

This is a preliminary prospectus in respect of each of Vanguard FTSE Canadian High Dividend Yield Index ETF, Vanguard FTSE Canadian Capped REIT Index ETF, Vanguard Canadian Short-Term Corporate Bond Index ETF, Vanguard S&P 500 Index ETF and Vanguard S&P 500 Index ETF (CAD-hedged) in each of the provinces and territories of Canada and a pro forma prospectus in respect of each of the other exchanged-traded funds in each of the provinces and territories of Canada.

A copy of this preliminary and pro forma prospectus has been filed with the securities regulatory authority in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary and pro forma prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.



PRELIMINARY AND PRO FORMA PROSPECTUS

Initial Public Offering and Continuous Distribution

September 4, 2012

This prospectus qualifies the distribution of units (the “Units”) of the following exchange-traded funds (each a “Vanguard ETF” and together the “Vanguard ETFs”):

Vanguard Canadian Equity ETFs
Vanguard MSCI Canada Index ETF
Vanguard FTSE Canadian High Dividend Yield Index ETF
Vanguard FTSE Canadian Capped REIT Index ETF
Vanguard Canadian Fixed Income ETFs
Vanguard Canadian Aggregate Bond Index ETF
Vanguard Canadian Short-Term Bond Index ETF
Vanguard Canadian Short-Term Corporate Bond Index ETF
Vanguard International Equity ETFs
Vanguard S&P 500 Index ETF
Vanguard S&P 500 Index ETF (CAD-hedged)
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)
Vanguard MSCI EAFE Index ETF (CAD-hedged)
Vanguard MSCI Emerging Markets Index ETF

The Vanguard ETFs are exchange-traded mutual funds established as trusts under the laws of the Province of Ontario. Each Vanguard ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad widely-quoted market index (the “Index”). See “Investment Objectives”.

Vanguard Investments Canada Inc. (the “Manager”), a registered portfolio manager and investment fund manager, is the trustee, manager and portfolio manager of the Vanguard ETFs and is responsible for the administration of the Vanguard ETFs. See “Organization and Management Details of the Vanguard ETFs – Manager of the Vanguard ETFs” and “Organization and Management Details of the Vanguard ETFs – Portfolio Manager”. The Manager has retained The Vanguard Group, Inc. (the “Sub-advisor”) to act as sub-advisor to the Vanguard ETFs. See “Organization and Management Details of the Vanguard ETFs – Sub-advisor”.

Listing of Units

Each Vanguard ETF issues Units on a continuous basis and there is no maximum number of Units that may be issued.

Units of each of Vanguard MSCI Canada Index ETF, Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF, Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged), Vanguard MSCI EAFE Index ETF (CAD-hedged) and Vanguard MSCI Emerging Markets Index ETF (each, an “Existing Vanguard ETF” and, together, the “Existing Vanguard ETFs”) are listed on the Toronto Stock Exchange (the “TSX”) and an investor may buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

The Manager, on behalf of each of Vanguard FTSE Canadian High Dividend Yield Index ETF, Vanguard FTSE Canadian Capped REIT Index ETF, Vanguard Canadian Short-Term Corporate Bond Index ETF, Vanguard S&P 500 Index ETF and Vanguard S&P 500 Index ETF (CAD-hedged) (each, a “New Vanguard ETF” and, together, the “New Vanguard ETFs”), has applied to list the Units of the New Vanguard ETFs on the TSX. Subject to receiving conditional approval and satisfying the TSX’s original listing requirements, these Units will be listed on the TSX and an investor will be able to buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. Unitholders may redeem Units in any number for cash for a redemption price of 95% of the closing price on the TSX for the Units or may exchange or redeem a prescribed number of Units (or a whole multiple thereof) for securities and cash or, in certain circumstances, for cash. See “Redemption of Units”.

The Vanguard ETFs issue Units directly to Designated Brokers and Dealers. The initial issuance of Units of a New Vanguard ETF will not occur until it has received, in aggregate, subscriptions sufficient to satisfy the TSX’s original listing requirements.

Additional Consideration

No person has been authorised by the Vanguard ETFs to give any information or make any representation concerning the Vanguard ETFs or in connection with the offering of Units other than those contained in this prospectus and, if given or made, such information or representation must not be relied on as having been given or made by the Vanguard ETFs.

The distribution of this prospectus and the offering of Units in certain jurisdictions may be restricted. Persons who receive this prospectus are required to inform themselves about, and to observe, any such restrictions. This prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this prospectus in certain jurisdictions may require that this prospectus is translated into the official language of those jurisdictions. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended. Subject to certain exceptions, the Units may not be offered or sold in the U.S. or offered or sold to U.S. persons. The Vanguard ETFs have not been and will not be registered under the U.S. Investment Company Act of 1940, as amended. The Manager has not been registered under the U.S. Investment Advisers Act of 1940.

No underwriter has been involved in the preparation of the prospectus or has performed any review or any independent due diligence of the contents of the prospectus.

For a discussion of the risks associated with an investment in Units of the Vanguard ETFs, see “Risk Factors”.

Registration of interests in, and transfer of, the Units will be made only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

While each Vanguard ETF will be a mutual fund under the securities legislation of certain provinces and territories of Canada, the Manager, on behalf of the Vanguard ETFs, has obtained exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

Documents Incorporated by Reference

Additional information about each Vanguard ETF is available in the most recently filed annual financial statements, if any, any interim financial statements filed after the most recent annual financial statements, the most recently filed annual management report of fund performance (“MRFP”) and any interim MRFP filed after the annual MRFP for that Vanguard ETF. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. See “Documents Incorporated by Reference” for further details.

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IMPORTANT TERMS

Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time.

Accounting Agent – State Street Fund Services Toronto Inc. or its successor.

Accounting Services Agreement – the accounting services agreement dated November 4, 2011 between the Manager and the Accounting Agent, as the same may be amended or restated from time to time.

Barclays – Barclays, Inc., the Index Provider of the Barclays Global Aggregate Canadian Float Adjusted Bond Index, the Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index and the Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index.

Basket of Securities – in relation to a particular Vanguard ETF means: (i) a group of the Constituent Securities held, to the extent reasonably possible, in approximately the same proportion as they are reflected in the applicable Index; (ii) a broadly diversified subset of Constituent Securities and/or other securities selected by the Sub-advisor from time to time that, in the aggregate, approximates the applicable Index in terms of primary risk factors and other key index characteristics; or (iii) securities of one or more Vanguard Funds that seeks to track the applicable Index or an unhedged version of that Index.

Canadian securities legislation – the securities legislation in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities, as the same may be amended, restated or replaced from time to time.

CAD – Canadian dollars.

CDS – CDS Clearing and Depository Services Inc.

CDS Participant – a registered dealer or other financial institution that is a participant in CDS and that holds Units on behalf of beneficial owners of Units.

Constituent Issuers – in relation to a particular Index, the issuers that are included from time to time in that Index as selected by the Index Provider.

Constituent Securities – in relation to a particular Index, the specific class or series of securities of the Constituent Issuers included in that Index, and may include American Depository Receipts and other negotiable financial instruments that represent such securities.

CRA – The Canada Revenue Agency.

Custodian – State Street Trust Company Canada or its successor.

Custodian Agreement – the custodian agreement dated November 4, 2011 between the Manager, on behalf of the Vanguard ETFs, and the Custodian, as the same may be amended or restated from time to time.

Cut-Off Time – in the case of each Vanguard ETF, other than Vanguard S&P 500 Index ETF (CAD-hedged), Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged), 4:00 p.m. (Toronto time) on a Trading Day and, in the case of each of Vanguard S&P 500 Index ETF (CAD-hedged), Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged), 9:40 a.m. (Toronto time) on a Trading Day or such later time as the Manager may agree to, provided, however, that if a rebalancing of any Vanguard ETF's portfolio is to occur on a Trading Day because of a rebalancing event, the Cut-Off Time shall be 9:00 a.m. (Toronto time) on such Trading Day or such later time as the Manager may agree to.

Dealer – a registered broker or dealer (that may or may not be a Designated Broker) that has entered into a continuous distribution dealer agreement with the Manager, on behalf of one or more Vanguard ETFs, and that subscribes for and purchases Units from such Vanguard ETFs as described under “Purchases of Units – Issuance of Units”.

Declaration of Trust – the master declaration of trust establishing the Vanguard ETFs dated November 4, 2011, as the same may be amended or restated from time to time.

Designated Broker – a registered dealer that has entered into a designated broker agreement with the Manager, on behalf of one or more Vanguard ETFs, pursuant to which the Designated Broker agrees to perform certain duties in relation to those Vanguard ETFs.

Direct Investment Vanguard ETF – a Vanguard ETF that achieves its investment objective by holding directly the Constituent Securities of the applicable Index or by holding directly a subset of Constituent Securities and/or other securities that, in the aggregate, approximates the applicable Index in terms of primary risk factors and other key index characteristics. As of the date of this prospectus, all of the Vanguard ETFs are Direct Investment Vanguard ETFs except Vanguard S&P 500 Index ETF, Vanguard S&P 500 Index ETF (CAD-hedged), Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged), Vanguard MSCI EAFE Index ETF (CAD-hedged) and Vanguard MSCI Emerging Markets Index ETF.

distribution payment date – a date, which is no later than the tenth business day following the applicable distribution record date, on which a Vanguard ETF pays a distribution to its registered Unitholders.

distribution record date – a date designated by the Manager as a record date for the determination of Unitholders of a Vanguard ETF entitled to receive a distribution.

Existing Vanguard ETFs – collectively, Vanguard MSCI Canada Index, ETF, Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF, Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged), Vanguard MSCI EAFE Index ETF (CAD-hedged) and Vanguard MSCI Emerging Markets Index ETF.

FTSE – FTSE International Limited, the Index Provider of the FTSE Canada High Dividend Yield Index and the FTSE Canada All Cap Real Estate Capped 25% Index.

Index/Indices – a benchmark or index, provided by an Index Provider, that is used by a Vanguard ETF in relation to the Vanguard ETF’s investment objective and includes, as required, a replacement or alternative benchmark or index that applies substantially similar criteria to those currently used by the Index Provider for the benchmark or index and/or a successor index that is generally comprised of, or would be generally comprised of, the same Constituent Securities as the benchmark or index.

Index License Agreement – each agreement pursuant to which the Manager or the Sub-advisor licenses or sublicenses one or more Indices for use by the Vanguard ETFs.

Index Provider – a provider of an Index, including, but not limited to, Barclays, FTSE, MSCI and S&P, with which, or in respect of which, the Manager or the Sub-advisor has entered into licensing arrangements pursuant to an Index License Agreement to use the relevant Index and certain trademarks in connection with the operation of the applicable Vanguard ETFs.

IRC – the Independent Review Committee of the Vanguard ETFs.

Management Agreement – the management agreement dated November 4, 2011 between Vanguard Investments Canada Inc., as trustee of the Vanguard ETFs, and the Manager, as the same may be amended or restated from time to time.

Manager – Vanguard Investments Canada Inc., a corporation established under the laws of Canada, or its successor.

MRF – management report of fund performance as defined in NI 81-106.

MSCI – MSCI, Inc., the Index Provider of the MSCI Canada Index, the MSCI US Broad Market 100% Hedged to CAD Index, the MSCI EAFE 100% Hedged to CAD Index and the MSCI Emerging Markets Index.

NAV and **NAV per Unit** – in relation to a particular Vanguard ETF, the net asset value of the Vanguard ETF and the net asset value per Unit, calculated by the Accounting Agent as described in “Calculation of Net Asset Value”.

New Vanguard ETFs – collectively, Vanguard FTSE Canadian High Dividend Yield Index ETF, Vanguard FTSE Canadian Capped REIT Index ETF, Vanguard Canadian Short-Term Corporate Bond Index ETF, Vanguard S&P 500 Index ETF and Vanguard S&P 500 Index ETF (CAD-hedged).

NI 81-102 – National Instrument 81-102 – *Mutual Funds*, as the same may be amended, restated or replaced from time to time.

NI 81-106 – National Instrument 81-106 – *Investment Fund Continuous Disclosure*, as the same may be amended, restated or replaced from time to time.

NI 81-107 – National Instrument 81-107 – *Independent Review Committee for Investment Funds*, as the same may be amended, restated or replaced from time to time.

NRT Rules – the Tax Proposals to amend section 94 of the Tax Act most recently released by the Minister of Finance (Canada) on August 27, 2010 with explanatory notes dated September 10, 2010, relating to the taxation of non-resident trusts, beneficiaries of the trust and those that contribute to the trust.

Plan Agent – State Street Trust Company Canada or its successor, as the plan agent under the Reinvestment Plan.

Plan Participant – a Unitholder that participates in any Reinvestment Plan.

Plan Units – additional Units acquired in the market by the Plan Agent under any Reinvestment Plan.

Portfolio Manager – Vanguard Investments Canada Inc., a corporation established under the laws of Canada, or its successor.

Prescribed Number of Units – in relation to a particular Vanguard ETF, the number of Units determined by the Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

Registered Plans – registered retirement savings plans, registered retirement income funds, registered education savings plans, tax-free savings accounts, deferred profit sharing plans and registered disability savings plans.

Registrar and Transfer Agent – State Street Trust Company Canada or its successor.

Reinvestment Plan – means any distribution reinvestment plan offered by the Manager for some or all of the Vanguard ETFs.

securities regulatory authorities – the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such province or territory.

SIFT Rules – the specified investment flow-through or “SIFT” rules in the Tax Act applicable to the taxation of non-portfolio earnings of and distributions of non-portfolio earnings by Canadian-resident, publicly-traded trusts and partnerships, including proposed amendments announced by the Minister of Finance (Canada) prior to the date hereof.

S&P – Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

Sub-advisor – The Vanguard Group, Inc., a corporation established under the laws of the Commonwealth of Pennsylvania, or its successor.

Sub-advisory Agreement – the agreement dated November 4, 2011 between the Portfolio Manager and the Sub-advisor, as the same may be amended or restated from time to time.

Tax Act – the *Income Tax Act* (Canada) and the regulations issued thereunder, as the same may be amended, restated or replaced from time to time.

Tax Proposals – all specific proposals to amend the Tax Act that have been publicly announced by the Minister of Finance (Canada) prior to the date of this prospectus.

Trading Day – for each Vanguard ETF, unless otherwise agreed by the Manager, a day on which: (i) a session of the TSX is held; (ii) the primary market or exchange for the securities held by the Vanguard ETF is open for trading; and (iii) the Index Provider calculates and publishes data relating to the Index of the Vanguard ETF.

TSX – the Toronto Stock Exchange.

Unit – in relation to a particular Vanguard ETF, a redeemable, transferable unit of a Vanguard ETF, which represents an equal, undivided interest in a Vanguard ETF.

Unitholder – a beneficial holder of Units of a Vanguard ETF.

U.S. – the United States of America.

Valuation Date – each business day or any other day designated by the Manager on which the NAV and NAV per Unit of a Vanguard ETF is calculated.

Valuation Time – 4:00 p.m. (Toronto time) or such other time that the Manager deems appropriate on each Valuation Date.

Vanguard ETFs – collectively, the Existing Vanguard ETFs and the New Vanguard ETFs, each an investment trust established under the laws of Ontario pursuant to the Declaration of Trust.

Vanguard Fund – a Vanguard exchange-traded fund that is listed and traded on a stock exchange, other than the Vanguard ETFs.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Units of the Vanguard ETFs and should be read together with the more detailed information and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.

Issuers:

- Vanguard MSCI Canada Index ETF**
- Vanguard FTSE Canadian High Dividend Yield Index ETF**
- Vanguard FTSE Canadian Capped REIT Index ETF**
- Vanguard Canadian Aggregate Bond Index ETF**
- Vanguard Canadian Short-Term Bond Index ETF**
- Vanguard Canadian Short-Term Corporate Bond Index ETF**
- Vanguard S&P 500 Index ETF**
- Vanguard S&P 500 Index ETF (CAD-hedged)**
- Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)**
- Vanguard MSCI EAFE Index ETF (CAD-hedged)**
- Vanguard MSCI Emerging Markets Index ETF**

Each Vanguard ETF is an exchange-traded mutual fund established as a trust under the laws of Ontario. Vanguard Investments Canada Inc. is the trustee, manager and portfolio manager of the Vanguard ETFs.

Continuous Distribution: Units of the Vanguard ETFs are being offered on a continuous basis and there is no maximum number of Units that may be issued.

Units of each of the Existing Vanguard ETFs are listed on the TSX and an investor may buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides. The Manager, on behalf of the New Vanguard ETFs, has applied to list the Units of the New Vanguard ETFs on the TSX. Subject to receiving conditional approval and satisfying the TSX's original listing requirements, these Units will be listed on the TSX and investors will be able to buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. Accordingly, investors may trade Units in the same way as other securities listed on the TSX, including by using market orders and limit orders.

The Vanguard ETFs issue Units directly to Designated Brokers and Dealers. The initial issuance of Units of a New Vanguard ETF will not occur until it has received, in aggregate, subscriptions sufficient to satisfy the TSX's original listing requirements.

See "Purchases of Units – Issuance of Units" and "Purchases of Units – Buying and Selling Units".

Investment Objectives:

Vanguard ETF	Investment Objectives
Vanguard MSCI Canada Index ETF	Vanguard MSCI Canada Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian equity index that measures the investment return of publicly traded securities in the Canadian market. Currently, this Vanguard ETF seeks to track the MSCI

	Canada Index (or any successor thereto). It invests primarily in the largest Canadian stocks.
Vanguard FTSE Canadian High Dividend Yield Index ETF	Vanguard FTSE Canadian High Dividend Yield Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian equity index that measures the investment return of common stocks of Canadian companies that are characterized by high dividend yield. Currently, this Vanguard ETF seeks to track the FTSE Canada High Dividend Yield Index (or any successor thereto). It invests primarily in common stocks of Canadian companies that pay dividends.
Vanguard FTSE Canadian Capped REIT Index ETF	Vanguard FTSE Canadian Capped REIT Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian real estate equity index that measures the investment return of publicly traded securities in the Canadian real estate sector. Currently, this Vanguard ETF seeks to track the FTSE Canada All Cap Real Estate Capped 25% Index (or any successor thereto). It invests primarily in stocks of companies in the Canadian real estate sector.
Vanguard Canadian Aggregate Bond Index ETF	Vanguard Canadian Aggregate Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income securities issued in Canada.
Vanguard Canadian Short-Term Bond Index ETF	Vanguard Canadian Short-Term Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index with a short-term dollar weighted average maturity. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income

	securities issued in Canada.
Vanguard Canadian Short-Term Corporate Bond Index ETF	Vanguard Canadian Short-Term Corporate Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian credit bond index with a short-term dollar weighted average maturity. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade non-government fixed income securities issued in Canada.
Vanguard S&P 500 Index ETF	Vanguard S&P 500 Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment return of large-capitalization U.S. stocks. Currently, this Vanguard ETF seeks to track the S&P 500 Index (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies.
Vanguard S&P 500 Index ETF (CAD-hedged)	Vanguard S&P 500 Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment return of large-capitalization U.S. stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the S&P 500 Index (CAD-Hedged) (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the S&P 500 Index back to the Canadian dollar.
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment return of large-capitalization U.S. stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to

	track the MSCI US Broad Market 100% Hedged to CAD Index (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the MSCI US Broad Market Index back to the Canadian dollar.
Vanguard MSCI EAFE Index ETF (CAD-hedged)	Vanguard MSCI EAFE Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad global equity index that focuses on European, Australian, Asian and Far Eastern stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the MSCI EAFE 100% Hedged to CAD Index (or any successor thereto). It invests directly or indirectly primarily in stocks of companies located in Europe, Australia, Asia and the Far East and uses derivative instruments to seek to hedge the foreign currency exposure of the securities included in the MSCI EAFE Index back to the Canadian dollar.
Vanguard MSCI Emerging Markets Index ETF	Vanguard MSCI Emerging Markets Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad emerging markets index. Currently, this Vanguard ETF seeks to track the MSCI Emerging Markets Index (or any successor thereto). It invests directly or indirectly primarily in stocks of companies located in emerging markets.

See “Investment Objectives”.

The Indices:

Vanguard ETF	Index
Vanguard MSCI Canada Index ETF	MSCI Canada Index
Vanguard FTSE Canadian High Dividend Yield Index ETF	FTSE Canada High Dividend Yield Index
Vanguard FTSE Canadian Capped REIT Index ETF	FTSE Canada All Cap Real Estate Capped 25% Index
Vanguard Canadian Aggregate Bond Index ETF	Barclays Global Aggregate Canadian Float Adjusted Bond Index (formerly Barclays Capital Global Aggregate Canadian Float Adjusted Bond Index)

Vanguard Canadian Short-Term Bond Index ETF	Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index (formerly Barclays Capital Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index)
Vanguard Canadian Short-Term Corporate Bond Index ETF	Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index
Vanguard S&P 500 Index ETF	S&P 500 Index
Vanguard S&P 500 Index ETF (CAD-hedged)	S&P 500 Index (CAD-Hedged)
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	MSCI US Broad Market 100% Hedged to CAD Index
Vanguard MSCI EAFE Index ETF (CAD-hedged)	MSCI EAFE 100% Hedged to CAD Index
Vanguard MSCI Emerging Markets Index ETF	MSCI Emerging Markets Index

See “Investment Objectives – The Indices”.

Investment Strategies:

In order to achieve its investment objective, each Vanguard ETF may hold the Constituent Securities of the applicable Index in approximately the same proportion as they are reflected in that Index or may hold a broadly diversified subset of Constituent Securities and/or other securities that, in the aggregate, approximates the applicable Index in terms of primary risk factors and other key index characteristics. In addition, certain Vanguard ETFs may hold securities of one or more Vanguard Funds that seeks to track the applicable Index or an unhedged version of that Index.

If a Vanguard ETF holds securities of one or more Vanguard Funds, there shall be no duplication of management fees chargeable in connection with the Vanguard ETF and its investment in the Vanguard Funds.

