

## PRODUCT KEY FACTS



Vanguard FTSE Asia ex Japan Index ETF  
a sub-fund of VANGUARD ETF SERIES

The Vanguard Group, Inc.

6 May 2013

- ***This is an exchange traded fund.***
- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Prospectus.***
- ***You should not invest in this product based on this statement alone.***

### Quick facts

<b>Stock code:</b>	2805
<b>Trading board lot size:</b>	100 Units
<b>Manager:</b>	The Vanguard Group, Inc.
<b>Investment Advisor:</b>	Vanguard Investments Australia Limited (based in Australia, internal delegation)
<b>Trustee:</b>	State Street Trust (HK) Limited
<b>Registrar:</b>	State Street Trust (HK) Limited
<b>Total expense ratio (“TER”)*:</b>	0.38% per annum of the Net Asset Value of the Vanguard FTSE Asia ex Japan Index ETF (“ <b>Sub-Fund</b> ”)
<b>Underlying Index:</b>	FTSE Asia Pacific ex Japan, Australia and New Zealand Index (“ <b>Underlying Index</b> ”)
<b>Base Currency:</b>	Hong Kong Dollars
<b>Trading Currency:</b>	Hong Kong Dollars
<b>Financial year end of this Sub-Fund:</b>	31 December
<b>Distribution Frequency:</b>	Quarterly (in March, June, September, December)-at the Manager’s discretion
<b>Website:</b>	<a href="http://www.vanguard.com.hk">www.vanguard.com.hk</a>

\* The TER does not represent estimated tracking error. The TER equals the management fee and is the sum of the anticipated charges to the Sub-Fund, including the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The TER will not cover (to the extent not included in the operational fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to participating dealers, brokerage fees, transaction fees, stamp duty or other duties and charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the fund assets of the Sub-Fund.

### What is this product?

The Sub-Fund is a sub-fund of the Vanguard ETF Series, which is an umbrella unit trust established under Hong Kong law. The units of the Sub-Fund (“**Units**”) are listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). The Sub-Fund is a passively managed index-tracking exchange traded fund falling under Chapter 8.6 of and Appendix I of the Code on Unit Trusts and Mutual Funds. The Units of the Sub-Fund are traded on the SEHK like stocks.

## Investment Objective and Investment Strategy

### Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

### Investment Strategy

The Manager seeks to achieve the investment objective by employing an indexing approach, through physical acquisition of securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” and/or a “Representative Sampling Strategy”. Initially, the Manager intends to pursue a “Representative Sampling Strategy”. Over time, the Sub-Fund may trend towards a full “Replication Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy”, or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders.

In seeking to track the performance of the Underlying Index, the Manager currently invests in a representative sample of the index securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each index security is considered for inclusion and weighting in the portfolio of the Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints.

### Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in financial derivative instruments (“**FDI**”), such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the constituents of the Underlying Index or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDI would exceed 10% of the latest available net asset value (“**Net Asset Value**”) of the Sub-Fund.

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest in not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The investment strategies above are subject to the investment and borrowing restrictions set out in the Prospectus and the additional limits as set by the above investment policies.

### Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager’s intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to the unitholders of the Sub-Fund (“**Unitholders**”).

### Underlying Index

The Underlying Index (Index Code: AWPXJAN) was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The Underlying Index is a total return, free float market capitalisation weighted index, and as at 15 April 2013 comprises of 764 large and mid-cap stocks listed in China (B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (H shares and Red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand, with total market capitalisation of approximately US\$2,955 billion. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars.

FTSE International Limited (“**FTSE**”) is the index provider of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index. The Manager and its connected persons are independent of FTSE.

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As at 15 April 2013, the 10 largest index securities of the Underlying Index, representing approximately 18.63% of the market capitalisation based on total shares in issue of the Underlying Index, are as follows:

Rank	Constituent Name	Country	Industry Classification Benchmark Supersector	Index Weight (%)
1	Samsung Electronics	South Korea	Technology	4.84
2	Taiwan Semiconductor Manufacturing	Taiwan	Technology	2.69
3	China Construction Bank (H)	China	Banks	1.92
4	China Mobile (Red Chip)	China	Telecommunications	1.86
5	AIA Group Ltd.	Hong Kong SAR	Insurance	1.72
6	Industrial and Commercial Bank of China (H)	China	Banks	1.62
7	Bank of China (H)	China	Banks	1.14
8	Tencent Holdings (P Chip)	China	Software & Computer Services	0.98
9	CNOOC (Red Chip)	China	Oil & Gas	0.96
10	Hon Hai Precision Industry	Taiwan	Industrial Goods and Services	0.90
<b>Total:</b>				<b>18.63</b>

For details, please refer to the index website at <http://www.ftse.com>, and the Underlying Index's factsheet at: [http://www.ftse.com/Indices/FTSE\\_All\\_World\\_Index\\_Series/Factsheets.jsp](http://www.ftse.com/Indices/FTSE_All_World_Index_Series/Factsheets.jsp).

## What are the key risks?

**Investment involves risks. Please refer to the Prospectus for details including the risk factors.**

### 1 Investment Risk

There can be no assurance that the Sub-Fund will achieve its investment objective and its value may go down as well as up, and you may not get back the amount invested or any return on your investment.

### 2 Market Risk

The investments of the Sub-Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

### 3 Asset Class Risk

The Underlying Index or the Sub-Fund's portfolio may underperform the returns of other securities or indexes that track other industries, markets, asset classes or sectors. Types of securities or indices tend to experience cycles of outperformance and underperformance. Funds that invest in stocks are also subject to the risk that stock prices overall will decline.

