and investment research.

In 2009, CRSP engaged with Vanguard to create a new series of investable indexes, the CRSP Indexes. Vanguard will be the first investment management firm to track CRSP's broadly diversified benchmarks that cover the broad U.S. market, market capitalization segments, and styles.

CRSP's capitalization-weighted methodology introduces the unique concept of "packeting," which cushions the movement of stocks between adjacent indexes and allows holdings to be shared between two indexes of the same family. This approach maximizes style purity while minimizing index turnover.

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“CRSP is highly regarded and experienced in the creation of market databases, and its innovative packeting methodology is expected to minimize transaction costs during periodic index rebalancing,” said Mr. Sauter.

Sixteen Vanguard stock and balanced index funds, with aggregate assets of \$367 billion, will track CRSP benchmarks, including Vanguard’s largest index fund, the \$197 billion Vanguard Total Stock Market Index Fund. The fund and its ETF Shares (ticker: VTI) will transition from the MSCI U.S. Broad Market Index to the CRSP US Total Market Index.

“For more than 50 years, CRSP has been providing research-quality market and index data. The new CRSP Indexes are a logical extension of our core products and demonstrate not only our innovative thinking, but also the depth of our commitment to positively influence practices in the financial arena. The index licensing agreement we have entered into with Vanguard strongly validates our efforts by one of the leading financial services providers in the world,” said David Barclay, chief operating officer of CRSP.

Additional Transition Details

The benchmark changes will encompass all share classes of the 22 funds, including ETFs. The transitions will be staggered and are expected to occur collectively over a number of months. No changes are planned for Vanguard U.S. stock index funds seeking to track Russell and Standard and Poor’s benchmarks, or the 11 Vanguard sector equity funds currently seeking to track MSCI benchmarks.

The benchmarks for Vanguard’s Target Retirement, LifeStrategy, and Managed Payout Funds and other funds of funds will also change. The MSCI All Country World ex USA Investable Market Index and MSCI US Broad Market Index components will be replaced by the FTSE Global All Cap ex US Index and CRSP US Total Market Index. The asset allocations of the funds will not change.

The transition to the new benchmarks is not expected to result in capital gains distributions to the funds’ shareholders, according to Vanguard analysis based on current market conditions. Each of the index funds currently possesses realized capital losses, which can be used to offset any realized gains. The transition will require some turnover of holdings and result in transaction costs. However, Vanguard Equity Investment Group, manager of the index funds, will seek to minimize trading impact through the use of efficient portfolio trading and other strategies developed over many years and used during the periodic rebalancing of indexes.

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About Vanguard

Vanguard, headquartered in Valley Forge, Pennsylvania, is one of the world's largest investment management companies and a leading provider of company-sponsored retirement plan services. Vanguard managed nearly \$1.95 trillion in U.S. mutual fund assets as of September 30, 2012. The firm offers more than 170 index funds, active funds and ETFs to U.S. investors and more than 70 additional funds and ETFs in non-U.S. markets. For more information, visit www.vanguard.com.

About FTSE Group

FTSE Group (FTSE) is a world leader in the provision of global index and analytical solutions. FTSE calculates indexes across a wide range of asset classes, on both a standard and custom basis. FTSE indexes are used extensively by investors worldwide for investment analysis, performance measurement, asset allocation, portfolio hedging and the creation of a wide range of index derivatives, funds, ETFs, and other structured products. For more information, visit www.ftse.com.

About The Center for Research in Security Prices (CRSP)

The Center for Research in Security Prices at the University of Chicago Booth School of Business has been an integral part of the academic and commercial world of financial and economic research since 1960. CRSP's portfolio of historical databases for common stocks, mutual funds, Treasuries, REITs and research indexes is relied on by more than 435 leading academic institutions in 31 countries. It is also widely used for research in the commercial and governmental sectors. For more information, visit <http://www.crsp.com>.

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*Vanguard fund shareholders own the funds, which own Vanguard.

All asset figures are as of August 31, 2012, except where noted.

For more information on Vanguard funds, visit www.vanguard.com, or call 800-662-7447 to obtain a prospectus. Visit our website, call 800-662-7447, or contact your broker to obtain a prospectus for Vanguard ETF Shares. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

Vanguard ETF Shares are not redeemable with the issuing Fund other than in Creation Unit aggregations. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market with the assistance of a stockbroker. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

Mutual funds and ETFs are subject to risks, including possible loss of principal. Investments in bond funds are subject to interest rate, credit, and inflation risk. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Stocks of companies in emerging markets are generally more risky than stocks of companies in developed countries. Diversification does not ensure a profit or protect against a loss in a declining market.

The Vanguard Emerging Markets Stock Index Fund has been developed solely by Vanguard. The FTSE Emerging Index (the "Index") is calculated by FTSE International Limited ("FTSE") or its agent. All rights in the Index vest in FTSE. "FTSE®" is a trademark of the London Stock Exchange Group companies and is used by FTSE under licence.

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