Each of Vanguard S&P 500 Index ETF (CAD-hedged), Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged) uses derivative instruments to seek to hedge its U.S. dollar or foreign currency exposure, as the case may be, back to the Canadian dollar.

See “Investment Strategies”.

Special Considerations for Purchasers:

The Vanguard ETFs have obtained exemptive relief from the so-called “early warning” reporting requirements in Canadian securities legislation that would otherwise apply if a person or company acquires 10% or more of the Units of a Vanguard ETF. In addition, the Vanguard ETFs have also obtained exemptive relief to permit Unitholders to acquire more than 20% of the Units of any Vanguard ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder, provides the Manager with an undertaking not to exercise any votes attached to Units that represent more than 20% of the votes attached to all outstanding Units of the Vanguard ETF at any meeting of Unitholders.

Under the Universal Market Integrity Rules applicable to trading on the TSX, market participants are generally not permitted to sell securities short unless the price is at or above the last sale price. However, under these rules market participants are permitted to sell Units of any Vanguard ETF short and at any price on the TSX without regard to this restriction.

The Units of each Vanguard ETF are index participation units within the meaning of NI 81-102. Accordingly, mutual funds may purchase Units of these Vanguard ETFs without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

See “Purchases of Units – Special Considerations for Unitholders”.

Risk Factors:

There are certain general risk factors inherent in an investment in the Vanguard ETFs, including:

- (i) the general risks of investments;
- (ii) the risks associated with index investment and passive investment strategies;
- (iii) the risk of error in tracking the applicable Index;
- (iv) the risk associated with rebalancing events and the subscriptions for Units by Designated Brokers and Dealers;
- (v) the risks regarding the calculation and termination of the Indices;
- (vi) the risk that Units may trade at a premium or a discount to the NAV per Unit;
- (vii) fluctuations in the NAV and NAV per Unit of the Vanguard ETFs;
- (viii) the possibility that the Vanguard ETFs will be unable to acquire or dispose of illiquid securities;
- (ix) the Vanguard ETFs may have investment objectives that are less diversified than the overall market;
- (x) the risks associated with the use of derivative instruments;
- (xi) counterparty risks associated with securities lending;
- (xii) the risks associated with borrowing to fund distributions payable to Unitholders;
- (xiii) changes in law, including tax law;
- (xiv) risks relating to the taxation of the Vanguard ETFs and Unitholders;
- (xv) the risk that an active public market for the Units may not develop or be sustained; and
- (xvi) the trading of Units on the TSX may be halted in certain

circumstances.

See “Risk Factors – General Risks Relating to an Investment in the Vanguard ETFs”.

In addition to the general risk factors, the following additional risk factors are inherent in an investment in one or more of the Vanguard ETFs as indicated in the table below.

Vanguard ETF	Additional Risks
Vanguard MSCI Canada Index ETF	Investment Style Risk
Vanguard FTSE Canadian High Dividend Yield Index ETF	Industry Risk; Investment Style Risk; Non-Diversification Risk
Vanguard FTSE Canadian Capped REIT Index ETF	Investment Style Risk; Non-Diversification Risk; Sector Risk
Vanguard Canadian Aggregate Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard Canadian Short-Term Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard Canadian Short-Term Corporate Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard S&P 500 Index ETF	Country/Regional Risk; Investment Style Risk; Underlying Vanguard Fund Risk
Vanguard S&P 500 Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Investment Style Risk; Underlying Vanguard Fund Risk
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Investment Style Risk; Underlying Vanguard Fund Risk
Vanguard MSCI EAFE Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Underlying Vanguard Fund Risk
Vanguard MSCI Emerging Markets Index ETF	Country/Regional Risk; Currency Risk; Emerging Markets Risk; Underlying Vanguard Fund Risk

See “Risk Factors – Additional Risks Relating to an Investment in each Vanguard ETF”.

Income Tax Considerations:

Each year a Unitholder is required to include in the calculation of income for tax purposes the amount of any income and the taxable portion of any capital gains of the Vanguard ETF distributed to the Unitholder in the year, whether or not the distribution is paid in cash or reinvested in additional Units. A Unitholder will generally realize a capital gain (or loss) on the sale, redemption, exchange or other disposition of a Unit to the extent that the proceeds of disposition for the Unit exceed (or are less than) the total of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of

disposition.

See “Income Tax Considerations”.

Exchanges and Redemptions:

In addition to the ability to sell Units on the TSX, Unitholders may redeem Units in any number for cash for a redemption price of 95% of the closing price on the TSX for the Units or may exchange or redeem a Prescribed Number of Units (or a whole multiple thereof) for Baskets of Securities and cash or, in certain circumstances, for cash.

See “Redemption of Units”.

Distributions:

Income distributions, if any, will be paid in cash on a monthly, quarterly or annual basis, depending upon the particular Vanguard ETF. Cash distributions may include a return of capital. Capital gains distributions, if any, will be paid annually and will be automatically reinvested in additional Units. Immediately following such reinvestment, the number of Units outstanding will be consolidated so that the NAV per Unit following the capital gains distribution and reinvestment is the same as it would have been if the distribution had not been paid. The tax treatment to Unitholders of distributions is discussed under the heading “Income Tax Considerations”.

See “Distribution Policy”.

Distribution Reinvestment:

The Manager may implement a Reinvestment Plan under which cash distributions are used to acquire Plan Units and are credited to the account of the Plan Participant through CDS. Following implementation of the Reinvestment Plan, a Unitholder may elect to participate in the Reinvestment Plan by contacting the CDS Participant through which the Unitholder holds his, her or its Units.

See “Distribution Policy – Reinvestment Plan”.

Termination:

The Vanguard ETFs do not have a fixed termination date but may be terminated by the Manager upon not less than 60 days written notice to Unitholders.

See “Termination of the Vanguard ETFs”.

If an Index Provider ceases to calculate an Index or the Index License Agreement in respect of an Index is terminated, the Manager may: (i) terminate the applicable Vanguard ETF on not less than 60 days’ notice to Unitholders; (ii) change the investment objective of the applicable Vanguard ETF (subject to Unitholder approval as required in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Vanguard ETF in the circumstances.

See “Investment Objectives – The Indices – Termination of the Indices”.

Documents Incorporated by Reference:

Additional information is available in the most recently filed annual financial statements, if any, any interim financial statements filed after the most recent annual financial statements, the most recently filed annual management report of fund performance (“MRFP”) and any interim MRFP filed after the annual MRFP for each Vanguard ETF. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. These documents are publicly available on the Manager’s website at www.vanguardcanada.ca and may be obtained upon request, at no cost, by calling 1-877-410-7275 or by contacting a registered dealer. These

documents and other information about the Vanguard ETFs are also publicly available at www.sedar.com.

See “Documents Incorporated by Reference”.

Eligibility for Investment:

The Units of a Vanguard ETF will be a qualified investment under the Tax Act for a Registered Plan at any time that the Vanguard ETF qualifies or is deemed to qualify as a “mutual fund trust” under the Tax Act or that the Units are listed on a “designated stock exchange” within the meaning of the Tax Act, which includes the TSX.

Unitholders should consult their own tax advisors for advice on whether Units of a Vanguard ETF would be a “prohibited investment” under the Tax Act for their Registered Plan.

See “Eligibility for Investment”.

ORGANIZATION AND MANAGEMENT OF THE VANGUARD ETFS

Manager:

Vanguard Investments Canada Inc. is the manager of the Vanguard ETFs and is responsible for the administration and operations of the Vanguard ETFs. The Manager is a wholly-owned indirect subsidiary of The Vanguard Group, Inc., which is a registered investment advisor in the U.S. with offices based in Valley Forge, Pennsylvania. The Vanguard Group, Inc. is wholly-owned by approximately 36 U.S. registered investment companies that are part of the Vanguard family of mutual funds. The head office of the Vanguard ETFs and the Manager is located at 155 Wellington Street West, Suite 3720, Toronto, Ontario M5V 3H1.

See “Organization and Management Details of the Vanguard ETFs – Manager of the Vanguard ETFs”.

Trustee:

Vanguard Investments Canada Inc. is the trustee of each Vanguard ETF pursuant to the Declaration of Trust and holds title to the assets of each Vanguard ETF in trust for the Unitholders.

See “Organization and Management Details of the Vanguard ETFs – Trustee”.

Portfolio Manager:

Vanguard Investments Canada Inc. has been appointed portfolio manager to the Vanguard ETFs. The Portfolio Manager provides, or causes to be provided, investment management services with respect to the Vanguard ETFs. The Portfolio Manager has the authority to appoint sub-advisors to provide investment management services in respect of the Vanguard ETFs. The Portfolio Manager is responsible for the investment advice provided by the sub-advisor.

See “Organization and Management Details of the Vanguard ETFs – Portfolio Manager”.

Sub-advisor:

The Vanguard Group, Inc., the indirect parent of the Manager, has been retained by the Portfolio Manager to act as sub-advisor to the Vanguard ETFs. The Sub-advisor manages the investment portfolios of the Vanguard ETFs, provides analysis and makes investment decisions. The Sub-advisor is a registered investment advisor in the U.S. with offices based in Valley Forge, Pennsylvania. As the Sub-advisor is located outside of Canada, it may be difficult to enforce legal rights against it.

See “Organization and Management Details of the Vanguard ETFs – Sub-advisor”.

Promoter: Vanguard Investments Canada Inc. has taken the initiative in founding and organizing the Vanguard ETFs and is, accordingly, the promoter of the Vanguard ETFs within the meaning of securities legislation of certain provinces and territories of Canada.

See “Organization and Management Details of the Vanguard ETFs – Promoter”.

Custodian: State Street Trust Company Canada, at its principal offices in Toronto, Ontario, is the Custodian of the assets of the Vanguard ETFs and holds those assets in safekeeping. The Custodian is entitled to receive fees from the Manager as described under “Fees and Expenses” and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Vanguard ETFs.

See “Organization and Management Details of the Vanguard ETFs – Custodian”.

Registrar and Transfer Agent: State Street Trust Company Canada, at its principal office in Toronto, Ontario, is the Registrar and Transfer Agent for the Units of the Vanguard ETFs and maintains the register of registered Unitholders. The register of the Vanguard ETFs is kept in Toronto. The Registrar and Transfer Agent is also responsible for certain aspects of the day-to-day administration of the Vanguard ETFs, including the processing of purchases, redemptions and exchanges of Units.

See “Organization and Management Details of the Vanguard ETFs – Transfer Agent and Registrar”.

Auditors: PricewaterhouseCoopers LLP, at its principal offices in Toronto, Ontario, are the auditors of the Vanguard ETFs. The auditors audit each Vanguard ETF’s annual financial statements and provide an opinion as to whether they present fairly the Vanguard ETF’s financial position, results and changes in net assets. The auditors are independent of the Manager.

See “Organization and Management Details of the Vanguard ETFs – Auditors”.

Accounting Agent: State Street Fund Services Toronto Inc., at its principal offices in Toronto, Ontario, is the Accounting Agent. The Accounting Agent is responsible for certain aspects of the day-to-day administration of the Vanguard ETFs, including NAV calculations, accounting for net income and net realized capital gains of the Vanguard ETFs and maintaining the books and records of the Vanguard ETFs.

See “Organization and Management Details of the Vanguard ETFs – Accounting Agent”.

SUMMARY OF FEES AND EXPENSES

This table lists the fees and expenses payable in connection with an investment in the Vanguard ETFs. An investor may have to pay some of these fees and expenses directly. The Vanguard ETFs may pay some of these fees and expenses, which will therefore reduce the value of an investment in the Vanguard ETFs.

See “Fees and Expenses”.

Fees and Expenses Payable by the Vanguard ETFs

Type of Fee

Amount and Description

Management Fee: Each Vanguard ETF pays a management fee, plus applicable taxes, to the Manager based on the annual rate set forth in the table below and the NAV of the Vanguard ETF. This management fee is calculated and accrued daily and is paid monthly.

Vanguard ETFs	Management fee (annual rate)
Vanguard MSCI Canada Index ETF	0.09% of NAV
Vanguard FTSE Canadian High Dividend Yield Index ETF	0.30% of NAV
Vanguard FTSE Canadian Capped REIT Index ETF	0.35% of NAV
Vanguard Canadian Aggregate Bond Index ETF	0.20% of NAV
Vanguard Canadian Short-Term Bond Index ETF	0.15% of NAV
Vanguard Canadian Short-Term Corporate Bond Index ETF	0.15% of NAV
Vanguard S&P 500 Index ETF	0.15% of NAV ⁽¹⁾
Vanguard S&P 500 Index ETF (CAD-hedged)	0.15% of NAV ⁽¹⁾
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	0.15% of NAV ⁽¹⁾
Vanguard MSCI EAFE Index ETF (CAD-hedged)	0.37% of NAV ⁽¹⁾
Vanguard MSCI Emerging Markets Index ETF	0.49% of NAV ⁽¹⁾

⁽¹⁾ This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund. To ensure that there is no duplication of management fees chargeable in connection with the Vanguard ETF and its investment in the Vanguard Fund, the management fee payable by the Vanguard ETF to the Manager set out above is reduced by the aggregate of the management fee payable by the Vanguard Fund to an affiliate of the Manager and certain expenses of the Vanguard Fund that are paid directly by the Vanguard Fund (together, the “Vanguard Fund total expense ratio”). The Vanguard Fund total expense ratio is embedded in the market value of the Vanguard Fund shares in which the Vanguard ETF invests.

Certain Operating Expenses:

The only expenses payable by each Vanguard ETF are the applicable management fee, fees and expenses relating to the implementation and on-going operation of the IRC, brokerage expenses and commissions, the fees under any derivative instrument used by the Vanguard ETF, the cost of complying with new governmental or regulatory requirements, extraordinary expenses, any goods and services or harmonized sales taxes on those expenses and any income, withholding or other taxes.

The Manager may decide, in its discretion, to pay for some of these operating expenses otherwise payable by a Vanguard ETF, rather than having the Vanguard ETF incur such operating expenses.

Fees and Expenses Payable by the Manager

Type of Fee

Amount and Description

Other Expenses:

Other than the expenses payable by the Vanguard ETFs, as described above, the Manager is responsible for all of the other costs and expenses of the Vanguard ETFs. These costs and expenses include, but are not limited to, the fees payable to the Custodian, the Registrar and Transfer Agent, the Accounting Agent, the Sub-Advisor, the auditors and other service providers retained by the Manager as described under “Organization and Management Details of the Vanguard ETFs – Manager of the Vanguard ETFs – Duties and Services to be Provided by the Manager” and any expenses that the Manager voluntarily reimburses to the Vanguard ETFs.

Fees and Expenses Payable Directly by Unitholders

Type of Fee

Amount and Description

Fee:

Unitholders who buy and sell their Units through the facilities of the TSX do not pay a fee directly to the Manager or the Vanguard ETF in respect of those purchases and sales.

If agreed in the applicable designated broker agreement or dealer agreement, the Manager or a Vanguard ETF may charge Designated Brokers and/or Dealers a fee to offset certain transaction costs associated with an issue, exchange or redemption of Units of that Vanguard ETF to or by such Designated Broker and/or Dealer. See “Purchase of Units” and “Redemption of Units”.

OVERVIEW OF THE LEGAL STRUCTURE OF THE VANGUARD ETFS

The Vanguard ETFs are exchange-traded funds established as trusts under the laws of the Province of Ontario. The Vanguard ETFs have been established pursuant to a master declaration of trust (the “Declaration of Trust”) dated November 4, 2011, as may be further amended or restated from time to time.

While each Vanguard ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada, each Vanguard ETF has obtained exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

The principal office of the Vanguard ETFs and the Manager is located at 155 Wellington Street West, Suite 3720, Toronto, Ontario M5V 3H1.

INVESTMENT OBJECTIVES

Vanguard ETFs

Vanguard ETFs are exchange-traded funds established as trusts under the laws of the Province of Ontario. Each Vanguard ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad widely-quoted market index.

Vanguard MSCI Canada Index ETF

Vanguard MSCI Canada Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian equity index that measures the investment return of publicly traded securities in the Canadian market. Currently, this Vanguard ETF seeks to track the MSCI Canada Index (or any successor thereto). It invests primarily in the largest Canadian stocks.

Vanguard FTSE Canadian High Dividend Yield Index ETF

Vanguard FTSE Canadian High Dividend Yield Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian equity index that measures the investment return of common stocks of Canadian companies that are characterized by high dividend yield. Currently, this Vanguard ETF seeks to track the FTSE Canada High Dividend Yield Index (or any successor thereto). It invests primarily in common stocks of Canadian companies that pay dividends.

Vanguard FTSE Canadian Capped REIT Index ETF

Vanguard FTSE Canadian Capped REIT Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian real estate equity index that measures the investment return of publicly traded securities in the Canadian real estate sector. Currently, this Vanguard ETF seeks to track the FTSE Canada All Cap Real Estate Capped 25% Index (or any successor thereto). It invests primarily in stocks of companies in the Canadian real estate sector.

Vanguard Canadian Aggregate Bond Index ETF

Vanguard Canadian Aggregate Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income securities issued in Canada.

Vanguard Canadian Short-Term Bond Index ETF

Vanguard Canadian Short-Term Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index with a short-term dollar weighted

average maturity. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income securities issued in Canada.

Vanguard Canadian Short-Term Corporate Bond Index ETF

Vanguard Canadian Short-Term Corporate Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian credit bond index with a short-term dollar weighted average maturity. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade non-government fixed income securities issued in Canada.

Vanguard S&P 500 Index ETF

Vanguard S&P 500 Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment return of large-capitalization U.S. stocks. Currently, this Vanguard ETF seeks to track the S&P 500 Index (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies.

Vanguard S&P 500 Index ETF (CAD-hedged)

Vanguard S&P 500 Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment return of large-capitalization U.S. stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the S&P 500 Index (CAD-Hedged) (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the S&P 500 Index back to the Canadian dollar.

Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)

Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment returns of large-capitalization U.S. stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the MSCI US Broad Market 100% Hedged to CAD Index (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the MSCI US Broad Market Index back to the Canadian dollar.

Vanguard MSCI EAFE Index ETF (CAD-hedged)

Vanguard MSCI EAFE Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad global equity index that focuses on European, Australian, Asian and Far Eastern stocks, which Index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the MSCI EAFE 100% Hedged to CAD Index (or any successor thereto). It invests directly or indirectly primarily in stocks of companies located in Europe, Australia, Asia and the Far East and uses derivative instruments to seek to hedge the foreign currency exposure of the securities included in the MSCI EAFE Index back to the Canadian dollar.

Vanguard MSCI Emerging Markets Index ETF

Vanguard MSCI Emerging Markets Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad emerging markets index. Currently, this Vanguard ETF seeks to track the MSCI Emerging Markets Index (or any successor thereto). It invests directly or indirectly primarily in stocks of companies located in emerging markets.

Change in an Index

The Manager may, subject to any required Unitholder approval, change the Index tracked by a Vanguard ETF to another widely-recognized index in order to provide investors with substantially the same exposure to the asset class to that which the Vanguard ETF is currently exposed. If the Manager changes the Index, or any index replacing such index, the Manager will issue a press release identifying the new index, describing its constituent securities and specifying the reasons for the change in the Index.

The Indices

MSCI Canada Index

The MSCI Canada Index is a market capitalization-weighted index that aims to capture approximately 85% of the publicly available total market capitalization.

FTSE Canada High Dividend Yield Index

The FTSE Canada High Dividend Yield Index is a market capitalization-weighted index that is focused on dividend income. Index constituents are selected from the FTSE Canada All Cap Index.

FTSE Canada All Cap Real Estate Capped 25% Index

The FTSE Canada All Cap Real Estate Capped 25% Index is a market capitalization-weighted index that aims to capture the performance of the publicly traded Canadian real estate sector. The FTSE Canada All Cap Real Estate Capped 25% Index is defined using the Industry Classification Benchmark (ICB), which is maintained by FTSE International Limited. This Index is comprised of securities of Canadian real estate sector issuers selected from the FTSE Canada All Cap Index and each constituent issuer's weight in the Index is capped at 25%.

Barclays Global Aggregate Canadian Float Adjusted Bond Index

The Barclays Global Aggregate Canadian Float Adjusted Bond Index (formerly Barclays Capital Global Aggregate Canadian Float Adjusted Bond Index) is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade fixed income securities issued in Canada - including government, government-related and corporate products - all with maturities of more than one year.

Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index

The Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index (formerly Barclays Capital Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index) is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade fixed income securities issued in Canada – including government, government-related and corporate products – all with maturities between one and five years.

Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index

The Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade non-government fixed income securities issued in Canada with maturities between one and five years.

S&P 500 Index

The S&P 500 Index is a market capitalization-weighted index that is designed to represent the returns of large capitalization U.S. stocks.

S&P 500 Index (CAD-Hedged)

The S&P 500 Index (CAD-Hedged) is a market capitalization-weighted index that is designed to represent the returns of large capitalization U.S. stocks, with the U.S. dollar exposure of the securities included in the S&P 500 Index hedged back to the Canadian dollar.

MSCI US Broad Market 100% Hedged to CAD Index

The MSCI US Broad Market 100% Hedged to CAD Index is a market capitalization-weighted index that is designed to represent the returns of the MSCI US Broad Market Index, which is comprised of large-, mid- and small-capitalization U.S. equities, with the U.S. dollar exposure of the securities included in the MSCI US Broad Market Index hedged back to the Canadian dollar.

MSCI EAFE 100% Hedged to CAD Index

The MSCI EAFE 100% Hedged to CAD Index is a market capitalization-weighted index provided by MSCI that is designed to represent the returns of the MSCI EAFE Index, which is a benchmark of approximately 950 common stocks of companies in approximately 22 countries in Europe, Australia, Asia and the Far East, with the foreign currency exposure of the MSCI EAFE Index hedged back to the Canadian dollar.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index provided by MSCI of approximately 21 emerging markets in Europe, Asia, Africa, Latin America and Russia and includes approximately 850 common stocks of companies located in these emerging markets.