### 4 Currency Risk

The Net Asset Value of the Sub-Fund will be computed in Hong Kong dollars whereas the investments held for the account of the Sub-Fund may be acquired in other currencies. The Hong Kong dollar value of the investments of the Sub-Fund in another currency may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

### 5 Emerging Market Risks

The Sub-Fund invests in securities markets that are considered to be emerging markets which involve a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

**6 Investment Style Risk**

There is a chance that returns from the types of stocks in which the Sub-Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better, or worse, than the stock market in general.

**7 Passive Investment Risk**

In seeking to track an Underlying Index, the Manager will not normally reduce or increase the Sub-Fund's holdings in or exposure to any constituent security of an Underlying Index when to do so would reduce the tracking accuracy. Therefore, if a constituent security of an Underlying Index is decreasing in value, the Sub-Fund will generally continue to hold such security.

**8 Government Intervention and Regulatory Risks**

The value of the Sub-Fund may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's securities markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

**9 Management Risk**

The Sub-Fund may not fully track the Underlying Index and may hold securities not included in the Underlying Index. As a result, the Sub-Fund is subject to the risk that the Manager's strategy and its implementation may not produce the intended results.

**10 Tracking Error Risk**

Although the Manager will regularly monitor the level of correspondence of the performance of the Sub-Fund with the performance of the relevant Underlying Index (i.e. the "tracking accuracy"), there is no assurance that the Sub-Fund will achieve any particular level of tracking accuracy due to, amongst others, the fees and expenses of the Sub-Fund and/or the liquidity of the market.

**11 Termination Risk**

The Sub-Fund may be terminated if the Manager goes into liquidation, there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable), the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Fund, the licence to use the Underlying Index to create the Sub-Fund is terminated, the Underlying Index ceases to be compiled or published and there is no replacement index or the Sub-Fund ceases to be authorised by the SFC.

**12 FDI Risk**

Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investing in FDIs may expose investors to a higher degree of fluctuation, and the Sub-Fund may be exposed to credit risk on the counterparties with which it trades FDIs.

**13 Trading Risk**

Generally, retail investors can only buy or sell Units on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to its Net Asset Value. Retail investors may pay more than the Net Asset Value per Unit when buying a Unit on the SEHK and may receive less than the Net Asset Value per Unit when selling a Unit on the SEHK.

**14 Reliance on Market Makers**

Investors should note that liquidity in the secondary market for the Units may be adversely affected if there is no market maker for such Units in the Sub-Fund. It is possible that the Sub-Fund will have only one market maker for the Units.

### Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the amount of money you invest.

### What are the fees and charges?

Please refer to the section (Fees and Expenses) of the Prospectus for details of other fees and expenses applicable to the creation and redemption of Units.

### Charges incurred when trading the Units of the Sub-Fund on SEHK

Fee	What you pay
<b>Brokerage Fee</b>	At each broker's discretion
<b>Transaction Levy</b>	0.003% of the trading price of the Units, payable by each of the buyer and the seller
<b>Trading Fee</b>	0.005% of the trading price of the Units, payable by each of the buyer and the seller
<b>Stamp Duty</b>	Nil

### Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the Net Asset Value which may affect the trading price.

	Annual rate (as a % of the Sub-Fund's Net Asset Value)
<b>Management Fee*</b>	0.38% per annum
<b>Manager's Fee</b>	The manager's fee is included as part of the Management Fee.
<b>Trustee Fee</b>	The trustee fee is included as part of the Management Fee.

\* The Management Fee is the sum of the anticipated charges to the Sub-Fund and includes the ongoing fees payable out of the Sub-Fund, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. As the Management Fee is a single fixed fee, the TER of the Sub-Fund will be equal to the Management Fee. The TER does not represent the estimated tracking error of the Sub-Fund. The TER will not cover (to the extent not included in the operational fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to participating dealers, brokerage fees, transaction fees, stamp duty or other duties and charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the fund assets of the Sub-Fund.

### Other fees

You may have to pay other fees when dealing in the units of the Sub-Fund. Please refer to Appendix 1 ("Sub-Funds") of the Prospectus for details of other fees and expenses applicable to the creation or redemption, or dealing in Units.

### **Additional Information**

You can find the following information of the Sub-Fund at [www.vanguard.com.hk](http://www.vanguard.com.hk), in both English and Chinese:

- The Sub-Fund's Prospectus, including the product key facts statement (as revised from time to time)
- The most recent audited annual and unaudited semi-annual reports and accounts of the Sub-Fund (available in English only)
- The last closing Net Asset Value per Unit of the Sub-Fund
- The Dealing Days (as defined in the Prospectus) for the Sub-Fund
- Near real-time estimated Net Asset Value per Unit of the Sub-Fund throughout each Dealing Day
- Any public announcements or notices made by the Vanguard ETF Series and the Sub-Fund, including information regarding the Sub-Fund or the Underlying Index, the suspension of creation and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading, and notices relating to material alterations or additions to the Prospectus or the constitutive documents of the Vanguard ETF Series
- Total holdings (including a list of the 10 largest holdings) of the Sub-Fund (updated on a monthly basis)
- The latest list of participating dealers and market maker(s) of the Sub-Fund
- The last closing level of the Underlying Index

Investors should note that the websites referred to in this product key facts statement have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

### **Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.