Termination of the Indices

The Index Providers calculate, determine and maintain the respective Indices. If an Index Provider ceases to calculate an Index or the Index License Agreement in respect of an Index is terminated, the Manager may: (i) terminate the applicable Vanguard ETF on not less than 60 days' notice to Unitholders; (ii) change the investment objective of the applicable Vanguard ETF (subject to Unitholder approval as required in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Vanguard ETF in the circumstances.

Use of the Indices

The Manager and each Vanguard ETF are permitted to use the applicable Index pursuant to the applicable Index License Agreement. The Manager and the Vanguard ETFs do not accept responsibility for, or guarantee the accuracy and/or completeness of, the Indices or any data included in the Indices.

INVESTMENT STRATEGIES

Principal Investment Strategies

In order to achieve its investment objective, each Vanguard ETF may hold the Constituent Securities of the applicable Index in approximately the same proportion as they are reflected in that Index or may hold a broadly diversified subset of Constituent Securities and/or other securities that, in the aggregate, approximates the applicable Index in terms of primary risk factors and other key index characteristics. In addition, certain Vanguard ETFs may hold securities of one or more Vanguard Funds that seeks to track the applicable Index or an unhedged version of

that Index. Securities regulators may allow index investment funds, such as the Vanguard ETFs, to exceed the normal investment concentration limits if required to allow such investment funds to track the relevant index. In accordance with the regulatory requirements, each Vanguard ETF may track the applicable Index in this manner.

In accordance with applicable securities legislation, including NI 81-102, if a Vanguard ETF invests in one or more Vanguard Funds that provides exposure to the Constituent Securities of the applicable Index or an unhedged version of that Index, there shall be no duplication of management fees chargeable in connection with the Vanguard ETF and its investment in the Vanguard Funds. See “Fees and Expenses – Fees and Expenses Payable by the Vanguard ETFs – Management Fee”.

Vanguard MSCI Canada Index ETF

In order to achieve its investment objective, Vanguard MSCI Canada Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the MSCI Canada Index. This Vanguard ETF invests all, or substantially all, of its assets in the stocks that make up the applicable Index, holding each stock in approximately the same proportion as its weighting in the Index.

Vanguard FTSE Canadian High Dividend Yield Index ETF

In order to achieve its investment objective, Vanguard FTSE Canadian High Dividend Yield Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the FTSE Canada High Dividend Yield Index. This Vanguard ETF invests all, or substantially all, of its assets in the stocks that make up the applicable Index, holding each stock in approximately the same proportion as its weighting in the Index.

Vanguard FTSE Canadian Capped REIT Index ETF

In order to achieve its investment objective, Vanguard FTSE Canadian Capped REIT Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the FTSE Canada All Cap Real Estate Capped 25% Index. This Vanguard ETF invests all, or substantially all, of its assets in the stocks that make up the applicable Index, holding each stock in approximately the same proportion as its weighting in the Index.

Vanguard Canadian Aggregate Bond Index ETF

In order to achieve its investment objective, Vanguard Canadian Aggregate Bond Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the Barclays Global Aggregate Canadian Float Adjusted Bond Index. This Vanguard ETF invests by sampling the applicable Index, meaning that it holds a broadly diversified subset of Constituent Securities and/or other securities selected by the Sub-advisor that, in the aggregate, approximates the full Index in terms of primary risk factors and other key index characteristics. The Sub-advisor matches this Vanguard ETF’s portfolio investments to the primary risk factors of the applicable Index, including duration, yield, quality, sector distribution and issue exposure, and seeks to achieve returns that are similar to the applicable Index. This sampling technique is beneficial to this Vanguard ETF, as it is designed to reduce trading costs and avoid having to trade illiquid securities that may be included in the applicable Index. This Vanguard ETF maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between five and ten years.

Vanguard Canadian Short-Term Bond Index ETF

In order to achieve its investment objective, Vanguard Canadian Short-Term Bond Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the Barclays Global Aggregate Canadian Government/Credit 1 – 5 year Float Adjusted Bond Index. This Vanguard ETF invests by sampling the applicable Index, meaning that it holds a broadly diversified subset of Constituent Securities and/or other securities selected by the Sub-advisor that, in the aggregate, approximates the full Index in terms of primary risk factors and other key index characteristics. The Sub-advisor matches this Vanguard ETF’s portfolio

investments to the primary risk factors of the applicable Index, including duration, yield, quality, sector distribution and issue exposure, and seeks to achieve returns that are similar to the applicable Index. This sampling technique is beneficial to this Vanguard ETF, as it is designed to reduce trading costs and avoid having to trade illiquid securities that may be included in the applicable Index. This Vanguard ETF maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between two and four years.

Vanguard Canadian Short-Term Corporate Bond Index ETF

In order to achieve its investment objective, Vanguard Canadian Short-Term Corporate Bond Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the Barclays Global Aggregate Canadian Credit 1 – 5 year Float Adjusted Bond Index. This Vanguard ETF invests by sampling the applicable Index, meaning that it holds a broadly diversified subset of Constituent Securities and/or other securities selected by the Sub-advisor that, in the aggregate, approximates the full Index in terms of primary risk factors and other key index characteristics. The Sub-advisor matches this Vanguard ETF’s portfolio investments to the primary risk factors of the applicable Index, including duration, yield, quality, sector distribution and issue exposure, and seeks to achieve returns that are similar to the applicable Index. This sampling technique is beneficial to this Vanguard ETF, as it is designed to reduce trading costs and avoid having to trade illiquid securities that may be included in the applicable Index. This Vanguard ETF maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between two and four years.

Vanguard S&P 500 Index ETF

In order to achieve its investment objective, Vanguard S&P 500 Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the S&P 500 Index. This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund that seeks to track the S&P 500 Index. In the alternative or in addition to investing in the Vanguard Fund, this Vanguard ETF may invest its assets directly in the stocks that make up the applicable Index.

Vanguard S&P 500 Index ETF (CAD-hedged)

In order to achieve its investment objective, Vanguard S&P 500 Index ETF (CAD-hedged) employs a “passive management” - or indexing - investment approach designed to track the performance of the S&P 500 Index (CAD-Hedged). This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund that seeks to track the S&P 500 Index. It also uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the S&P 500 Index back to the Canadian dollar. In the alternative or in addition to investing in the Vanguard Fund, this Vanguard ETF may invest its assets directly in the stocks that make up the applicable Index.

Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)

In order to achieve its investment objective, Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) employs a “passive management” - or indexing - investment approach designed to track the performance of the MSCI US Broad Market 100% Hedged to CAD Index. This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund that seeks to track the MSCI US Broad Market Index. It also uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the MSCI US Broad Market Index back to the Canadian dollar. In the alternative or in addition to investing in the Vanguard Fund, this Vanguard ETF may invest its assets directly in the stocks that make up the applicable Index.

Vanguard MSCI EAFE Index ETF (CAD-hedged)

In order to achieve its investment objective, Vanguard MSCI EAFE Index ETF (CAD-hedged) employs a “passive management” - or indexing - investment approach designed to track the performance of the MSCI EAFE 100% Hedged to CAD Index. This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund that seeks to track the MSCI EAFE Index. It also uses derivative instruments to seek to hedge the foreign currency exposure of the securities included in the MSCI EAFE Index back to the Canadian dollar. In the alternative or in addition to

investing in the Vanguard Fund, this Vanguard ETF may invest its assets directly in the stocks that make up the applicable Index.

Vanguard MSCI Emerging Markets Index ETF

In order to achieve its investment objective, Vanguard MSCI Emerging Markets Index ETF employs a “passive management” - or indexing - investment approach designed to track the performance of the MSCI Emerging Markets Index. This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund that seeks to track the MSCI Emerging Markets Index. In the alternative or in addition, this Vanguard ETF may invest its assets directly in the stocks that make up the applicable Index.

Securities Lending

A Vanguard ETF may, in compliance with NI 81-102, lend securities to securities borrowers acceptable to it pursuant to the terms of a securities lending agreement between the Vanguard ETF’s securities lending agent and any such borrower under which: (i) the borrower will pay to the Vanguard ETF a negotiated securities lending fee and will make compensation payments to the Vanguard ETF equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Vanguard ETF will receive collateral security. The securities lending agent is responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

Use of Derivative Instruments

A Vanguard ETF may use derivative instruments from time to time for hedging or investment purposes, provided that the use of such derivative instruments is in compliance with NI 81-102 and is consistent with the investment objective and investment strategies of the Vanguard ETF. For example, a Vanguard ETF may use futures or other derivative instruments to gain exposure to a particular Constituent Security or other security, to a class of Constituent Securities and/or other securities or to the applicable Index or underlying index in circumstances where the Sub-advisor has determined that synthetic exposure would be preferable to a direct investment. Derivatives also may be used for a variety of purposes that do not constitute speculation, such as risk management, seeking to stay fully invested, seeking to reduce transaction costs, seeking to simulate investment in equity or debt securities or other investments, seeking to add value by using derivatives to more efficiently implement portfolio positions when derivatives are favourably priced relative to equity or debt securities or other investments and for other purposes.

Each of Vanguard S&P 500 Index ETF (CAD-hedged), MSCI U.S. Broad Market Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged) uses derivative instruments to seek to hedge the U.S. dollar or foreign currency exposure, as the case may be, of the securities including in the applicable underlying index back to the Canadian dollar.

Cash Management

From time to time, a Vanguard ETF may hold cash. The Vanguard ETF may hold this cash or invest it in money market instruments or securities of money market funds.

Rebalancing Events

Whenever an Index Provider rebalances or adjusts an Index, including by adding securities to or subtracting securities from that Index, or whenever the Sub-advisor determines that there should be a change to the representative sample of the Index, the applicable Direct Investment Vanguard ETF will acquire and/or dispose of the appropriate number of securities, either through one or more Designated Brokers or through other brokers in the open market.

Actions Affecting Constituent Issuers

From time to time, certain corporate or other actions may be taken or proposed by a Constituent Issuer or by a third party that could affect a Constituent Issuer of an Index. An example of such an action would be if a takeover bid or an issuer bid is made for a Constituent Security. In each such case, the Sub-advisor will determine, in its discretion, what steps, if any, the applicable Direct Investment Vanguard ETF will take to address the action. In exercising such discretion, the Sub-advisor will generally take those steps necessary to ensure that the Direct Investment Vanguard ETF continues to seek to track, to the extent reasonably possible and before fees and expenses, the applicable Index.

Extraordinary Events

For purposes of a merger or other transaction involving a Vanguard ETF, a Vanguard ETF may hold all or a significant portion of its assets in cash, money market instruments or securities of money market funds. As a result, in these limited circumstances, the Vanguard ETF may not be fully invested in accordance with its investment objective and, in a rising market, there could be a negative impact on performance relative to other fully invested exchange-traded funds with a similar objective.

OVERVIEW OF THE SECTORS IN WHICH THE VANGUARD ETFS INVEST

Set out below is a description of the relevant asset class for each Vanguard ETF.

Vanguard MSCI Canada Index ETF

Vanguard MSCI Canada Index ETF seeks to track the performance of the MSCI Canada Index. This Index is a market capitalization-weighted index that aims to capture approximately 85% of the publicly available total market capitalization. There is a chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years. Companies included in the Index represent industry classifications that maintain an index sector balance that is in line with the composition of the universe of eligible companies within the Index's then-current defined market capitalization range.

Vanguard FTSE Canadian High Dividend Yield Index ETF

Vanguard FTSE Canadian High Dividend Yield Index ETF seeks to track the performance of the FTSE Canada High Dividend Yield Index. This Index is a market capitalization-weighted index that aims to capture the performance of common stocks of Canadian companies that are characterized by high dividend yield. This Vanguard ETF invests in a diversified group of the highest yielding dividend and distribution paying Canadian listed companies across all industries other than real estate and related sectors, such as REITs and real estate investment and services.

Vanguard FTSE Canadian Capped REIT Index ETF

Vanguard FTSE Canadian Capped REIT Index ETF seeks to track the performance of the FTSE Canada All Cap Real Estate Capped 25% Index. This Index is a market capitalization-weighted index that aims to capture the performance of the publicly traded stocks of the Canadian real estate sector. Constituents securities eligible to be held in the Vanguard FTSE Canadian Capped REIT Index ETF are selected from the Canadian real estate supersector as defined by the Industry Classification Benchmark. The real estate supersector consists of two sectors in which this Vanguard ETF invests: REITs and real estate investment and services.

Vanguard Canadian Aggregate Bond Index ETF

Vanguard Canadian Aggregate Bond Index ETF seeks to track the performance of the Barclays Global Aggregate Canadian Float Adjusted Bond Index. This Index is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade fixed income securities issued in Canada - including

government, government-related and corporate products - all with maturities of more than one year. Longer term bonds tend to have greater volatility than short-term bonds.

Vanguard Canadian Short-Term Bond Index ETF

Vanguard Canadian Short-Term Bond Index ETF seeks to track the performance of the Barclays Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index. This Index is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade fixed income securities issued in Canada – including government, government-related and corporate products – all with maturities between one and five years. Short-term bonds tend to provide less volatility than long-term bonds.

Vanguard Canadian Short-Term Corporate Bond Index ETF

Vanguard Canadian Short-Term Corporate Bond Index ETF seeks to track the performance of the Barclays Global Aggregate Canadian Credit 1-5 year Float Adjusted Bond Index. This Index is a market capitalization-weighted index that represents a wide spectrum of public, investment-grade non-government fixed income securities issued in Canada with maturities between one and five years. Short-term bonds tend to provide less volatility than long-term bonds.

Vanguard S&P 500 Index ETF

Vanguard S&P 500 Index ETF seeks to track the performance of the S&P 500 Index. This Index is a market capitalization-weighted index that represents large capitalization U.S. stocks. There is a chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years.

Vanguard S&P 500 Index ETF (CAD-hedged)

Vanguard S&P 500 Index ETF (CAD-hedged) seeks to track the performance of the S&P 500 Index (CAD-Hedged). This Index is a market capitalization-weighted index that is designed to represent the returns of the S&P 500 Index, which is comprised of large capitalization U.S. stocks, with the U.S. dollar exposure of the securities included in the S&P 500 Index hedged back to the Canadian dollar. There is a chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years.

Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)

Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) seeks to track the performance of the MSCI US Broad Market 100% Hedged to CAD Index. This Index is a market capitalization-weighted index that is designed to represent the returns of the MSCI US Broad Market Index, which is comprised of large-, mid- and small-capitalization U.S. equities, with the U.S. dollar exposure of the securities included in the MSCI US Broad Market Index hedged back to the Canadian dollar. While considered one of the broadest measures of the U.S. equity market, the MSCI US Broad Market Index has a greater exposure to large-capitalization equities. There is a chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years. Companies included in the Index represent industry classifications that maintain an index sector balance that is in line with the composition of the universe of eligible companies within the Index's then-current defined market capitalization range.

Vanguard MSCI EAFE Index ETF (CAD-hedged)

Vanguard MSCI EAFE Index ETF (CAD-hedged) seeks to track the performance of the MSCI EAFE 100% Hedged to CAD Index. This Index is a market capitalization-weighted index that is designed to represent the

returns of the MSCI EAFE Index, which is a benchmark of approximately 950 common stocks of companies in approximately 22 countries in Europe, Australia, Asia and the Far East, with the foreign currency exposure of the securities included in the MSCI EAFE Index hedged back to the Canadian dollar. All major industry sectors in these countries are represented in the Index.

Vanguard MSCI Emerging Markets Index ETF

Vanguard MSCI Emerging Markets Index ETF seeks to track the performance of the MSCI Emerging Markets Index. This Index is a free float-adjusted market capitalization-weighted index of approximately 21 emerging markets in Europe, Asia, Africa, Latin America and Russia and includes approximately 850 common stocks of companies located in these emerging markets. There is a chance that the stocks of companies located in emerging markets will be substantially more volatile and substantially less liquid than the stocks of companies located in more developed foreign markets.

INVESTMENT RESTRICTIONS

The Vanguard ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102. The Vanguard ETFs are managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by Canadian securities regulatory authorities (see “Exemptions and Approvals”). A change to the investment objective of a Vanguard ETF would require the approval of the Unitholders. Please see “Unitholder Matters – Matters Requiring Unitholders Approval”.

Each Vanguard ETF also is restricted from making an investment or undertaking an activity that would result in such Vanguard ETF failing to qualify as a “mutual fund trust” for the purposes of the Tax Act. In addition, no Vanguard ETF may invest in any property or engage in any undertaking that would cause the Vanguard ETF to have “non-portfolio earnings” as defined in section 122.1 of the Tax Act in an amount that would result in the Vanguard ETF paying a material amount of income tax.

Exemptions and Approvals

The Vanguard ETFs have obtained exemptive relief from the Canadian securities regulatory authorities to permit the following practices:

- (i) the purchase by a Unitholder of more than 20% of the Units of any Vanguard ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder, provides the Manager with an undertaking not to exercise any votes attached to Units that represent more than 20% of the votes attached to all outstanding Units of that Vanguard ETF at any meeting of Unitholders;
- (ii) to relieve the Vanguard ETFs from the requirement that a prospectus contain a certificate of the underwriter or underwriters; and
- (iii) to permit the Vanguard ETF to borrow cash for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distributions payable to Unitholders that represents amounts that have not yet been received by the Vanguard ETF and, in any event, does not exceed 5% of the net assets of the Vanguard ETF.

FEES AND EXPENSES

This section details the fees and expenses payable in connection with an investment in the Vanguard ETFs. An investor may pay some of these fees and expenses directly. The Vanguard ETFs may pay some of these fees and expenses, which will therefore reduce the value of an investment in the Vanguard ETFs.

Fees and Expenses Payable by the Vanguard ETFs

Management Fee

Each Vanguard ETF pays a management fee, plus applicable taxes, to the Manager based on the annual rate set forth in the table below and the NAV of the Vanguard ETF. This management fee is calculated and accrued daily and is paid monthly.

Vanguard ETFs	Management fee (annual rate)
Vanguard MSCI Canada Index ETF	0.09% of NAV
Vanguard FTSE Canadian High Dividend Yield Index ETF	0.30% of NAV
Vanguard FTSE Canadian Capped REIT Index ETF	0.35% of NAV
Vanguard Canadian Aggregate Bond Index ETF	0.20% of NAV
Vanguard Canadian Short-Term Bond Index ETF	0.15% of NAV
Vanguard Canadian Short-Term Corporate Bond Index ETF	0.15% of NAV
Vanguard S&P 500 Index ETF	0.15% of NAV ⁽¹⁾
Vanguard S&P 500 Index ETF (CAD-hedged)	0.15% of NAV ⁽¹⁾
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	0.15% of NAV ⁽¹⁾
Vanguard MSCI EAFE Index ETF (CAD-hedged)	0.37% of NAV ⁽¹⁾
Vanguard MSCI Emerging Markets Index ETF	0.49% of NAV ⁽¹⁾

⁽¹⁾ This Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund. To ensure that there is no duplication of management fees chargeable in connection with the Vanguard ETF and its investment in the Vanguard Fund, the management fee payable by the Vanguard ETF to the Manager set out above is reduced by the aggregate of the management fee payable by the Vanguard Fund to an affiliate of the Manager and certain expenses of the Vanguard Fund that are paid directly by the Vanguard Fund (together, the “Vanguard Fund total expense ratio”). The Vanguard Fund total expense ratio is embedded in the market value of the Vanguard Fund shares in which the Vanguard ETF invests.

To encourage very large investments in a Vanguard ETF by a particular Unitholder, the Manager may, in its discretion, agree to charge the Vanguard ETF a reduced management fee as compared to the management fee that it otherwise would be entitled to receive, provided that the amount of the reduced management fee is distributed periodically by the Vanguard ETF to the Unitholder as a management fee distribution. Any reduction will depend on a number of factors, including the amount invested, the NAV of the Vanguard ETF and the expected amount of account activity. Any tax consequences of a management fee distribution will generally be borne by the Unitholder who receives the distribution.

Certain Operating Expenses

The only expenses payable by each Vanguard ETF are the applicable management fee, fees and expenses related to the implementation and on-going operation of the IRC, brokerage expenses and commissions, the fees under any derivative instrument used by the Vanguard ETF, the cost of complying with new government or regulatory requirements, extraordinary expenses, any goods and services or harmonized sales taxes on these expenses and any income, withholding or other taxes.

The Manager may decide, in its discretion, to pay for some of these operating expenses otherwise payable by a Vanguard ETF, rather than having the Vanguard ETF incur such operating expenses. As of August 1, 2012, the Manager has agreed to pay the ongoing operating expenses of the IRC, rather than charging those expenses to the Vanguard ETF. The Manager may, in its discretion, discontinue paying such expenses at any time.

Fees and Expenses Payable by the Manager

Other than the expenses payable by the Vanguard ETFs, as described above, the Manager is responsible for all of the other costs and expenses of the Vanguard ETFs. These costs and expenses include, but are not limited to, all of the legal, accounting, printing and other costs and expenses not payable by the Vanguard ETFs and the fees payable to the Custodian, the Registrar and Transfer Agent, the Accounting Agent, the Sub-Advisor, the auditors and other service providers retained by the Manager as described under “Organization and Management Details of the Vanguard ETFs – Manager of the Vanguard ETFs – Duties and Services to be Provided by the Manager” and any expenses that the Manager voluntarily reimburses to the Vanguard ETFs.

Fees and Expenses Payable Directly by Unitholders

Unitholders who buy and sell their Units through the facilities of the TSX do not pay a fee directly to the Manager or the Vanguard ETF in respect of those purchases and sales.

If agreed in the applicable designated broker agreement or dealer agreement, the Manager or a Vanguard ETF may charge Designated Brokers and/or Dealers a fee to offset certain transaction costs associated with an issue, exchange or redemption of Units of that Vanguard ETF to or by such Designated Broker and/or Dealer. See “Purchase of Units” and “Redemption of Units”.

ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO

The indicated rates of return below are historical total returns. These returns assume the reinvestment of distributions, which increases returns, but do not take into account customary brokerage commissions for buying or selling Units on the TSX, administrative fees or income taxes payable by any Unitholder, all of which would have reduced the returns. As each Existing Vanguard ETF was in distribution for less than a full financial year, the management expense ratio indicated below has been annualized. The New Vanguard ETFs have not been included in this table because they are newly created.

Existing Vanguard ETFs	Annual Returns⁽¹⁾/ Management Expense Ratio⁽²⁾
Vanguard MSCI Canada Index ETF	2011
Annual returns ⁽¹⁾	-2.11%
Management Expense Ratio ⁽²⁾	0.69%
Vanguard Canadian Aggregate Bond Index ETF	2011
Annual returns ⁽¹⁾	1.86%
Management Expense Ratio ⁽²⁾	0.61%
Vanguard Canadian Short-Term Bond Index ETF	2011
Annual returns ⁽¹⁾	0.43%
Management Expense Ratio ⁽²⁾	0.69%
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	2011
Annual returns ⁽¹⁾	0.44%
Management Expense Ratio ⁽²⁾	1.15%
Vanguard MSCI EAFE Index ETF (CAD-hedged)	2011
Annual returns ⁽¹⁾	-1.37%

Management Expense Ratio ⁽²⁾	1.44%
Vanguard MSCI Emerging Markets Index ETF	2011
Annual returns ⁽¹⁾	-4.63%
Management Expense Ratio ⁽²⁾	1.43%

⁽¹⁾ Returns for the period November 30, 2011 through December 31, 2011.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the period of November 30, 2011 to December 31, 2011 and is expressed as an annualized percentage of the daily average NAV during this period. The reported management expense ratio for this period includes expenses incurred in relation to the implementation of the Existing Vanguard ETF's IRC during the two months prior to the Existing Vanguard ETF's launch. These "accrued" costs were then applied to the Existing Vanguard ETF's relatively modest level of average net assets during their one month of operation in 2011. The result is an abnormally high management expense ratio. In the future, as the IRC accrual period matches the Vanguard ETF's operational period and as assets in each Vanguard ETF increase, the Manager expects the management expense ratio to decline.

At its sole discretion, the Manager may waive a portion of the management fees or absorb a portion of the operating expenses of certain Vanguard ETFs.

RISK FACTORS

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units that prospective investors should consider before purchasing such Units:

General Risks Relating to an Investment in the Vanguard ETFs

General Risks of Investments

The value of the underlying securities of a Vanguard ETF, whether held directly or indirectly, may fluctuate in accordance with changes in the financial condition of the issuers of those underlying securities (particularly those that are more heavily weighted in a particular Index), the condition of equity, debt and currency markets generally and other factors. The identity and weighting of the Constituent Issuers and Constituent Securities in the applicable Index also change from time to time.

The risks inherent in investments in equity and debt securities, whether held directly or indirectly, include the risk that the financial condition of the issuers of the securities may become impaired or that the general condition of the stock or bond market may deteriorate (either of which may cause a decrease in the value of the Indices and, as a result, a decrease in the value of the Units of the Vanguard ETFs). Equity securities are susceptible to general stock market fluctuations and the financial condition of the issuer. Fixed income securities are susceptible to general interest rate fluctuations and to changes in investors' perception of inflation expectations and the condition of the issuer. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction and global or regional political, economic and banking crises.

Index Investment Strategy and Passive Investment Risks

The value of the applicable Index of a Vanguard ETF may fluctuate in accordance with the financial condition of the Constituent Issuers that are represented in such Index (particularly those that are more heavily weighted), the value of the securities generally and other factors.

A Vanguard ETF may, in tracking an Index, have more of its net assets invested in one or more Constituent Issuers than is usually permitted for investment funds. In these circumstances, the Vanguard ETF may tend to be more volatile and less liquid than more diversified investment funds, as it is affected more by the performance of individual issuers.

Because the investment objective of each Vanguard ETF is to seek to track the performance of the applicable Index, the Sub-advisor will not attempt to take defensive positions in declining markets. Therefore, the adverse financial condition of a Constituent Issuer represented in an Index will not necessarily result in the elimination of exposure to its securities, whether direct or indirect, by a Vanguard ETF unless the Constituent Securities are removed from the applicable Index.

Risk of Error in Tracking the Applicable Index

Each Vanguard ETF will not track exactly the performance of the applicable Index because the total return generated by the Units will be reduced by the management fee paid or payable by the Vanguard ETF, the brokerage and commission costs incurred in acquiring and rebalancing the portfolio of securities held by the Vanguard ETF and certain other expenses paid or payable by the Vanguard ETF. These fees and expenses are not included in the calculation of the performance of the applicable Index.

Deviations in the tracking of the applicable Index by a Vanguard ETF could occur for a variety of other reasons. For example, where a Direct Investment Vanguard ETF tenders securities under a successful takeover bid for less than all securities of a Constituent Issuer and the Constituent Issuer is not removed from the applicable Index, the Direct Investment Vanguard ETF may be required to buy replacement securities at a purchase price that may be more than the takeover bid price due to timing variances.

It is also possible that a Vanguard ETF may not closely track the performance of the applicable Index due to the temporary unavailability of certain Constituent Securities in the secondary market, the investment strategies and investment restrictions applicable to the Vanguard ETF, including the use of a sampling methodology, or due to other extraordinary circumstances.

Rebalancing and Subscription Risk

Adjustments to the Basket of Securities necessitated by a rebalancing event could affect the underlying market for the Constituent Securities of the applicable Index, which in turn would affect the value of that Index. Similarly, subscriptions for Units by Designated Brokers and Dealers may impact the market for the Constituent Securities of the Index, as the Designated Broker or the Dealer seeks to buy or to borrow the Constituent Securities to constitute the Baskets of Securities to be delivered to the Direct Investment Vanguard ETF as payment for the Units to be issued.

Calculation and Termination of the Indices

The Index Providers calculate, determine and maintain the respective Indices. The Indices were not created by the Index Providers for the exclusive use of the Vanguard ETFs. The Index Providers have the right to make adjustments to, or to cease to calculate, the applicable Indices without regard to the particular interests of the Manager, the Vanguard ETFs or the Unitholders.

If the computer or other facilities of an Index Provider or the TSX malfunction for any reason, calculation of value of one or more Indices and the determination by the Manager of the Prescribed Number of Units and Baskets of Securities for the applicable Vanguard ETF may be delayed, and trading in Units may be suspended, for a period of time.

With respect to a Vanguard ETF, if the Index Provider ceases to calculate the applicable Index or the Index License Agreement in respect of the applicable Index is terminated, the Manager may: (i) terminate the applicable Vanguard ETF on not less than 60 days' notice to Unitholders; (ii) change the investment objective of the applicable Vanguard ETF (subject to Unitholder approval as required in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Vanguard ETF in the circumstances.

Trading Price of Units

Units may trade in the market at a premium or a discount to the NAV per Unit. There can be no assurance that Units will trade at prices that reflect their NAV per Unit. The trading price of the Units will fluctuate in accordance with changes in the Vanguard ETF's NAV, as well as market supply and demand on the TSX and other trading venues. However, given that Unitholders may subscribe for or exchange or redeem a Prescribed Number of Units at the NAV per Unit, the Manager believes that large discounts or premiums to the NAV per Unit of a Vanguard ETF should not be sustained. If a Unitholder purchases Units of a Vanguard ETF at a time when the market price of a Unit is at a premium to the NAV per Unit or sells Units of a Vanguard ETF at a time when the market price of a Unit is at a discount to the NAV per Unit, the Unitholder may sustain a loss.

Fluctuations in NAV

The NAV per Unit of a Vanguard ETF will vary according to, among other things, the value of the securities held by the Vanguard ETF. The Manager and the Vanguard ETF have no control over the factors that affect the value of the securities held by the Vanguard ETF, including factors that affect the equity markets generally, such as general economic and political conditions, fluctuations in interest rates and factors unique to each issuer included in the applicable Index, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution and dividend policies and other events.

Illiquid Securities

If a Vanguard ETF is unable to dispose of some or all of the securities held by it, that Vanguard ETF may experience a delay in the receipt of the proceeds of disposition until such time as it is able to dispose of such securities. Likewise, if certain Constituent Securities of the applicable Index are particularly illiquid, the Sub-advisor may be unable to acquire the number of securities necessary to track the weighting of such Constituent Securities in the Index at a price acceptable to the Sub-advisor on a timely basis.

Concentration Risk

The Vanguard ETFs have investment objectives that are less diversified than the overall market and the NAV of these Vanguard ETFs may be more volatile than the value of a more broadly diversified balanced portfolio and may fluctuate substantially over short periods of time.

Use of Derivative Instruments

Each of Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged), Vanguard S&P 500 Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged) uses derivative instruments to seek to hedge U.S. dollar or foreign currency exposure, as the case may be, of the securities included in the applicable underlying index back to the Canadian dollar. In order to comply with applicable securities legislation, these Vanguard ETFs may not be able to fully hedge their foreign exposure at all times. In addition, the Vanguard ETFs may use futures or other derivative instruments to gain indirect exposure to one or more of the Constituent Securities, to other securities or to the applicable Index. Each Vanguard ETF may also use derivative instruments from time to time in accordance with NI 81-102 as described under "Investment Strategies".

The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) no guarantee that hedging to reduce risk will not result in a loss or that there will be a gain; (ii) no guarantee that a market will exist when the Vanguard ETF wants to complete the derivative contract, which could prevent the Vanguard ETF from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Vanguard ETF from completing the derivative contract; (iv) the Vanguard ETF could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; (v) if the Vanguard ETF has an open position in an option, a futures contract or a forward contract with a dealer or counterparty who goes bankrupt, the Vanguard ETF could experience a loss and,

for an open futures or forward contract, a loss of margin deposits with that dealer or counterparty; and (vi) if a derivative is based on a stock market index and trading is halted on a substantial number of stocks in the index or there is a change in the composition of the index, there could be an adverse effect on the derivative.

Securities Lending

Each Vanguard ETF may engage in securities lending in accordance with NI 81-102. Although it will receive collateral for the loans and such collateral will be marked-to-market, a Vanguard ETF may be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Borrowing Risk

From time to time, a Vanguard ETF may borrow cash as a temporary measure to fund the portion of a distribution payable to its Unitholders that represents amounts that have not yet been received by the Vanguard ETF. Each Vanguard ETF is limited to borrowing up to the amount of the unpaid distribution and, in any event, not more than 5% of the net assets of that Vanguard ETF. There is a risk that a Vanguard ETF will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, the Vanguard ETF would be required to repay the borrowed amount by disposing of portfolio assets.

Changes in Law

There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects the Vanguard ETFs or the Unitholders. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts, SIFT trusts, an investment in a non-resident trust or an investment by a Registered Plan will not be changed in a manner that adversely affects the Vanguard ETFs or the Unitholders.

There have been several Tax Proposals that may alter or adversely affect the taxation of the Vanguard ETFs and the Unitholders. These Tax Proposals, which have taken different forms, include, for example, rules relating to the deductibility of losses where there is no reasonable expectation of profit and the restriction on non-resident ownership of units in a mutual fund trust. In addition, as part of the 2010 Federal Budget, the Minister of Finance (Canada) announced the intention to proceed to enact proposed rules relating to the taxation of non-resident trusts (the “NRT Rules”). Draft legislation was released on August 27, 2010 (with explanatory notes released September 10, 2010). The scope and application of the NRT Rules is still uncertain, including with respect to investments made by a Vanguard ETF in non-resident trusts. It is expected that any investment made by a Vanguard ETF in a non-resident trust will be an “exempt foreign trust”; however, no assurances can be given in this regard. There can be no assurance that the above Tax Proposals will be enacted in their current proposed form, in a different form or at all, or that enactment will not adversely affect the Vanguard ETFs and the Unitholders.

U.S. federal tax legislation (called the “Foreign Account Tax Compliance Act” or “FATCA”) could impact the Vanguard ETFs and the Unitholders. The intention of FATCA is to prevent U.S. taxpayers from avoiding U.S. income tax. The impact of this legislation on the Vanguard ETFs and the Unitholders is still uncertain. Subject to that further guidance, the Unitholders may be required to complete certain FATCA-related documentation or be subject to 30% withholding on a portion of distributions and redemption proceeds received from the Vanguard ETFs. If a Unitholder becomes subject to withholding under FATCA, the Manager may cause the Vanguard ETF to redeem the Units held by that Unitholder at a redemption price equal to the NAV per Unit on the effective date of such redemption.

Taxation of the Vanguard ETFs

The Vanguard ETFs are subject to certain tax risks generally applicable to Canadian investment funds, including the following.

If a Vanguard ETF does not or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” could be materially and adversely different in some respects.

A Vanguard ETF will be a “SIFT trust” (as defined in the Tax Act) if it holds a “non-portfolio property” (as defined in the Tax Act). Under the SIFT Rules, a Vanguard ETF will generally be subject to tax at rates comparable to rates applicable to a Canadian corporation on income from a non-portfolio property and net taxable capital gains realized on the disposition of a non-portfolio property. Unitholders who receive distributions from a Vanguard ETF of this income and gain are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by a Vanguard ETF on its non-portfolio earnings and the tax payable by a Unitholder on the distribution of those earnings will generally be more than the tax that would have been payable in the absence of the SIFT Rules. The Declaration of Trust requires each Vanguard ETF to restrict its investments and activities so its non-portfolio earnings and thus SIFT tax liability are immaterial; however, no assurance can be given in this regard.

Absence of an Active Market for the Units

Although the New Vanguard ETFs may be listed on the TSX and the Existing Vanguard ETFs are listed on the TSX, there can be no assurance that an active public market for the Units will develop or be sustained. The New Vanguard ETFs are newly organized exchange-traded funds with no previous operating history.

Cease Trading of Units

Trading of Units on the TSX may be halted by the activation of individual or marketwide “circuit breakers” (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Units may also be halted if: (i) the Units are delisted from the TSX without first being listed on another exchange; or (ii) TSX officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

Additional Risks Relating to an Investment in each Vanguard ETF

In addition to the general risk factors, the following additional risk factors are inherent in an investment in one or more of the Vanguard ETFs as indicated in the table below. A description of each of these risks, listed in alphabetical order, follows the table.

Vanguard ETF	Additional Risks
Vanguard MSCI Canada Index ETF	Investment Style Risk
Vanguard FTSE Canadian High Dividend Yield Index ETF	Industry Risk; Investment Style Risk; Non-Diversification Risk
Vanguard FTSE Canadian Capped REIT Index ETF	Investment Style Risk; Non-Diversification Risk; Sector Risk
Vanguard Canadian Aggregate Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard Canadian Short-Term Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard Canadian Short-Term Corporate Bond Index ETF	Call Risk; Credit Risk; Income Risk; Interest Rate Risk; Sampling Process Risk
Vanguard S&P 500 Index ETF	Country/Regional Risk; Investment Style Risk;

Vanguard ETF	Additional Risks
	Underlying Vanguard Fund Risk
Vanguard S&P 500 Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Investment Style Risk; Underlying Vanguard Fund Risk
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Investment Style Risk; Underlying Vanguard Fund Risk
Vanguard MSCI EAFE Index ETF (CAD-hedged)	Country/Regional Risk; Currency Hedging Risk; Underlying Vanguard Fund Risk
Vanguard MSCI Emerging Markets Index ETF	Country/Regional Risk; Currency Risk; Emerging Markets Risk; Underlying Vanguard Fund Risk

Call Risk

There is a chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. A Vanguard ETF that invests in such callable bonds would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in that Vanguard ETF's income. Call risk should be low for each of Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF and Vanguard Canadian Short-Term Corporate Bond Index ETF.

Country/Regional Risk

There is a chance that world events - such as political upheaval, financial troubles or natural disasters - will adversely affect the value of securities issued by companies in foreign countries or regions. Country/regional risk is especially high in emerging markets. An Index's, and therefore a Vanguard ETF's, heavy exposure to emerging markets subjects the ETF to a higher degree of country/regional risk than that of more geographically diversified international funds.

Credit Risk

There is chance that a bond issuer will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be low for a Vanguard ETF that purchases only bonds that are of investment-grade quality.

Currency Risk

There is a chance that the value of a foreign investment, measured in Canadian dollars, will decrease because of unfavourable changes in currency exchange rates. Currency risk is especially high in emerging markets.

Currency Hedging Risk

Each of Vanguard S&P 500 Index ETF (CAD-hedged), Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) and Vanguard MSCI EAFE Index ETF (CAD-hedged) seeks to hedge its direct U.S. dollar or foreign currency exposure, as the case may be, back to the Canadian dollar by entering into currency forward transactions with financial institutions that have an "approved credit rating" as defined in NI 81-102. Although there is no assurance that these currency forward transactions will be effective, the Sub-advisor expects these currency forward transactions to be substantially effective. However, some deviations from the returns of the applicable Index are expected to occur as a result of the costs, risks or other performance impacts of this currency hedging strategy.

The effectiveness of these Vanguard ETFs' currency hedging strategy will, in general, be affected by the volatility of both the applicable Index and the volatility of the Canadian dollar relative to the currencies to be hedged. Increased volatility will generally reduce the effectiveness of the currency hedging strategy. The effectiveness of this currency hedging strategy may also be affected by any significant difference between Canadian dollar interest rates and foreign currency interest rates.

Emerging Markets Risk

There is a chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets.

Income Risk

For a Vanguard ETF that purchases bonds, there is a chance that the Vanguard ETF's income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bonds, so investors should expect the monthly income of each of Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF and Vanguard Canadian Short-Term Corporate Bond Index ETF to fluctuate accordingly.

Industry Risk

There is a chance that significant problems will affect a particular industry or that returns from that industry will trail returns from the overall stock market. Daily fluctuations in specific market industries are often more extreme than fluctuations in the overall market.

Interest Rate Risk

There is a chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for each of Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF and Vanguard Canadian Short-Term Corporate Bond Index ETF because its weighted average duration is relatively low and its prices are less sensitive to interest rate changes than are the prices of long-term bonds.

Investment Style Risk

There is a chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years.

Non-Diversification Risk

There is a chance that a Vanguard ETF's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. Non-diversification risk is high in those Vanguard ETFs that tend to invest a relatively high percentage of their assets in its ten largest holdings and in its single largest holding.

Sampling Process Risk

Certain of the Vanguard ETFs employ a sampling process or may hold a Vanguard Fund or other investment fund that employs a sampling process. A sampling process involves seeking to track the performance of the applicable Index by holding a broadly diversified subset of Constituent Securities and/or other securities selected by the Sub-advisor that, in the aggregate, approximate the applicable Index in terms of primary risk factors and other key index characteristics. It is possible that the use of a sampling process may result in a greater deviation in performance relative to the applicable Index than a replication strategy in which only the Constituent Securities are held in the portfolio in approximately the same proportions as they are represented in the applicable Index.

Sector Risk

There is a chance that real estate companies will decline because of adverse developments affecting the real estate sector and real property values. Because Vanguard FTSE Canadian Capped REIT Index ETF concentrates its assets in real estate stocks, sector concentration is high.

Underlying Vanguard Fund Risk

The securities of the Vanguard Funds in which certain Vanguard ETFs invest may trade below, at or above their respective net asset values per security. The net asset value per security will fluctuate with changes in the market value of that investment fund's holdings. The trading prices of the securities of those investment funds will fluctuate in accordance with changes in the applicable fund's net asset value per security, as well as market supply and demand on the stock exchange on which those funds are listed and other trading venues.

If a Vanguard ETF purchases a security of an underlying investment fund at a time when the market price of that security is at a premium to the net asset value per security or sells a security at a time when the market price of that security is at a discount to the net asset value per security, the Vanguard ETF may sustain a loss.

DISTRIBUTION POLICY

Income distributions, if any, will be paid in cash and are expected to be paid periodically as set out in the table below. Cash distributions may include a return of capital. Capital gains distributions, if any, will be paid annually and will be automatically reinvested in additional Units. Immediately following such reinvestment, the number of Units outstanding will be consolidated so that the NAV per Unit following the capital gains distribution and reinvestment is the same as it would have been if the distribution had not been paid.

Vanguard ETF	Frequency of Cash Distributions
Vanguard MSCI Canada Index ETF	Quarterly
Vanguard FTSE Canadian High Dividend Yield Index ETF	Monthly
Vanguard FTSE Canadian Capped REIT Index ETF	Quarterly
Vanguard Canadian Aggregate Bond Index ETF	Monthly
Vanguard Canadian Short-Term Bond Index ETF	Monthly
Vanguard Canadian Short-Term Corporate Bond Index ETF	Monthly
Vanguard S&P 500 Index ETF	Quarterly
Vanguard S&P 500 Index ETF (CAD-hedged)	Quarterly
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	Quarterly
Vanguard MSCI EAFE Index ETF (CAD-hedged)	Quarterly

Vanguard MSCI Emerging Markets Index ETF	Quarterly
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The above table sets out the current expected frequency of cash distributions for each Vanguard ETF. The Manager may, in its sole discretion, change the frequency of such distributions, which change will be announced by the Manager in a press release.

A Unitholder who exchanges or redeems Units during the period that begins two business days prior to a distribution record date and ends on and includes that distribution record date will be entitled to receive the distribution that is declared payable to Unitholders of record on that distribution record date. Net income and net realized capital gains may be distributed to Unitholders on the redemption or exchange of Units as part of the redemption or exchange price. Management fee distributions, if any, will be paid first out of the net income and net realized capital gains of a Vanguard ETF and then out of capital. Each Vanguard ETF intends to distribute a sufficient amount of its net income and net realized capital gains to Unitholders each year so that the Vanguard ETF will not be liable for ordinary income tax.

The tax treatment to Unitholders of distributions is discussed under the heading “Income Tax Considerations”.

Reinvestment Plan

The Manager may implement a Reinvestment Plan under which cash distributions are used to purchase Plan Units in the market and are credited to the Plan Participant through CDS. Following implementation of the Reinvestment Plan, a Unitholder who wishes to enrol in the Reinvestment Plan as of a particular distribution record date should notify his, her or its CDS Participant sufficiently in advance of that distribution record date to allow the CDS Participant to notify CDS by 5:00 p.m. (Toronto time) on that distribution record date.

Fractional Units

No fractional Plan Units will be delivered under the Reinvestment Plan. Payment in cash for any remaining uninvested funds may be made in lieu of delivering fractional Plan Units by the Plan Agent to CDS or a CDS Participant, on a monthly or quarterly basis, as the case may be. Where applicable, CDS will, in turn, credit the Plan Participant, via the applicable CDS Participant.

Amendments, Suspension or Termination of the Reinvestment Plan

Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular distribution record date by notifying their CDS Participant no later than 4:00 p.m. (Toronto time) at least two business days prior to the applicable distribution record date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its rights to terminate participation in the Reinvestment Plan.

The Manager is permitted to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days’ notice to the Plan Participants and the Plan Agent, subject to any required regulatory approval. The Manager is also permitted to amend, modify or suspend the Reinvestment Plan at any time, in its sole discretion, provided that it complies with certain requirements, and gives notice of such amendment, modification or suspension to the Plan Participants and the Plan Agent, subject to any required regulatory approval, which notice may be given by issuing a press release containing a summary description of the amendment or in any other manner that the Manager determines to be appropriate.

The Manager may from time to time adopt rules and regulations to facilitate the administration of the Reinvestment Plan. The Manager reserves the right to regulate and interpret the Reinvestment Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Reinvestment Plan.

Other Provisions

Participation in the Reinvestment Plan is restricted to Unitholders who are residents of Canada for the purposes of the Tax Act. Partnerships (other than “Canadian partnerships” as defined in the Tax Act) are not eligible to participate in the Reinvestment Plan. Upon becoming a non-resident of Canada or a partnership (other than a Canadian partnership), a Plan Participant shall notify its CDS Participant and terminate participation in the Reinvestment Plan immediately.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. See “Income Tax Considerations”.

Unitholders that are not Unitholders of record on the record date for any distribution will not be entitled to receive that distribution.

PURCHASES OF UNITS

Continuous Distribution

Units of the Vanguard ETFs are being offered on a continuous basis and there is no maximum number of Units that may be issued.

Initial Investment in the New Vanguard ETFs

In compliance with NI 81-102, the New Vanguard ETFs will not issue Units to the public until subscriptions aggregating not less than \$500,000 have been received by the New Vanguard ETFs from investors other than persons or companies related to the Manager or its affiliates and have been accepted by the New Vanguard ETFs.

Designated Brokers

The Manager, on behalf of each Vanguard ETF, has entered into a designated broker agreement with one or more Designated Brokers pursuant to which the Designated Broker has agreed to perform certain duties relating to the Vanguard ETFs including, without limitation: (i) to subscribe for a sufficient number of Units to satisfy the TSX’s original listing requirements; (ii) to subscribe for Units on an ongoing basis in connection with any rebalancing event or other action as described under “Investment Strategies –Rebalancing Events” and “Investment Strategies – Actions Affecting Constituent Issuers” and when cash redemptions of Units occur as described under “Redemption of Units”; and (iii) to post a liquid two-way market for the trading of Units on the TSX.

The designated broker agreement provides that the Manager may from time to time and, in any event not more than once quarterly, require the Designated Broker to subscribe for Units of a Vanguard ETF for cash in a dollar amount not to exceed 0.30% of the NAV of the Vanguard ETF. The number of Units issued will be the subscription amount divided by the NAV per Unit next determined following the delivery by the Manager of a subscription notice to the Designated Broker. Payment for the Units must be made by the Designated Broker by no later than the third Trading Day after the subscription notice has been delivered.

Issuance of Units

To Designated Brokers and Dealers

Generally, all orders to purchase Units directly from a Vanguard ETF must be placed by Designated Brokers or Dealers. Each Vanguard ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or a Dealer. No fees are payable by a Vanguard ETF to a Designated Broker or a Dealer in connection with the issuance of Units. On the issuance of Units and if agreed in the applicable designated broker agreement or dealer agreement, the Manager or a Vanguard ETF may charge a fee to a Designated Broker and/or Dealer to offset the expenses incurred in issuing the Units to such Designated Brokers and/or Dealers.

After the initial issuance of Units to the Designated Broker(s) to satisfy the TSX's original listing requirements, on any Trading Day, a Dealer (who may also be a Designated Broker) may place a subscription order for the Prescribed Number of Units (or a whole multiple thereof) of a Vanguard ETF. If a subscription order is received at the Toronto office of the Registrar and Transfer Agent of the Vanguard ETF by the applicable Cut-Off Time on a Trading Day, the Vanguard ETF will issue to the Designated Broker or the Dealer the Prescribed Number of Units (or a whole multiple thereof) based on the NAV per Unit determined on such Trading Day. If a subscription order is not received by the applicable Cut-Off Time on a Trading Day, the subscription order will be deemed to be received only on the next Trading Day.

For each Prescribed Number of Units issued, a Dealer must deliver payment consisting of, in the Sub-advisor's discretion: (i) one Basket of Securities and cash in an amount sufficient so that the value of the securities and the cash received is equal to the aggregate NAV per Unit of the Prescribed Number of Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the aggregate NAV per Unit of the Prescribed Number of Units next determined following the receipt of the subscription order; or (iii) a combination of securities and cash, as determined by the Manager, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate NAV per Unit of the Prescribed Number of Units next determined following the receipt of the subscription order.

The Manager will make available to the Designated Brokers and the Dealers information as to the Prescribed Number of Units and the Basket of Securities for each Vanguard ETF for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

Units may also be issued by a Vanguard ETF to Designated Brokers or Dealers in a number of other circumstances as required for the operation of the Vanguard ETF.

To Unitholders

Units may be issued by a Vanguard ETF to Unitholders on the automatic reinvestment of certain distributions as described under "Distribution Policy" and "Income Tax Considerations - Taxation of the Vanguard ETFs".

Buying and Selling Units

Units of each of the Existing Vanguard ETFs are listed on the TSX and an investor may buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides. The Manager, on behalf of the New Vanguard ETFs, has applied to list the Units of the New Vanguard ETFs on the TSX. Subject to receiving conditional approval and satisfying the TSX's original listing requirements, these Units will be listed on the TSX and an investor will be able to buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides. Accordingly, investors may trade Units in the same way as other securities listed on the TSX, including by using market orders and limit orders. Investors may incur customary brokerage commissions in buying or selling Units. The Vanguard ETFs issue Units directly to the Designated Brokers and the Dealers.

From time to time, as may be agreed by a prospective purchaser and the Designated Brokers and the Dealers, the Designated Brokers and the Dealers may agree to accept Constituent Securities as payment for Units from a prospective purchaser.

Special Considerations for Unitholders

The Vanguard ETFs have obtained exemptive relief from the so-called "early warning" reporting requirements in Canadian securities legislation that would otherwise apply if a person or company acquires 10% or more of the Units of a Vanguard ETF. In addition, the Vanguard ETFs have also obtained exemptive relief from the securities regulatory authorities to permit Unitholders to acquire more than 20% of the Units of any Vanguard ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder,

provides the Manager with an undertaking not to exercise any votes attached to Units that represent more than 20% of the votes attached to all outstanding Units of that Vanguard ETF at any meeting of Unitholders.

Under the Universal Market Integrity Rules applicable to trading on the TSX, market participants are generally not permitted to sell securities short unless the price is at or above the last sale price. However, under these rules market participants are permitted to sell Units of any Vanguard ETF short and at any price on the TSX without regard to this restriction.

The Units of each Vanguard ETF are index participation units within the meaning of NI 81-102. Accordingly, mutual funds may purchase Units of these Vanguard ETFs without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

Non-Resident Unitholders

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units of a Vanguard ETF at any time during which more than 10% of the property of the Vanguard ETF consists of certain “taxable Canadian property” (as defined in the Tax Act). The Manager shall inform the Registrar and Transfer Agent of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of a Vanguard ETF then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of such Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

The Units of the Vanguard ETFs are not designed for, or intended to be held by, U.S. persons. If the Manager becomes aware that a U.S. person is a beneficial owner of Units, the Manager may cause the Vanguard ETF to redeem the Units held by such U.S. person at a redemption price equal to the NAV per Unit on the effective day of such redemption.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager reasonably determines that the failure to take any such action would not adversely impact the status of the Vanguard ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Vanguard ETF as a mutual fund trust for purposes of the Tax Act.

Registration and Transfer through CDS

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of a Unitholder must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholder will receive only the customary confirmation. All distributions and redemption proceeds in respect of Units will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable Unitholders. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the Vanguard ETFs nor the Manager will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS, whether contained in this prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Units must look solely to CDS Participants for payment made by the Vanguard ETF to CDS.

The ability of a Unitholder to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Vanguard ETFs have the option to terminate registration of the Units through the book-entry only system, in which case certificates for Units in fully registered form will be issued to Unitholders or to their nominees.

REDEMPTION OF UNITS

Redemption of Units in any Number for Cash

On any Trading Day, Unitholders may redeem Units of any Vanguard ETF in any number for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered through a CDS Participant by 9:00 a.m. (Toronto time) on that day to the Registrar and Transfer Agent of the applicable Vanguard ETF at its Toronto office or as the Manager may otherwise direct. If a cash redemption request is received after 9:00 a.m. (Toronto time) on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Payment of the redemption price will be made by no later than the third Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from the Manager.

Unitholders that exercise this cash redemption right during the period that begins two business days prior to a distribution record date and ends on and includes that distribution record date for any distribution will be entitled to receive the applicable distribution in respect of those Units.

In connection with the redemption of Units, a Vanguard ETF will generally dispose of securities or other assets in order to fund the required redemption proceeds. The redemption price paid to a Unitholder may include income and capital gains realized by the Vanguard ETF. The remaining portion of the exchange or redemption price will be proceeds of redemption.

The Manager reserves the right to cause a Vanguard ETF to redeem the Units held by a Unitholder at a price equal to the NAV per Unit on the effective date of such redemption if the Manager believes it is in the best interests of the Vanguard ETF to do so.

Exchange or Redemption of Prescribed Number of Units

On any Trading Day, Unitholders may exchange the Prescribed Number of Units (or a whole multiple thereof) for Baskets of Securities and cash. To effect an exchange of Units, a Unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the Registrar and Transfer Agent of the applicable Vanguard ETF at its Toronto office or as the Manager may otherwise direct by the applicable Cut-Off Time on a Trading Day. The exchange price will be equal to the aggregate NAV per Unit of the Prescribed Number

of Units on the effective day of the exchange request, payable by delivery of Baskets of Securities (constituted prior to the receipt of the exchange request) and cash. On an exchange, the applicable Units will be redeemed.

Alternatively, but only with the prior consent of the Manager, Unitholders may redeem the Prescribed Number of Units (or a whole multiple thereof) for cash. To effect a redemption of a Prescribed Number of Units (or a whole multiple thereof), a Unitholder must submit a redemption request in the form prescribed by the Manager from time to time to the applicable Vanguard ETF at its head office or as the Manager may otherwise direct by the applicable cut-off time on a Trading Day. The redemption price will be equal to the aggregate NAV per Unit of the Prescribed Number of Units on the effective date of the redemption request, payable by delivery of cash.

If an exchange or redemption request is not received by the applicable time on a Trading Day, the exchange or redemption order will be effective only on the next Trading Day. Settlement of exchanges or redemptions for Baskets of Securities and/or cash, as the case may be, will be made by no later than the third Trading Day after the effective day of the exchange or redemption request.

The Manager will make available to the Designated Brokers and the Dealers information as to the Prescribed Number of Units and the Basket of Securities for each Vanguard ETF for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

A Unitholder that exchanges or redeems Units during the period that begins two business days prior to a distribution record date and ends on and includes that distribution record date will be entitled to receive the applicable distribution in respect of those Units. The exchange or redemption price paid to a Unitholder may include income and capital gains realized by the Vanguard ETF. The remaining portion of the exchange or redemption price will be proceeds of redemption.

If Constituent Securities or other securities are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a Unitholder on an exchange may be postponed until such time as the transfer of the securities is permitted by law.

Suspension of Exchanges and Redemptions

The Manager may suspend the exchange and/or redemption of Units or the payment of the exchange or redemption price of a Vanguard ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Vanguard ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Vanguard ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Vanguard ETF; or (ii) with the prior permission of the securities regulatory authorities. The suspension shall apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for exchange or redemption. The Vanguard ETF shall not accept a subscription order for Units during any period when exchanges and/or redemptions are suspended. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the official rules and regulations promulgated by any government body having jurisdiction over the Vanguard ETFs, any declaration of suspension made by the Manager shall be conclusive.

Costs Associated with Exchanges and Redemptions

If agreed in the applicable designated broker agreement or dealer agreement, the Manager or a Vanguard ETF may charge to Designated Brokers and/or Dealers a fee to offset certain transaction costs associated with the exchange or redemption of Units of a Vanguard ETF by such Designated Brokers and/or Dealers.

Exchange and Redemption of Units through CDS Participants

The exchange and redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold Units sufficiently in advance of the cut-off times set by CDS Participants to allow such CDS Participants to notify CDS and for CDS to notify the Manager or as the Manager may direct prior to the relevant cut-off time.

Short Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the Vanguard ETFs at this time, as the Vanguard ETFs are exchange-traded funds that are primarily traded in the secondary market.

INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act for the Vanguard ETFs and for a prospective investor in a Vanguard ETF who is a natural individual and for the purpose of the Tax Act, who is resident in Canada, holds Units of the Vanguard ETF either directly or in a Registered Plan as capital property, is not affiliated with the Vanguard ETF and deals at arm's length with the Vanguard ETF. This summary is based on the current provisions of the Tax Act and regulations thereunder, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the CRA. This summary does not take into account or anticipate any other changes in law whether by legislative, administrative or judicial action and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Prospective investors should therefore consult their own tax advisors about their individual circumstances.

This summary is also based on the following assumptions: (i) none of the securities held by a Vanguard ETF will be an interest in a non-resident trust other than an "exempt foreign trust" as defined in the NRT Rules; (ii) none of the issuers of securities held by a Vanguard ETF will be a "foreign affiliate" within the meaning assigned by subsection 95(1) of the Tax Act or deemed by proposed section 94.2 to be a "controlled foreign affiliate" of the Vanguard ETF or any Unitholder; (iii) none of the securities held by a Vanguard ETF will be an "offshore investment fund property" as defined in section 94.1 of the Tax Act; (iv) none of the Vanguard ETFs will be a "SIFT trust" as defined in the Tax Act; (v) none of the securities held by a Vanguard ETF will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; and (vi) no Vanguard ETF will enter into any arrangement where the result is a dividend rental arrangement for the purposes of the Tax Act.

Status of the Vanguard ETFs

This summary is also based on the assumption that each Vanguard ETF will qualify as a "mutual fund trust" under the Tax Act at all material times. The Manager has advised counsel that each Vanguard ETF is expected to so qualify. If a Vanguard ETF does not so qualify at any time or for any period of time, the tax considerations for a Vanguard ETF and a prospective investor in a Vanguard ETF could be materially different than described below.

The Units of a Vanguard ETF will be a qualified investment under the Tax Act for Registered Plans at any time that the Vanguard ETF qualifies or is deemed to qualify as a "mutual fund trust" under the Tax Act or that the Units are listed on a "designated stock exchange" within the meaning of the Tax Act, which includes the TSX.

The Units of a Vanguard ETF will not be a prohibited investment under the Tax Act at any time for a Registered Plan that is a tax-free savings account, registered retirement savings plan or registered retirement income

fund during the year it was established or the following calendar year if at all times during that period the Vanguard ETF qualified or is deemed to qualify as a “mutual fund trust” under the Tax Act and remains in substantial compliance with the requirements of NI 81-102 and, following that period, generally, the Units of a Vanguard ETF will not be a prohibited investment under the Tax Act for such Registered Plan if the holder/annuitant of the Registered Plan (together with non-arm’s length persons and partnerships) holds Units having a fair market value of less than 10% of all the Units of the Vanguard ETF. Investors should consult their own tax advisor for advice on whether or not Units would be prohibited investments for their Registered Plans.

Taxation of the Vanguard ETFs

Each Vanguard ETF is subject to tax under Part I of the Tax Act on its net income, including net taxable capital gains, as calculated under the Tax Act for a taxation year to the extent that it is not paid or payable to Unitholders by the end of the calendar year in which the taxation year ends (after deducting available loss carryforwards). A Vanguard ETF is entitled to a refund (“capital gains refund”) of its tax liability on its net realized capital gains equal to an amount determined by formula under the Tax Act based on the redemption of Units during the year and accrued gains on the Vanguard ETF’s assets. The capital gains refund may be, and in practice is expected to be applied to eliminate the maximum amount of the Vanguard ETF’s tax liability in the years that it is available. Each Vanguard ETF intends to distribute a sufficient amount of its net income and net realized capital gains, if any, for each taxation year to Unitholders so that the Vanguard ETF will not be liable in any taxation year for income tax under Part I of the Tax Act after taking into account any entitlement a capital gains refund.

Each Vanguard ETF is required to calculate its net income, including net taxable capital gains, in Canadian dollars, for each taxation year according to the rules in the Tax Act. Net income, including net taxable capital gains, is affected by fluctuations in the value of the Canadian dollar relative to foreign currency where amounts of income, expense, cost or proceeds of disposition are denominated in foreign currency. A Vanguard ETF is generally required to include in the calculation of its income interest as it accrues, dividends when they are received and capital gains and losses when they are realized. Trust income that is paid or becomes payable to a Vanguard ETF in a calendar year is generally included in income for the taxation year that ends in the calendar year, and may have the character of ordinary property income, dividends received from a taxable Canadian corporation or capital gains. However, the business income and non-portfolio earnings of an income trust or other Canadian-resident, publicly-traded trust that is a “SIFT trust” are treated as taxable dividends received from a Canadian resident corporation when received. Foreign source income received by a Vanguard ETF is generally received net of any taxes withheld in the foreign jurisdiction. The foreign taxes so withheld are included in the calculation of the Vanguard ETF’s income.

Gains or losses realized upon by a Vanguard ETF on the disposition of securities held by it constitute capital gains or capital losses unless the Vanguard ETF is considered to be trading or dealing in securities, or otherwise carrying on a business of buying and selling securities, or has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that each Vanguard ETF purchases securities (other than derivative instruments) with the objective of earning dividends and income thereon and takes the position that gains and losses realized on the disposition of its securities (other than gains and losses on certain derivative instruments) are capital gains and capital losses. Generally, a gain and loss from a cash settled option, futures contract, forward contract and other derivative instrument is treated on account of income rather than as a capital gain or loss unless the derivative is used by a Vanguard ETF as a hedge to limit its gain or loss on a specific capital asset or group of capital assets held by the Vanguard ETF.

A Vanguard ETF that invests in foreign denominated securities must calculate its adjusted cost base and proceeds of disposition in Canadian dollars based on the conversion rate on the date the securities were purchased and sold, as applicable. Capital gains realized during a taxation year are reduced by capital losses realized during the year. In certain circumstances, a capital loss realized by a Vanguard ETF may be denied or suspended and, therefore, may not be available to offset capital gains. For example, a capital loss realized by a Vanguard ETF will be suspended if, during the period that begins 30 days before and ends 30 days after the date on which the capital loss was realized, the Vanguard ETF (or a person affiliated with the Vanguard ETF for the purposes of the Tax Act) acquires a property that is the same as or is identical to the particular property on which the loss was realized.

Taxation of Unitholders (other than Registered Plans)

Distributions

A Unitholder (other than a Registered Plan) is required to include in the calculation of income for tax purposes, the amount of any income and the taxable portion of any capital gains of the Vanguard ETF that is paid or payable to the Unitholder in the year, whether or not such amounts are paid in cash or reinvested in additional Units. The non-taxable portion of any capital gains of a Vanguard ETF that is paid or payable to the Unitholder in the year is not included in the Unitholder's income and does not reduce the adjusted cost base of the Unitholder's Units of that Vanguard ETF. Any other non-taxable distribution, such as a return of capital, reduces the Unitholder's adjusted cost base. A Unitholder is deemed to realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise become a negative amount and the adjusted cost base is nil immediately thereafter.

Each Vanguard ETF may, and is expected to, designate, to the extent permitted by the Tax Act, the portion of the net income of the Vanguard ETF distributed to Unitholders that may reasonably be considered to consist of: (i) taxable dividends (including eligible dividends) received or considered to be received by the Vanguard ETF on shares of taxable Canadian corporations; and (ii) net taxable capital gains realized or considered to be realized by the Vanguard ETF. Any amount so designated is deemed for tax purposes to be received or realized by Unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment normally applicable to taxable dividends (including eligible dividends) paid by a taxable Canadian corporation applies to amounts designated as taxable dividends. Capital gains so designated are subject to the general rules relating to the taxation of capital gains described below. In addition, a Vanguard ETF may make designations in respect of its foreign source income, if any, so that Unitholders may be able to claim a foreign tax credit (in accordance with and subject to the general limitations under the Tax Act) for foreign taxes paid and not deducted by the Vanguard ETF. A loss realized by a Vanguard ETF may not be allocated to, and may not be treated as a loss of the Unitholders of the Vanguard ETF.

Individuals and certain trusts may be subject to an alternative minimum tax in respect of taxable dividends (including eligible dividends) received or considered to be received from taxable Canadian corporations and realized capital gains.

Disposition of Units

Generally, a Unitholder (other than a Registered Plan) realizes a capital gain (or loss) on the sale, redemption, exchange or other disposition of a Unit to the extent that the proceeds of disposition for the Unit exceed (or are less than) the total of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units of a particular Vanguard ETF held by the Unitholder at a particular time is the total amount paid for all Units of the Vanguard ETF currently and previously held by the Unitholder (including brokerage commissions paid and the amount of reinvested distributions) less any distributions of capital and less the adjusted cost base of any Units of the Vanguard ETF previously disposed of by the Unitholder. The adjusted cost base to a Unitholder of one Unit is the average adjusted cost base of all identical Units owned by the Unitholder as capital property at that time. If a Unitholder acquires a Unit from a Vanguard ETF on the reinvestment of a distribution at a price that is less than the then fair market value of the Unit, it is the administrative position of CRA that the Unitholder must include the difference in income and that the cost of the Unit is correspondingly increased.

When a Unitholder disposes of a Unit of a Vanguard ETF on the redemption of the Unit for cash or on the exchange of the Unit for Baskets of Securities and cash, the Unitholder's proceeds of disposition is expected to be an amount equal to the cash received by the Unitholder plus the fair market value of the Baskets of Securities less any income and capital gain of the Vanguard ETF that is distributed by the Vanguard ETF to the Unitholder as part of the redemption price or exchange price for the Unit; however, the Unitholder is advised to confirm this information with the Manager. Any income or capital gains so distributed must be included in the calculation of the Unitholder's income in the manner described above. For tax purposes, the cost of the securities acquired by the Unitholder on the exchange of the Unit should be the fair market value of such securities at that time.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder (other than a Registered Plan) and the amount of any net taxable capital gains realized or considered to be realized by a Vanguard ETF and designated by the Vanguard ETF in respect of the Unitholder is included in the Unitholder's income as a taxable capital gain. One-half of a capital loss may be deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act.

Taxation of Registered Plans

A Registered Plan that holds Units of a Vanguard ETF and the holder/annuitant of that Registered Plan will not be subject to tax on the value of the Units or the income or capital gains distributed by the Vanguard ETF or a gain realized on the disposition of the Units provided the Units are: (i) qualified investments for the Registered Plan; (ii) in the case of certain Registered Plans, not prohibited investments for the Registered Plan and not used in a transaction that constitutes an advantage in relation to the Registered Plan; and (iii) not used as security for a loan.

In the case of a disposition of Units of a Vanguard ETF by a Registered Plan in exchange for a Basket of Securities of the Vanguard ETF or a distribution *in specie* on the termination of a Vanguard ETF, the Registered Plan may receive securities. The securities so received may or may not be qualified investments for the Registered Plan and may or may not be prohibited investments for the Registered Plan. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments and not prohibited investments for Registered Plans.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, the Units of a Vanguard ETF will be a qualified investment under the Tax Act for a Registered Plan at any time that the Vanguard ETF qualifies or is deemed to qualify as a "mutual fund trust" under the Tax Act or that the Units are listed on a "designated stock exchange" within the meaning of the Tax Act, which includes the TSX.

In the opinion of Borden Ladner Gervais LLP, the Units of a Vanguard ETF will not be a prohibited investment under the Tax Act at any time for a Registered Plan that is a tax-free savings account, registered retirement savings plan or registered retirement income fund during the year it was established or the following calendar year if at all times during that period the Vanguard ETF qualified or is deemed to qualify as a "mutual fund trust" under the Tax Act and remains in substantial compliance with the requirements of NI 81-102 and, following that period, generally, the Units of a Vanguard ETF will not be a prohibited investment for such Registered Plan if the holder/annuitant of the Registered Plan (together with non-arm's length persons and partnerships) holds Units having a fair market value of less than 10% of all the Units of the Vanguard ETF. Investors should consult their own tax advisor for advice on whether or not Units would be prohibited investments for their Registered Plans.

In the case of a disposition of Units of a Vanguard ETF by a Registered Plan in exchange for a Basket of Securities of the Vanguard ETF or a distribution *in specie* on the termination of a Vanguard ETF, the Registered Plan may receive securities. The securities so received may or may not be qualified investments for the Registered Plan and may or may not be prohibited investments for the Registered Plan. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments and not prohibited investments for their Registered Plans.

ORGANIZATION AND MANAGEMENT DETAILS OF THE VANGUARD ETFs

Manager of the Vanguard ETFs

Vanguard Investments Canada Inc., a registered portfolio manager, investment fund manager and commodity trading manager, is the trustee and manager of the Vanguard ETFs. The Manager is a wholly-owned indirect subsidiary of The Vanguard Group, Inc., which is a registered investment advisor in the U.S. with offices based in Valley Forge, Pennsylvania. The Vanguard Group, Inc. is wholly-owned by approximately 36 U.S.

registered investment companies that are part of the Vanguard family of mutual funds. The head office of the Vanguard ETFs and the Manager is located at 155 Wellington Street West, Suite 3720, Toronto, Ontario M5V 3H1.

Duties and Services Provided by the Manager

Pursuant to the Management Agreement, the Manager has been appointed as the investment fund manager of the Vanguard ETFs and has the exclusive authority to manage the business and affairs of the Vanguard ETFs, to make all decisions regarding the business of the Vanguard ETFs and to bind the Vanguard ETFs. The Manager may delegate certain of its powers to its affiliates and to third parties where, in the discretion of the Manager, it would be in the best interests of the Vanguard ETFs to do so.

The Manager is responsible for providing, or causing to be provided, management, administrative, portfolio advisory and investment management services to the Vanguard ETFs. The Manager's duties include, without limitation:

- (i) authorizing the payment of, and paying, the operating expenses incurred on behalf of the Vanguard ETFs that are the responsibility of the Vanguard ETFs;
- (ii) providing office space, facilities and personnel;
- (iii) preparing financial statements, financial and accounting information and tax returns as required by the Vanguard ETFs;
- (iv) ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time;
- (v) ensuring that the Vanguard ETFs comply with regulatory requirements and applicable stock exchange listing requirements;
- (vi) preparing the Vanguard ETFs' reports, including interim and annual MRFPs, and delivering such reports to Unitholders and the securities regulatory authorities;
- (vii) determining the amount of distributions to be made by the Vanguard ETFs;
- (viii) communicating with Unitholders and calling meetings of Unitholders as required;
- (ix) ensuring that the NAV per Unit is calculated and published;
- (x) administering the purchase, exchange and redemption of Units;
- (xi) negotiating contractual agreements with third party providers of services, including the Designated Brokers, the Dealers, the Custodian, the Registrar and Transfer Agent, the Accounting Agent, the auditors, legal counsel and printers; and
- (xii) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Vanguard ETFs.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders and the applicable Vanguard ETF and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities held by a Vanguard ETF if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful

misconduct, bad faith, breach of the Manager’s standard of care or any material breach or default by it of its obligations under the Management Agreement.

The Management Agreement may be terminated by any of the Vanguard ETFs or by the Manager upon 60 days’ prior written notice. The Manager is deemed to have resigned if it becomes bankrupt or insolvent, if its assets are seized or confiscated by a public or government authority, in the event that it ceases to be resident in Canada for purposes of the Tax Act or if it no longer holds the necessary registrations to enable it to carry out its obligations under the Management Agreement. If the Manager resigns, it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Management Agreement and such default has not been cured within 30 days after notice of same has been given to the Manager, the Trustee may remove the Manager and appoint a successor manager, subject to any required Unitholder approval.

The Manager is entitled to fees for its services as manager under the Management Agreement as described under “Fees and Expenses – Management Fee”. The Manager and each of its directors, officers, employees and agents (collectively, the “Indemnified Parties”) are indemnified by each Vanguard ETF for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made, against one or more Indemnified Parties in the exercise of the Manager’s duties as manager. However, none of the Indemnified Parties will be entitled to indemnification under the Management Agreement if the liability, cost or expense results from the Manager’s wilful misconduct, bad faith or material breach of its obligations under the Management Agreement or if there has been a failure by the Manager or any person retained by the Manager to meet the standard of care set out in the Management Agreement.

The management services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Vanguard ETFs) or from engaging in other activities. See “Conflicts of Interest” below.

Officers and Directors of the Manager of the Vanguard ETFs

The name and municipality of residence of each of the directors and senior officers of the Manager, and their principal occupations, are as follows:

Name and Municipality of Residence	Position with the Manager	Principal Occupation Within Preceding Five Years
Richard D. Carpenter Plymouth Meeting, Pennsylvania, U.S.	Director	Chief Financial Officer of The Vanguard Group, Inc.
Catherine Chamberlain Toronto, Ontario	Chief Compliance Officer, Secretary and Senior Legal Counsel	Chief Compliance Officer, Secretary and Senior Legal Counsel of the Manager since July 2012, from March 2012 to July 2012, Secretary, Compliance Officer and Senior Legal Counsel of the Manager and from September 2011 to March 2012, Compliance Officer and Senior Legal Counsel of the Manager; prior thereto, from January 2011 to September 2011, Vice-President, Compliance, Bank of Montreal, Private Client Group and from August 2008 to January 2011, Legal and Policy Counsel, Bank of Montreal, Private Client Group.
Dennis P. Duffy Holicong, Pennsylvania, U.S.	Director and Principal	Principal of The Vanguard Group, Inc.

Name and Municipality of Residence	Position with the Manager	Principal Occupation Within Preceding Five Years
Thomas J. Higgins Exton, Pennsylvania, U.S.	Chief Financial Officer	Principal of The Vanguard Group, Inc. and Chief Financial Officer of each of the investment companies served by The Vanguard Group, Inc.
Heidi Stam Berwyn, Pennsylvania, U.S.	Director	Managing Director, General Counsel and Corporate Secretary of The Vanguard Group, Inc. and Corporate Secretary of each of the investment companies served by The Vanguard Group, Inc.
Atul Tiwari Toronto, Ontario	Director and Chair, Managing Director and Chief Executive Officer ⁽¹⁾	Managing Director of the Manager since May 2011 and Director and Chair of the Manager since June 2011; Chief Compliance Officer of the Manager from May 2011 to July 2012; prior thereto, from February 2009 to August 2009, President of each of the BMO ETFs and from 2006 to August 2009, Senior Vice-President, BMO Asset Management, BMO Financial Group and Director, Jones Heward Investment Counsel Inc.

Notes:

¹ Mr. Tiwari has also been appointed the Chief Executive Officer of the Manager for the limited purpose of signing this prospectus.

Portfolio Manager

Vanguard Investments Canada Inc., a registered portfolio manager, is the portfolio manager of the Vanguard ETFs. Under the Management Agreement, the Portfolio Manager is responsible for providing, or causing to be provided, portfolio management services to the Vanguard ETFs and has the authority to engage the services of sub-advisers in connection with any investment advice and/or portfolio management services required by the Vanguard ETFs. The Portfolio Manager has engaged the services of The Vanguard Group, Inc. as Sub-advisor of the Vanguard ETFs.

Sub-advisor

The Vanguard Group, Inc. has been retained by the Portfolio Manager pursuant to the Sub-advisory Agreement to provide all portfolio management services to the Vanguard ETFs. The Sub-advisor is a registered investment advisor in the U.S. with offices based in Valley Forge, Pennsylvania. The Sub-advisor also serves as an investment advisor to the Vanguard family of U.S. mutual funds as well as other pooled investment vehicles and other accounts, with global assets under management of approximately U.S.\$1.65 trillion as of July 31, 2012. The Sub-advisor is, indirectly, the parent of the Manager, and is wholly-owned by approximately 36 U.S. registered investment companies that are part of the Vanguard family of mutual funds.

The individuals of the Sub-advisor principally responsible for providing advice to the Vanguard ETFs are as follows:

Name and Title	Years with Sub-advisor	Vanguard ETFs	Notes
Gregory Davis, CFA Principal	13	Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF and	Mr. Davis is Principal of The Vanguard Group Inc. and head of the Bond Index Group. He has managed investment portfolios since 2000. He has a B.S. from

Name and Title	Years with Sub-advisor	Vanguard ETFs	Notes
		Vanguard Canadian Short-Term Corporate Bond Index ETF	The Pennsylvania State University and a M.B.A. from The Wharton School of the University of Pennsylvania.
Christine Franquin Portfolio Manager	12	Vanguard FTSE Canada High Dividend Yield Index ETF, Vanguard FTSE Canadian Capped REIT Index ETF, Vanguard MSCI EAFE Index ETF (CAD-hedged) and Vanguard MSCI Emerging Markets Index ETF	Ms. Franquin has managed investment portfolios since 2004. She has a B.A. from the Universitaire Facultelten Sint Ignatius Antwerpen, Belgium, a J.D. from the University of Liege, Belgium and a M.S. from Clark University.
Ryan Ludt Principal	15	Vanguard MSCI Canada Index ETF and Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)	Mr. Ludt has managed investment portfolios since 2000. He has a B.S. from Pennsylvania State University.
Jeffrey Miller Portfolio Manager	13	Vanguard S&P 500 Index ETF and Vanguard S&P 500 Index ETF (CAD-hedged)	Mr. Miller has managed investment portfolios since 2007. He has a B.A. from Pennsylvania State University and a M.B.A. from Drexel University.
Yan Pu, CFA Portfolio Manager	9	Vanguard Canadian Aggregate Bond Index ETF, Vanguard Canadian Short-Term Bond Index ETF and Vanguard Canadian Short-Term Corporate Bond Index ETF	Ms. Pu has worked in investment management since 2000 and has managed investment portfolios since 2007. She has a B.A. from Ji'Nan University, P.R. China and a M.B.A. from Drexel University.

Details of the Sub-advisory Agreement

Under the terms of the Sub-advisory Agreement, the Sub-advisor is responsible for managing and investing the cash and other assets of each Vanguard ETF in accordance with each Vanguard ETF's investment objective, strategies and restrictions and applicable securities legislation. In connection with its services, the Sub-advisor identifies and makes all day-to-day investment decisions relating to the securities to be included in each Basket of Securities and the securities to be acquired or sold in connection with any rebalancing event and, to the extent necessary, executes portfolio transactions. The Sub-advisor also negotiates and administers all derivative instruments that a Vanguard ETF may use.

The Sub-advisor is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Portfolio Manager and each Vanguard ETF and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. The Sub-advisory Agreement provides that, so long as the Sub-advisor has met its standard of care, it will not be liable for any loss or damage arising directly or indirectly out of any act or omission done or suffered by the Sub-advisor in the performance of its duties. The Sub-advisor will incur liability, however, where it fails to meet its standard of care, diligence and skill as prescribed by the Sub-advisory Agreement.

The Sub-advisory Agreement may be terminated by mutual agreement of the Portfolio Manager and the Sub-advisor. In addition, the Sub-advisor may terminate the Sub-advisory Agreement by written notice to the

Portfolio Manager. The Portfolio Manager may terminate the Sub-advisory Agreement by written notice to the Sub-Advisor, subject to the prior written consent of the Sub-Advisor (which consent shall not be unreasonably withheld). If the Sub-advisor is no longer permitted under any applicable law to perform its obligations under the Sub-advisory Agreement, the Portfolio Manager may terminate the Sub-advisory Agreement immediately upon written notice to the Sub-advisor.

If the Sub-advisory Agreement is terminated or the Sub-advisor resigns, the Portfolio Manager shall appoint a successor sub-advisor to carry out the applicable portfolio management activities in respect of the Vanguard ETFs. Any successor sub-advisor may be a third party portfolio manager or it may be an affiliate or associate of the Manager.

The Sub-advisor is entitled to receive a fee from the Portfolio Manager for its services under the Sub-advisory Agreement.

The portfolio management services of the Sub-advisor under the Sub-advisory Agreement are not exclusive and the Sub-Advisory Agreement does not prevent the Sub-advisor from providing similar portfolio management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Vanguard ETFs) or from engaging in other activities. See “Conflicts of Interest” below.

The Portfolio Manager has agreed that it will be responsible for the investment advice that the Sub-advisor provides to the Vanguard ETFs and for any losses that the Vanguard ETFs may incur if the Sub-advisor breaches its standard of care. As the Sub-advisor is located in the U.S., and as all or a substantial portion of its assets are located outside of Canada, there may be difficulty enforcing any legal rights against it.

Brokerage Arrangements

Decisions as to the purchase and sale of portfolio securities are made by the Sub-advisor and are the ultimate responsibility of the Manager. Decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions or spreads are made by the Sub-advisor. The Sub-advisor and the Manager define best execution as “the process of executing securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favourable under the circumstances”.

Factors considered when selecting a broker for a specific transaction may include execution capability, commission rate, willingness to commit capital, anonymity and responsiveness, the nature of the market for the security, the timing or size and type of the transaction, the reputation, experience and financial stability of the broker, the quality of the services rendered in other transactions, financial strength metrics, business continuity and trade settlement capabilities. Best execution does not obligate the Sub-advisor to seek the lowest commission rate available on any individual trade, as the rate of commissions is only one component of best execution. A higher commission rate may be determined reasonable in light of the total costs of execution services provided.

The Sub-advisor does not currently execute brokerage transactions involving client brokerage commissions of the Vanguard ETFs that are directed to a broker-dealer in return for the provision of any good or service by the broker-dealer or a third party.

Conflicts of Interest

The management services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Vanguard ETFs) or from engaging in other activities. The portfolio management services of the Sub-advisor under the Sub-advisory Agreement are not exclusive and nothing in the Sub-advisory Agreement prevents the Sub-advisor from providing similar portfolio management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Vanguard ETFs) or from engaging in other activities.

Investments in securities purchased by the Sub-advisor on behalf of a Vanguard ETF and other investment funds managed by the Manager and advised by the Sub-advisor will be allocated to the Vanguard ETF and such other investment funds according to trade allocation procedures designed to ensure that no fund is intentionally favoured at the expense of another fund and all aggregated orders are conducted in a fair and equitable manner. These allocation policies include *pro rata* allocation as well as specific procedures for the allocation of partially filled allocated orders.

The Management Agreement acknowledges that the Manager may provide services to the Vanguard ETFs in other capacities, provided that the terms of any such arrangement are no less favourable to the Vanguard ETFs than those that would be obtained from parties that are at arm's length for comparable services.

No Designated Broker or Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, the Designated Brokers and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Vanguard ETFs of their Units under this prospectus. Units of a Vanguard ETF do not represent an interest or an obligation of any Designated Broker, any Dealer or any affiliate thereof and a Unitholder does not have any recourse against any such parties in respect of amounts payable by a Vanguard ETF to such Designated Brokers or Dealers.

One or more registered dealers acts or may act as a Designated Broker, a Dealer and/or a market maker. These relationships may create actual or perceived conflicts of interest that investors should consider in relation to an investment in a Vanguard ETF. In particular, by virtue of these relationships, these registered dealers may profit from the sale and trading of Units. The Designated Broker, as market maker of the Vanguard ETFs in the secondary market, may therefore have economic interests that differ from, and may be adverse to, those of Unitholders. Any such registered dealer and its affiliates may, at present or in the future, engage in business with a Vanguard ETF, with the issuers of securities making up the investment portfolio of a Vanguard ETF or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between any such registered dealer and its affiliates and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

Independent Review Committee

As required by NI 81-107, the Manager has established an IRC to review all conflicts of interest matters identified and referred to the IRC by the Manager relating to the investment funds managed by the Manager, including the Vanguard ETFs. The IRC reviews and gives its approval or recommendations as to the conflict of interests matters referred to it. A conflict of interest matter is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that conflicts with the Manager's ability to act in good faith and in the best interest of the Vanguard ETFs. The IRC is also required to approve certain mergers involving the Vanguard ETFs and any change of the auditors of the Vanguard ETFs.

The IRC must have all independent members. The Manager considers that an individual is independent if the individual is not a director, officer or employee of any of the Manager, the Sub-advisor, an affiliate of the Manager or an affiliate of the Sub-advisor. In addition, the individual must be independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the individual's ability to act with the view to the best interest of the Vanguard ETFs.

The members of the IRC are as follows:

Joseph F. Huber
Michael J. Missal
Marilyn L. Pilkington

The IRC has a written charter that sets out its powers, duties and responsibilities. Additionally, pursuant to NI 81-107, the IRC assesses, at least annually, the adequacy and effectiveness of the following:

- (i) the Manager's policies and procedures regarding conflict of interest matters;
- (ii) any standing instructions that the IRC gave to the Manager for conflict of interest matters related to the Vanguard ETFs;
- (iii) the compliance of the Manager and each Vanguard ETF with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager; and
- (iv) the independence and compensation of its members, the IRC's effectiveness as a committee and the contribution of each member to the IRC.

The IRC prepares a report for Unitholders, at least annually, of its activities. Such report is made available on the Manager's website at www.vanguardcanada.ca or, at the request of a Unitholder and at no cost, by calling 1-877-410-7275.

Each member of the IRC is paid an annual retainer of \$20,000 to serve on the IRC. The Chair of the IRC is paid \$3,000 per meeting attended. The other IRC members are paid \$1,500 per meeting attended. A portion of the retainer and meeting fees paid to each member is allocated to each Vanguard ETF.

Trustee

Pursuant to the Declaration of Trust, the Manager is also the trustee of each Vanguard ETF.

The trustee may resign upon 90 days' notice to Unitholders and the Manager. If the trustee resigns or if it becomes incapable of acting as trustee, the trustee may appoint a successor trustee and its resignation shall become effective upon the acceptance of such appointment by its successor. If no successor has been appointed within 90 days, the Vanguard ETFs will be terminated.

The Declaration of Trust provides that the trustee shall act honestly, in good faith and in the best interests of each Vanguard ETF and shall perform its duties to the standard of care that a reasonably prudent person would exercise in the circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the trustee and indemnifying the trustee in respect of certain liabilities incurred by it in carrying out the trustee's duties.

At any time during which the Manager is the trustee, the Manager will receive no fee in respect of the provision of services as trustee.

Custodian

State Street Trust Company Canada, at its principal offices in Toronto, Ontario, is Custodian of the assets of the Vanguard ETFs pursuant to the Custodian Agreement. The Custodian has a qualified foreign sub-custodian in each jurisdiction in which the Vanguard ETFs have securities. The Manager or the Custodian may terminate the Custodian Agreement at any time upon 60 days' written notice.

The Custodian is entitled to receive fees from the Manager as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Vanguard ETFs.

Auditors

The auditors of the Vanguard ETFs are PricewaterhouseCoopers LLP, Chartered Accountants, at 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2.

Transfer Agent and Registrar

State Street Trust Company Canada, at its principal office in Toronto, Ontario, is the Registrar and Transfer Agent for the Units of the Vanguard ETFs. The register of the Vanguard ETFs is kept in Toronto. In addition to maintaining the register, the Registrar and Transfer Agent is also responsible for certain aspects of the day-to-day administration of the Vanguard ETFs, including the processing of purchases, redemptions and exchanges of Units.

Promoter

The Manager has taken the initiative in founding and organizing the Vanguard ETFs and is, accordingly, the promoter of the Vanguard ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the Vanguard ETFs, receives compensation from the Vanguard ETFs. See “Fees and Expenses”.

Accounting Agent

State Street Fund Services Toronto Inc., at its principal offices in Toronto, Ontario, is the Accounting Agent. The Accounting Agent is responsible for certain aspects of the day-to-day administration of the Vanguard ETFs, including NAV calculations, accounting for net income and net realized capital gains of the Vanguard ETFs and maintaining the books and records of the Vanguard ETFs.

CALCULATION OF NET ASSET VALUE

The NAV and NAV per Unit of a Vanguard ETF are calculated by the Accounting Agent as of the Valuation Time on each Valuation Date. The NAV of a Vanguard ETF on a particular date is equal to the aggregate value of the assets of that Vanguard ETF less the aggregate value of the liabilities of that Vanguard ETF, including any accrued management fees and any income, net realized capital gains or other amounts payable to Unitholders on or before such date, all expressed in Canadian dollars. The NAV per Unit on any day is obtained by dividing the NAV of a Vanguard ETF on such day by the number of Units of that Vanguard ETF then outstanding.

Valuation Policies and Procedures of the Vanguard ETFs

In determining the value of the assets of any Vanguard ETF, securities, other than debt securities valued in accordance with the provisions of the following paragraph, shall be valued at the last sale price or official closing price reported at the Valuation Time on the Valuation Date on the principal stock exchange on which such securities are traded. The value of any securities listed, quoted or traded on a regulated market but acquired or traded at a premium or discount outside of or off the regulated market may be valued taking into account the level of premium or discount at the Valuation Date. If the security is normally quoted, listed or traded on or under the rules of more than one regulated market, the relevant regulated market shall be that which, in the opinion of the Manager, provides the fairest criterion of value for the investment. If a security’s market price is not readily available or does not otherwise accurately reflect the fair value of the security, the security will be valued by another method that the Manager believes will better reflect fair value.

Debt securities traded on a regulated market shall be valued on the basis of valuations provided by a principal market maker or a pricing service, both of which generally utilize electronic data-processing techniques to determine valuations for normal institutional trading units of debt securities without exclusive reliance upon quoted prices.

The value of any investment that is not normally quoted, listed or traded on or under the rules of a regulated market shall be valued at its probable realization value estimated with care by the Manager, in consultation with the Sub-advisor, or by a competent person, firm or corporation appointed for such purpose by the Manager in consultation with the Sub-advisor.

Units or shares in collective investment schemes or investment funds that are not valued in accordance with the above provisions shall be valued on the basis of the latest available redemption price of such units or shares, after deduction of any redemption charges, as published by the collective investment scheme or investment fund.

Cash deposits and similar investments shall be valued at their face value together with accrued interest unless, in the opinion of the Manager, in consultation with the Sub-advisor, any adjustment should be made to reflect the fair value thereof.

Derivative instruments, including interest rate futures contracts and other financial futures contracts that are dealt in on a regulated market, shall be valued at the settlement price as at the Valuation Time as determined by the relevant regulated market, provided that where it is not the practice of the relevant regulated market to quote a settlement price, or if a settlement price is not available for any reason, such instruments shall be valued at their probable realization value estimated with care and in good faith by the Manager, in consultation with the Sub-advisor, or by a competent professional person, body, firm or corporation appointed for such purpose by the Manager.

OTC derivatives shall be valued either using the counterparty's valuation or an alternative valuation, including valuation by the Manager or by an independent pricing vendor. OTC derivatives shall be valued at least daily. If using the counterparty's valuation, such valuation must be approved or verified by a party independent of the counterparty on a weekly basis. If using an alternative valuation, the Manager will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA. In the event that the Manager opts to use an alternative valuation, the Manager will use a competent person appointed by the Manager or will use such other method approved by the Manager and such alternative valuation will be reconciled with the counterparty's valuation no less than on a monthly basis. Any significant differences to the counterparty valuation will be promptly investigated and explained. Forward foreign exchange and interest rate swaps that are OTC derivative contracts may be valued in accordance with the preceding provisions or alternatively by reference to freely available market quotations.

Certificates of deposit shall be valued by reference to the latest available sale price for certificates of deposit of like maturity, amount and credit risk at the Valuation Time or, if such price is not available, at the latest bid price or, if such price is not available or is not representative of the value of such certificate of deposit in the opinion of the Manager, at probable realization value estimated with care and in good faith by a competent person approved for the purpose by the Manager. Treasury bills and bills of exchange shall be valued with reference to prices ruling in the relevant markets for such instruments of like maturity, amount and credit risk at the Valuation Time.

The Manager shall be entitled to use the amortized cost method of valuation, whereby investments are valued at their cost of acquisition adjusted for amortization of premium or accretion of discount on the investments rather than at the current market value of the investments. Money market instruments in a non-money market fund may also be valued on an amortized basis.

Each Vanguard ETF may use fair value pricing in a variety of circumstances, including but not limited to, situations when the value of a security in a Vanguard ETF's portfolio has been materially affected by events occurring after the close of the market on which the security is principally traded (such as a corporate action or other news that may materially affect the price of a security) or trading in a security has been suspended or halted. The Manager shall not have any liability in respect of a price reasonably believed by it to be accurate and indicative of current market value.

Estimated expenses of a Vanguard ETF shall be accrued daily.

The Manager may authorize third parties, including affiliates and the Accounting Agent, to perform some of the valuation functions and references to the Manager in the above valuation principles may, to the extent the Manager authorizes such parties to perform these functions, include these third parties.

Each portfolio transaction is reflected in the calculation of NAV per Unit no later than the calculation of NAV per Unit next made after the date on which the transaction becomes binding. The issue of Units will be reflected in the calculation of NAV per Unit next made after the subscription order for such Units is accepted. The exchange or redemption of Units will be reflected in the calculation of NAV per Unit next made after the exchange request or redemption request is accepted.

Canadian GAAP requires that the fair value of long positions in financial instruments (specifically securities held by a Vanguard ETF that are actively traded) be measured based on the bid price for the security instead of the closing price or last sale price of the security for the day. This requirement is reflected in the reported value of a Vanguard ETF's investments in its annual and interim financial statements, as these financial statements are prepared in accordance with Canadian GAAP. However, in accordance with NI 81-106, the fair value of a security used to determine the daily NAV per Unit of a Vanguard ETF for subscription orders, exchanges or redemptions is based on the Vanguard ETF's valuation principles set out above, which are not the same as the Canadian GAAP requirements.

Reporting of Net Asset Value

The Manager will publish the NAV and NAV per Unit for each Vanguard ETF following the Valuation Time on the Valuation Date on its website at www.vanguardcanada.ca.

ATTRIBUTES OF THE UNITS

Description of the Securities Distributed

Each Vanguard ETF is authorized to issue an unlimited number of redeemable, transferable Units, each of which represents an equal, undivided interest in that Vanguard ETF.

On December 16, 2004, the Trust Beneficiaries' Liability, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. Each Vanguard ETF is or will be a reporting issuer under the *Securities Act* (Ontario) prior to the initial issuance of Units to the public and each Vanguard ETF is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Certain Provisions of the Units

Each Unit of a Vanguard ETF entitles the owner to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units of the Vanguard ETF with respect to all distributions made by the Vanguard ETF to Unitholders, other than management fee distributions and amounts paid on the exchange or redemption of Units. Units are issued only as fully paid and are non-assessable.

Exchange of Units for Baskets of Securities

On any Trading Day, Unitholders may exchange the Prescribed Number of Units (or a whole multiple thereof) for Baskets of Securities and cash. See "Redemption of Units – Exchange of Units for Baskets of Securities".

Redemption of Units for Cash

On any Trading Day, Unitholders may redeem Units of a Vanguard ETF in any number for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. With the consent of the Manager, Unitholders may also redeem the Prescribed Number of Units (or a whole multiple thereof) for cash at a redemption price equal to the aggregate NAV per Unit. See "Redemption of Units – Redemption of Units for Cash".

Modification of Terms

All rights attached to the Units of a Vanguard ETF may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See “Unitholder Matters – Amendments to the Declaration of Trust”.

The Manager may amend the Declaration of Trust from time to time to redesignate the name of a Vanguard ETF or to create a new class or series of units of a Vanguard ETF without notice to existing Unitholders of the Vanguard ETFs, unless such amendment in some way affects the existing Unitholders’ rights or the value of their investment.

UNITHOLDER MATTERS

Meeting of Unitholders

Except as otherwise required by law, meetings of Unitholders of a Vanguard ETF will be held if called by the Manager upon written notice of not less than 21 days nor more than 50 days before the meeting.

Matters Requiring Unitholders Approval

Under the Declaration of Trust, Unitholders are entitled to vote on any matter that pursuant to Canadian securities legislation must be submitted to Unitholders for approval. NI 81-102 requires that Unitholders of a Vanguard ETF approve the following:

- (i) any change to the basis of the calculation of a fee or expense that is charged to the Vanguard ETF or directly to its Unitholders if such change could result in an increase in charges to the Vanguard ETF or its Unitholders, except where:
 - (a) the Vanguard ETF is at arm’s length to the person or company charging the fee or expense;
 - (b) the Unitholders have received at least 60 days’ written notice before the effective date of the change; and
 - (c) the right to notice described in (b) is disclosed in the prospectus of the Vanguard ETF;
- (ii) the introduction of a fee or expense to be charged to a Vanguard ETF or directly to its Unitholders by the Vanguard ETF or the Manager in connection with the holding of Units of the Vanguard ETF that could result in an increase in charges to Vanguard ETF or its Unitholders;
- (iii) any change to the Manager, unless the new manager of the Vanguard ETF is an affiliate of the Manager;
- (iv) any change to the fundamental investment objective of the Vanguard ETF;
- (v) the decrease in the frequency of the calculation of the Vanguard ETF’s NAV per Unit;
- (vi) the undertaking by the Vanguard ETF of a reorganization with, or transfer of its assets to, another mutual fund, if the Vanguard ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the Vanguard ETF becoming securityholders in the other mutual fund, unless:
 - (a) the IRC of the Vanguard ETF has approved the change;
 - (b) the Vanguard ETF is being reorganized with, or its assets are being transferred to, another mutual fund that is managed by the Manager, or an affiliate of the Manager;

- (c) the Unitholders have received at least 60 days' written notice before the effective date of the change;
 - (d) the right to notice described in (c) is disclosed in the prospectus of the Vanguard ETF; and
 - (e) the transaction complies with certain other requirements of applicable securities legislation; and
- (vii) the undertaking by the Vanguard ETF of a reorganization with, or acquisition of assets from, another mutual fund, if the Vanguard ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders of the Vanguard ETF and the transaction would be a material change to the Vanguard ETF.

In addition, the auditors of a Vanguard ETF may not be changed unless the IRC has approved the change and Unitholders have received at least 60 days' written notice before the effective date of the change.

Approval of Unitholders of a Vanguard ETF of any such matter will be given if a majority of the votes cast at a meeting of Unitholders of the Vanguard ETF duly called and held for the purpose of considering the same approve the related resolution.

Amendments to the Declaration of Trust

The trustee may amend the Declaration of Trust from time to time but may not, without the approval of a majority of the votes of Unitholders of the Vanguard ETF voting at a meeting of Unitholders duly called for such purpose make any amendment relating to any matter in respect of which NI 81-102 requires a meeting, as set out above, or any amendment that will adversely affect the voting rights of Unitholders.

Unitholders are entitled to one vote per Unit held on the record date established for voting at any meeting of Unitholders.

Accounting and Reporting to Unitholders

The fiscal year end of the Vanguard ETFs is December 31. The Vanguard ETFs will deliver or make available to Unitholders: (i) audited comparative annual financial statements; (ii) unaudited interim financial statements; and (iii) annual and interim MRFPs. Such documents are incorporated by reference into, and form an integral part of, this prospectus. See "Documents Incorporated by Reference".

Each Unitholder will also be mailed annually, by his, her or its broker, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by each Vanguard ETF owned by such Unitholder in respect of the preceding taxation year of such Vanguard ETF.

The Manager will ensure that each Vanguard ETF complies with all applicable reporting and administrative requirements. The Manager will also ensure that adequate books and records are kept reflecting the activities of each Vanguard ETF. A Unitholder or his, her or its duly authorized representative has the right to examine the books and records of the applicable Vanguard ETF during normal business hours at the offices of the Accounting Agent. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Vanguard ETFs.

Permitted Mergers

A Vanguard ETF may, without Unitholder approval, enter into a merger or other similar transaction that has the effect of combining that Vanguard ETF with any other investment fund or funds that have investment objectives, valuation procedures and fee structures that are similar to the Vanguard ETF, subject to:

- (i) approval of the merger by the IRC;

- (ii) compliance with certain merger pre-approval conditions set out in section 5.6 of NI 81-102; and
- (iii) written notice being sent to Unitholders at least 60 days before the effective date of the merger.

In connection with any such merger, the merging funds will be valued at their respective net asset values and Unitholders of the Vanguard ETF will be offered the right to redeem their Units for cash at the applicable NAV per Unit.

TERMINATION OF THE VANGUARD ETFS

A Vanguard ETF may be terminated by the Manager on at least 60 days' notice to Unitholders of such termination and the Manager will issue a press release in advance thereof. The Manager may also terminate a Vanguard ETF if the trustee resigns or becomes incapable of acting and is not replaced or if the Index Provider ceases to calculate the applicable Index or the Index License Agreement in respect of the applicable Index is terminated, as described above under "Investment Objectives – The Indices – Termination of the Indices". Upon such termination, the Constituent Securities, cash and other assets remaining after paying or providing for all liabilities and obligations of the Vanguard ETF shall be distributed *pro rata* among the Unitholders of the Vanguard ETF.

The rights of Unitholders to exchange and redeem Units described under "Redemption of Units" will cease as and from the date of termination of that Vanguard ETF.

RELATIONSHIP BETWEEN THE VANGUARD ETFS AND DEALERS

The Manager, on behalf of the Vanguard ETFs, may enter into various continuous distribution dealer agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of one or more of the Vanguard ETFs as described under "Purchases of Units – Issuance of Units".

No Designated Broker or Dealer has been involved in the preparation of this prospectus or has performed any review or any independent due diligence of the contents of this prospectus and, as such, the Designated Brokers and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Vanguard ETFs of their Units under this prospectus.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The Manager has adopted a proxy voting policy with respect to Constituent Securities and other securities held by each Vanguard ETF and has delegated the management and administration of this policy to the Sub-advisor. The Sub-advisor on behalf of the Vanguard ETFs will vote such proxies in accordance with the proxy policies and procedures described below.

The complete proxy voting record of a Vanguard ETF for the annual period from July 1 to June 30 will be available free of charge to any Unitholder upon request at any time after August 31 following the end of that annual period by calling 1-877-410-7275 or on the Manager's website at www.vanguardcanada.ca.

Proxy Voting Guidelines

The Vanguard ETFs adopted proxy voting procedures and guidelines to govern the proxy voting by each Vanguard ETF that invests in voting securities. The Manager, on behalf of the Vanguard ETFs, has delegated oversight of proxy voting to the Proxy Oversight Committee (the "Committee") of the Sub-advisor, made up of senior officers of the Sub-advisor, and subject to the operating procedures and guidelines described below. The Committee reports directly to the Manager. The Sub-advisor is subject to these procedures and guidelines to the extent that they call for the Sub-advisor to administer the voting process and implement the resulting voting decisions, and for these purposes the guidelines have been approved by the board of directors of the Sub-advisor.

The overarching objective in voting is simple: to support proposals and director nominees that maximize the value of a Vanguard ETF's investments - and those of its Unitholders - over the long term. Although the goal is simple, the proposals the Vanguard ETFs receive are varied and frequently complex. As such, the guidelines provide a rigorous framework for assessing each proposal. Under the guidelines, each proposal must be evaluated on its merits, based on the particular facts and circumstances as presented.

For ease of reference, the procedures and guidelines often refer to all Vanguard ETFs. However, these processes and practices seek to ensure that proxy voting decisions are suitable for each Vanguard ETF. For most proxy proposals, particularly those involving corporate governance, the evaluation will result in the same position being taken across all of the Vanguard ETFs and the Vanguard ETFs voting as a block. In some cases, however, a Vanguard ETF may vote differently, depending upon the nature and objective of the Vanguard ETF, the composition of its portfolio and other factors. The guidelines do not permit the Manager to delegate voting responsibility to a third party that does not serve as a fiduciary for Vanguard ETFs.

Because many factors bear on each decision, the guidelines incorporate factors the Committee should consider in each voting decision. A Vanguard ETF may refrain from voting some or all of its shares if doing so would be in that Vanguard ETF's and its Unitholders' best interests. These circumstances may arise, for example, if the expected cost of voting exceeds the expected benefits of voting, if exercising the vote would result in the imposition of trading or other restrictions, or if a Vanguard ETF (or all funds advised by the Sub-advisor in the aggregate) were to own more than a maximum percentage of a company's stock (as determined by the company's governing documents).

In evaluating proxy proposals, the Committee considers information from many sources, including but not limited to the Sub-advisor, the management or shareholders of a company presenting a proposal and independent proxy research services. The Committee gives substantial weight to the recommendations of the company's board, absent guidelines or other specific facts that would support a vote against management. In all cases, however, the ultimate decision rests with the members of the Committee, who are accountable to the Manager.

While serving as a framework, the following guidelines cannot contemplate all possible proposals with which a Vanguard ETF may be presented. In the absence of a specific guideline for a particular proposal (e.g., in the case of a transactional issue or contested proxy), the Committee will evaluate the issue and cast the Vanguard ETF's vote in a manner that, in the Committee's view, will maximize the value of the Vanguard ETF's investment, subject to its individual circumstances.

The Board of Directors

Election of directors

Good governance starts with a majority-independent board, whose key committees are made up entirely of independent directors. As such, companies should attest to the independence of directors who serve on the compensation, nominating and audit committees. In any instance in which a director is not categorically independent, the basis for the independence determination should be clearly explained in the proxy statement.

Although the Vanguard ETFs will generally support the board's nominees, the following factors will be taken into account in determining each Vanguard ETF's vote:

Factors For Approval	Factors Against Approval
Nominated slate results in board made up of a majority of independent directors	Nominated slate results in board made up of a majority of non-independent directors
All members of audit, nominating and compensation committees are independent of management	Audit, nominating and/or compensation committees include non-independent members
	Incumbent board member failed to attend at least 75% of meetings in the previous year
	Actions of committee(s) on which nominee serves are

	inconsistent with other guidelines (e.g., excessive option grants, substantial non-audit fees, lack of board independence)
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Contested director elections

In the case of contested board elections, the Committee will evaluate the nominees’ qualifications, the performance of the incumbent board and the rationale behind the dissidents’ campaign to determine the outcome that the Committee believes will maximize shareholder value.

Classified boards

The Vanguard ETFs will generally support proposals to declassify existing boards (whether proposed by management or shareholders) and will block efforts by companies to adopt classified board structures in which only part of the board is elected each year.

Approval of Independent Auditors

The relationship between the company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. The Vanguard ETFs will generally support management’s recommendation for the ratification of the auditor, except in instances in which audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm. The Committee will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) to determine whether independence has been compromised.

Compensation Issues

Stock-based compensation plans

Appropriately designed stock-based compensation plans, administered by an independent committee of the board and approved by shareholders, can be an effective way to align the interests of long-term shareholders with the interests of management, employees and directors. The Vanguard ETFs oppose plans that substantially dilute their ownership interest in the company, provide participants with excessive awards or have inherently objectionable structural features.

An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company’s employees. However, the Committee will evaluate compensation proposals in the context of several factors (a company’s industry, market capitalization, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company’s other shareholders. The Committee will evaluate each proposal on a case-by-case basis, taking all material facts and circumstances into account.

The following factors will be among those considered in evaluating these proposals:

Factors For Approval	Factors Against Approval
Company requires senior executives to hold a minimum amount of company stock (frequently expressed as a multiple of salary)	Total potential dilution (including all stock-based plans) exceeds 15% of shares outstanding
Company requires stock acquired through option exercise to be held for a certain period of time	Annual option grants have exceeded 2% of shares outstanding
Compensation program includes performance-vesting awards, indexed options or other performance-linked	Plan permits repricing or replacement of options without shareholder approval

grants	
Concentration of option grants to senior executives is limited (indicating that the plan is very broad-based)	Plan provides for the issuance of reload options
Stock-based compensation is clearly used as a substitute for cash in delivering market-competitive total pay	Plan contains automatic share replenishment (evergreen) feature

Bonus plans

Bonus plans, which must be periodically submitted for shareholder approval to qualify for deductibility under applicable tax legislation, should have clearly defined performance criteria and maximum awards expressed in dollars. Bonus plans with awards that are excessive, in both absolute terms and relative to a comparative group, generally will not be supported.

Employee stock purchase plans

The Vanguard ETFs will generally support the use of employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value and that shares reserved under the plan amount to less than 5% of the outstanding shares.

Executive severance agreements (golden parachutes)

Although executives' incentives for continued employment should be more significant than severance benefits, there are instances - particularly in the event of a change in control - in which severance arrangements may be appropriate. Severance benefits triggered by a change in control that do not exceed three times an executive's salary and bonus may generally be approved by the compensation committee of the board without submission to shareholders. Any such arrangement under which the beneficiary receives more than three times salary and bonus - or where severance is guaranteed absent a change in control - should be submitted for shareholder approval.

Corporate Structure and Shareholder Rights

The exercise of shareholder rights, in proportion to economic ownership, is a fundamental privilege of stock ownership that should not be unnecessarily limited. Such limits may be placed on shareholders' ability to act by corporate charter or by-law provisions or by the adoption of certain takeover provisions. In general, the market for corporate control should be allowed to function without undue interference from these artificial barriers.

The Vanguard ETFs' positions on a number of the most commonly presented issues in this area are as follows:

Shareholder rights plans (poison pills)

A company's adoption of a so-called poison pill effectively limits a potential acquirer's ability to buy a controlling interest without the approval of the target's board of directors. Such a plan, in conjunction with other takeover defenses, may serve to entrench incumbent management and directors. However, in other cases, a poison pill may force a suitor to negotiate with the board and result in the payment of a higher acquisition premium.

In general, shareholders should be afforded the opportunity to approve shareholder rights plans within a year of their adoption. This provides the board with the ability to put a poison pill in place for legitimate defensive purposes, subject to subsequent approval by shareholders. In evaluating the approval of proposed shareholder rights plans, the Committee will consider the following factors:

Factors For Approval	Factors Against Approval
Plan is relatively short-term (3-5 years)	Plan is long term (>5 years)

Factors For Approval	Factors Against Approval
Plan requires shareholder approval for renewal	Renewal of plan is automatic or does not require shareholder approval
Plan incorporates review by a committee of independent directors at least every three years (so-called TIDE provisions)	Ownership trigger is less than 15%
Plan includes permitted-bid/qualified-offer feature (chewable pill) that mandates a shareholder vote in certain situations	Classified board
Ownership trigger is reasonable (15-20%)	Board with limited independence
Highly independent, non-classified board	

Cumulative voting

The Vanguard ETFs are generally opposed to cumulative voting under the premise that it allows shareholders a voice in director elections that is disproportionate to their economic investment in the corporation.

Supermajority vote requirements

The Vanguard ETFs support shareholders' ability to approve or reject matters presented for a vote based on a simple majority. Accordingly, the Vanguard ETFs will support proposals to remove supermajority requirements and oppose proposals to impose them.

Right to call meetings and act by written consent

The Vanguard ETFs support shareholders' right to call special meetings of the board (for good cause and with ample representation) and to act by written consent. The Vanguard ETFs will generally vote for proposals to grant these rights to shareholders and against proposals to abridge them.

Confidential voting

The integrity of the voting process is enhanced substantially when shareholders (both institutions and individuals) can vote without fear of coercion or retribution based on their votes. As such, the Vanguard ETFs support proposals to provide confidential voting.

Dual classes of stock

The Committee is opposed to dual class capitalization structures that provide disparate voting rights to different groups of shareholders with similar economic investments. The Committee will oppose the creation of separate classes with different voting rights and will support the dissolution of such classes.

Corporate and Social Policy Issues

Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. The Manager generally believes that these are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. Often, proposals may address concerns with which the Committee philosophically agrees, but absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options), the Vanguard ETFs will typically abstain from voting on these proposals. This reflects the belief that regardless of the Committee's philosophical perspective on the issue, these decisions should be the province of company management unless they have a significant, tangible impact on the value of a Vanguard ETF's investment and management is not responsive to the matter.

Voting in Foreign Markets

Corporate governance standards, disclosure requirements and voting mechanics vary greatly among the markets outside Canada and the U.S. in which the Vanguard ETFs may invest. Each Vanguard ETF's votes will be used, where applicable, to advocate for improvements in governance and disclosure by each Vanguard ETF's portfolio companies. The Committee will evaluate issues presented to shareholders for each Vanguard ETF's foreign holdings in the context with the guidelines described above, as well as local market standards and best practices. The Vanguard ETFs will cast their votes in a manner believed to be philosophically consistent with these guidelines, while taking into account differing practices by market. In addition, there may be instances in which the Vanguard ETFs elect not to vote, as described below.

Many foreign markets require that securities be "blocked" or reregistered to vote at a company's meeting. Absent an issue of compelling economic importance, the Committee will generally not subject a Vanguard ETF to the loss of liquidity imposed by these requirements.

The costs of voting (e.g., custodian fees, vote agency fees) in foreign markets may be substantially higher than for Canadian and U.S. holdings. As such, the Vanguard ETF may limit its voting on foreign holdings in instances in which the issues presented are unlikely to have a material impact on shareholder value.

Voting Shares of a Company that has an Ownership Limitation

Certain companies have provisions in their governing documents that restrict stock ownership in excess of a specified limit. The ownership limit may be applied at the individual Vanguard ETF level or across all funds advised by the Sub-advisor. Typically, these ownership restrictions are included in the governing documents of real estate investment trusts, but may be included in other companies' governing documents.

A company's governing documents normally allow the company to grant a waiver of these ownership limits, which would allow a Vanguard ETF (or all funds advised by the Sub-advisor) to exceed the stated ownership limit. Sometimes a company will grant a waiver without restriction. From time to time, a company may grant a waiver only if a Vanguard ETF (or Vanguard ETFs) agrees to not vote the company's shares in excess of the normal specified limit. In such a circumstance, a Vanguard ETF may refrain from voting shares if owning the shares beyond the company's specified limit is in the best interests of the Vanguard ETF and its Unitholders.

Voting on a Vanguard ETF's Holdings of Vanguard Funds

Certain Vanguard ETFs may, from time to time, own shares of a Vanguard Fund. If the Vanguard Fund submits a matter to a vote of its shareholders, votes for and against such matters on behalf of the Vanguard ETFs will be cast in the same proportion as the votes of the other shareholders in the Vanguard Fund.

The Proxy Voting Group

The Manager, on behalf of the Vanguard ETFs, has delegated the day-to-day operations of the Vanguard ETFs' proxy voting process to the proxy voting group, which the Committee oversees. Although most votes will be determined, subject to the individual circumstances of each Vanguard ETF, by reference to the guidelines as separately adopted by each of the Vanguard ETFs, there may be circumstances when the proxy voting group will refer proxy issues to the Committee for consideration. In addition, at any time, the Manager has the authority to vote proxies, when, at the Manager's or the Committee's discretion, such action is warranted.

The proxy voting group performs the following functions: (i) managing proxy voting vendors; (ii) reconciling share positions; (iii) analyzing proxy proposals using factors described in the guidelines; (iv) determining and addressing potential or actual conflicts of interest that may be presented by a particular proxy; and (v) voting proxies on behalf of the Vanguard ETFs. The proxy voting group also prepares periodic and special reports to the Manager and any proposed amendments to the procedures and guidelines.

The Proxy Oversight Committee

The members of the Committee are senior officers of the Sub-advisor.

The Committee does not include anyone whose primary duties include external client relationship management or sales. This clear separation between the proxy voting and client relationship functions is intended to eliminate any potential conflict of interest in the proxy voting process. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must excuse himself or herself from the committee meeting at which the matter is addressed and not participate in the voting decision.

The Committee works with the proxy voting group to provide reports and other guidance to the Manager regarding proxy voting by the Vanguard ETFs. The Committee has an obligation to conduct its meetings and exercise its decision-making authority subject to the fiduciary standards of good faith, fairness and the Sub-advisor's Code of Ethics. The Committee shall authorize proxy votes that the Committee determines, at its sole discretion, to be in the best interests of each Vanguard ETF's Unitholders. In determining how to apply the guidelines to a particular factual situation, the Committee may not take into account any interest that would conflict with the interest of Unitholders in maximizing the value of their investments.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (i) Declaration of Trust, as described under the subheading "Organization and Management Details of the Vanguard ETFs - Trustee";
- (ii) Management Agreement, as described under the subheading "Organization and Management Details of the Vanguard ETFs - Details of the Management Agreement";
- (iii) Sub-advisory Agreement, as described under the subheading "Organization and Management Details of the Vanguard ETFs - Details of the Sub-advisory Agreement";
- (iv) Custodian Agreement, as described under the subheading "Organization and Management Details of the Vanguard ETFs - Custodian"; and
- (v) each Index License Agreement, as described under the subheading "Investment Objectives - The Indices".

Copies of the agreements referred to above may be inspected during business hours at the principal office of the Manager.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The Vanguard ETFs are not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving any Vanguard ETF.

EXPERTS

Borden Ladner Gervais LLP, legal counsel to the Vanguard ETFs and the Manager, has provided certain legal opinions regarding the principal Canadian federal income tax considerations that apply to an investment in the Units by a Canadian resident individual and by a Registered Plan. See "Income Tax Considerations" and "Eligibility for Investment".

PricewaterhouseCoopers LLP, Chartered Accountants, are the auditors of the Vanguard ETFs and have consented to the use of their audit report dated ●, 2012 to the Unitholders of the Existing Vanguard ETFs on the [statement of portfolio investments of each of the Existing Vanguard ETFs as at December 31, 2011, the statement

of net assets as at December 31, 2011 and the statements of operations and changes in net assets for the period ended December 31, 2011.] PricewaterhouseCoopers LLP have also prepared an independent auditor's report dated ●, 2012 on the statements of financial position of each of the New Vanguard ETFs as at ●, 2012. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Vanguard ETFs within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

EXEMPTIONS AND APPROVALS

Each Vanguard ETF has obtained exemptive relief from the Canadian securities regulatory authorities to permit the following practices:

- (i) the purchase by a Unitholder of more than 20% of the Units of any Vanguard ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder, provides the Manager with an undertaking not to exercise any votes attached to Units that represent more than 20% of the votes attached to all outstanding Units of that Vanguard ETF at any meeting of Unitholders;
- (ii) to relieve the Vanguard ETFs from the requirement that a prospectus contain a certificate of the underwriter or underwriters; and
- (iii) to permit the Vanguard ETF to borrow cash for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distributions payable to Unitholders that represents amounts that have not yet been received by the Vanguard ETF and, in any event, does not exceed 5% of the net assets of the Vanguard ETF.

OTHER MATERIAL FACTS

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S&P

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PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION SECURITIES

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase mutual fund securities within two business days after receipt of a

prospectus and any amendment or within 48 hours after receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contain a misrepresentation or are not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limits prescribed by the securities legislation of the investor's province of residence. The investor should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal advisor.

DOCUMENTS INCORPORATED BY REFERENCE

During the period in which the Vanguard ETFs are in continuous distribution, additional information is available in:

- (i) the most recently filed comparative annual financial statements, if any, of the Vanguard ETFs, together with the accompanying report of the auditors;
- (ii) any interim financial statements of the Vanguard ETFs filed after the most recently filed comparative annual financial statements of the Vanguard ETFs;
- (iii) the most recently filed annual MRFP of the Vanguard ETFs; and
- (iv) any interim MRFP of the Vanguard ETFs filed after that most recently filed annual MRFP of the Vanguard ETFs.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. An investor can get a copy of these documents upon request and at no cost by calling 1-877-410-7275 or by contacting a registered dealer.

These documents are available on the Manager's website at www.vanguardcanada.ca.

These documents and other information about the Vanguard ETFs are available on the Internet at www.sedar.com.

In addition to the documents listed above, any document of the type described above that are filed on behalf of the Vanguard ETFs after the date of this prospectus and before the termination of the distribution of the Vanguard ETFs are deemed to be incorporated by reference into this prospectus.

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AUDITOR'S CONSENT

Vanguard MSCI Canada Index ETF
Vanguard Canadian Aggregate Bond Index ETF
Vanguard Canadian Short-Term Bond Index ETF
Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged)
Vanguard MSCI EAFE Index ETF (CAD-hedged)
Vanguard MSCI Emerging Markets Index ETF
(collectively, the “**Existing Vanguard ETFs**”)

Vanguard FTSE Canadian High Dividend Yield Index ETF
Vanguard FTSE Canadian Capped REIT Index ETF
Vanguard Canadian Short-Term Corporate Bond Index ETF
Vanguard S&P 500 Index ETF
Vanguard S&P 500 Index ETF (CAD-hedged)
(collectively, the “**New Vanguard ETFs**”)

(the Existing Vanguard ETFs and the New Vanguard ETFs are, collectively, the “**Vanguard ETFs**”)

We have read the prospectus of the Vanguard ETFs dated ●, 2012 relating to the issue and sale of units of the Vanguard ETFs. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above-mentioned prospectus of our audit report dated ●, 2012 to the unitholders of the Existing Vanguard ETFs on the [statement of portfolio investments of each of the Existing Vanguard ETFs as at December 31, 2011, the statement of net assets as at December 31, 2011 and the statements of operations and changes in net assets for the period ended December 31, 2011.]

We also consent to the inclusion in the above-mentioned prospectus of our report to the manager and unitholder of the New Vanguard ETFs on the statement of financial position of each of the New Vanguard ETFs as at ●, 2012.

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
●, 2012

INDEPENDENT AUDITOR'S REPORT

To the Manager and Unitholder of

Vanguard FTSE Canadian High Dividend Yield Index ETF
Vanguard FTSE Canadian Capped REIT Index ETF
Vanguard Canadian Short-Term Corporate Bond Index ETF
Vanguard S&P 500 Index ETF
Vanguard S&P 500 Index ETF (CAD-hedged)
(collectively, the "New Vanguard ETFs")

We have audited the accompanying statement of financial position of each of the New Vanguard ETFs as at ●, 2012 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement of each of the New Vanguard ETFs in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement of each New Vanguard ETF based on each of our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement of each of the New Vanguard ETFs presents fairly, in all material respects, the financial position of each of the New Vanguard ETFs as at ●, 2012 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
●, 2012

**VANGUARD FTSE CANADIAN HIGH DIVIDEND YIELD INDEX ETF
STATEMENT OF FINANCIAL POSITION**

As at ●, 2012

Assets		
Cash	\$	●
Total Net Assets and Unitholder's Equity	\$	● <hr/> <hr/>
Net Asset Value Per Unit	\$	●
Units issued and fully paid		●

Approved on behalf of the Board of Directors of
Vanguard Investments Canada Inc., as the Manager and Trustee of the Vanguard ETFs

Director

Director

See accompanying notes to statement of financial position.

**VANGUARD FTSE CANADIAN CAPPED REIT INDEX ETF
STATEMENT OF FINANCIAL POSITION**

As at ●, 2012

Assets		
Cash	\$	●
Total Net Assets and Unitholder's Equity	\$	● <hr/> <hr/>
Net Asset Value Per Unit	\$	●
Units issued and fully paid		●

Approved on behalf of the Board of Directors of
Vanguard Investments Canada Inc., as the Manager and Trustee of the Vanguard ETFs

Director

Director

See accompanying notes to statement of financial position.

**VANGUARD CANADIAN SHORT-TERM CORPORATE BOND INDEX ETF
STATEMENT OF FINANCIAL POSITION**

As at ●, 2012

Assets		
Cash	\$	●
Total Net Assets and Unitholder's Equity	\$	● <hr/> <hr/>
Net Asset Value Per Unit	\$	●
Units issued and fully paid		●

Approved on behalf of the Board of Directors of
Vanguard Investments Canada Inc., as the Manager and Trustee of the Vanguard ETFs

Director

Director

See accompanying notes to statement of financial position.

**VANGUARD S&P 500 INDEX ETF
STATEMENT OF FINANCIAL POSITION**

As at ●, 2012

Assets		
Cash	\$	●
Total Net Assets and Unitholder's Equity	\$	● <hr/> <hr/>
Net Asset Value Per Unit	\$	●
Units issued and fully paid		●

Approved on behalf of the Board of Directors of
Vanguard Investments Canada Inc., as the Manager and Trustee of the Vanguard ETFs

Director

Director

See accompanying notes to statement of financial position.

VANGUARD S&P 500 INDEX ETF (CAD-HEDGED)
STATEMENT OF FINANCIAL POSITION

As at ●, 2012

Assets		
Cash	\$	●
Total Net Assets and Unitholder's Equity	\$	● <hr/> <hr/>
Net Asset Value Per Unit	\$	●
Units issued and fully paid		●

Approved on behalf of the Board of Directors of
Vanguard Investments Canada Inc., as the Manager and Trustee of the Vanguard ETFs

Director

Director

See accompanying notes to statement of financial position.

**NEW VANGUARD ETFS
NOTES TO STATEMENTS OF FINANCIAL POSITION**

As at ●, 2012

1. Establishment of New Vanguard ETFs and authorized units

The following exchange-traded funds (each a “New Vanguard ETF” and together the “New Vanguard ETFs”) were established as trusts on ●, 2012 in accordance with the Declaration of Trust.

Vanguard FTSE Canadian High Dividend Yield Index ETF
Vanguard FTSE Canadian Capped REIT Index ETF
Vanguard Canadian Short-Term Corporate Bond Index ETF
Vanguard S&P 500 Index ETF
Vanguard S&P 500 Index ETF (CAD-hedged)

(a) Legal structure:

The New Vanguard ETFs are unincorporated open-ended mutual fund trusts under the laws of the Province of Ontario.

Each of the New Vanguard ETFs is authorized to issue an unlimited number of redeemable, transferable Units, each of which represents an equal, undivided interest in that New Vanguard ETF.

Vanguard Investments Canada Inc., a registered portfolio manager, investment fund manager and commodity trading manager, is the trustee, manager and portfolio manager (the “Trustee”, “Manager or the “Portfolio Manager”) of the New Vanguard ETFs and is responsible for the administration of the New Vanguard ETFs. Vanguard Investments Canada Inc. is a wholly-owned indirect subsidiary of The Vanguard Group, Inc.

The Vanguard Group, Inc. (the “Sub-advisor”) has been appointed by the Portfolio Manager as sub-advisor to the New Vanguard ETFs to provide investment advice to the portfolios of the New Vanguard ETFs pursuant to the sub-advisory agreement.

(b) Unitholder’s equity:

Units of the New Vanguard ETFs are redeemable at the option of the holder in accordance with the provisions laid out in the prospectus. If accepted by the Manager, units of a New Vanguard ETF will be redeemed on each business day or any other day designated by the Manager on which the net asset value and net asset value per unit of a New Vanguard ETF are calculated (the “Valuation Date”) based on the net asset value of the units of the New Vanguard ETF on that Valuation Date.

(c) Issue of units:

A total of ● units of each New Vanguard ETF were issued for cash consideration of \$● on ●, 2012 to Vanguard Investments Canada Inc.

2. Management of the New Vanguard ETFs

(a) Management Agreement:

Pursuant to the terms of the Management Agreement, each New Vanguard ETF is required to indemnify the Manager and its directors, officers, employees and agents, out of the assets of that New Vanguard ETF against all liabilities, costs and expenses incurred in connection with any matter relating to that New Vanguard ETF, provided

it does not result from the Manager’s wilful misconduct, bad faith or material breach of its obligations under the Management Agreement or from a failure of the Manager or any person retained by the Manager to meet the standard of care set out in the Management Agreement.

(b) Management fees and expenses:

Each New Vanguard ETF pays a management fee, plus applicable taxes, to the Manager based on the annual rate set forth in the table below and the net asset value (the “NAV”) of the New Vanguard ETF. The NAV of a New Vanguard ETF on a particular date is equal to the aggregate value of the assets of that New Vanguard ETF less the aggregate value of the liabilities of that New Vanguard ETF, including any accrued management fees and any income, net realized capital gains or other amounts payable to unitholders on or before such date, all expressed in Canadian dollars. The management fee is calculated and accrued daily and is paid monthly.

New Vanguard ETFs	Annual Management Fee
Vanguard FTSE Canadian High Dividend Yield Index ETF	0.30% of NAV
Vanguard FTSE Canadian Capped REIT Index ETF	0.35% of NAV
Vanguard Canadian Short-Term Corporate Bond Index ETF	0.15% of NAV
Vanguard S&P 500 Index ETF	0.15% of NAV ⁽¹⁾
Vanguard S&P 500 Index ETF (CAD-hedged)	0.15% of NAV ⁽¹⁾

⁽¹⁾ This New Vanguard ETF invests primarily in a U.S.-domiciled Vanguard Fund. To ensure that there is no duplication of management fees chargeable in connection with the New Vanguard ETF and its investment in the Vanguard Fund, the management fee payable by the New Vanguard ETF to the Manager set out above is reduced by the aggregate of the management fee payable by the Vanguard Fund to an affiliate of the Manager and certain expenses of the Vanguard Fund that are paid directly by the Vanguard Fund (together, the “Vanguard Fund total expense ratio”). The Vanguard Fund total expense ratio is embedded in the market value of the Vanguard Fund shares in which the New Vanguard ETF invests.

The only expenses payable by each New Vanguard ETF are the applicable management fee, fees and expenses relating to the implementation and on-going operation of the independent review committee, brokerage expenses and commissions, the fees under any derivative instrument used by the New Vanguard ETF, the cost of complying with new governmental or regulatory requirements, extraordinary expenses, any goods and services or harmonized sales taxes on those expenses and any income, withholding or other taxes. The Manager is responsible for all other costs and expenses of the New Vanguard ETFs. The Manager may decide, in its discretion, to pay for some of the operating expenses otherwise payable by a New Vanguard ETF, rather than having the New Vanguard ETF incur such operating expenses.

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CERTIFICATE OF THE NEW VANGUARD ETFS, THE TRUSTEE, MANAGER AND PROMOTER

Dated: September 4, 2012

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

**VANGUARD INVESTMENTS CANADA INC.
as Trustee and Manager of the New Vanguard ETFs**

(Signed) ATUL TIWARI
Chief Executive Officer

(Signed) THOMAS J. HIGGINS
Chief Financial Officer

On behalf of the Board of Directors of Vanguard Investments Canada Inc.

(Signed) RICHARD D. CARPENTER
Director

(Signed) HEIDI STAM
Director

**VANGUARD INVESTMENTS CANADA INC.
as Promoter of the New Vanguard ETFs**

(Signed) ATUL TIWARI
Chief Executive Officer