



**VANGUARD ETF SERIES**  
(the “TRUST”)

*A Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap.571) of Hong Kong comprising:*

**VANGUARD FTSE ASIA EX JAPAN INDEX ETF (Stock Code: 2805)**  
**VANGUARD FTSE DEVELOPED EUROPE INDEX ETF (Stock Code: 3101)**  
**VANGUARD FTSE JAPAN INDEX ETF (Stock Code: 3126)**  
**VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF (Stock Code: 3085)**  
**VANGUARD S&P 500 INDEX ETF (Stock Code: 3140)**  
(together, the “Sub-Funds”)

**NOTICE TO UNITHOLDERS**

**ADDITION OF NEW RMB AND USD COUNTERS**

***Important***

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***This notice is important and requires your immediate attention.***

*If you are in doubt about the contents of this document, you should seek independent professional financial advice. SFC authorisation is not a recommendation or endorsement of the Trust or the Sub-Funds nor does it guarantee the commercial merits of the Trust or the Sub-Funds or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*

*All capitalized terms used in this document have the same meaning as in the prospectus of the Trust dated 10 November 2017 (the “Prospectus”), unless otherwise defined herein. The Manager accepts full responsibility for the accuracy of the information contained in this document and confirms that, having made all reasonable enquiries, to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this document misleading as at the date of publication of this document.*

Dear Unitholders

We are writing to inform you that an addendum to the Prospectus (the “**First Addendum**”) and revised KFS for each Sub-Fund will be issued on 9 April 2018 (“**Effective Date**”) to reflect the following amendments:

**1 Multiple Counter**

**A. Addition of RMB and USD Counters**

The Units are currently denominated and traded in Hong Kong dollars (“**HKD**”). The Manager has applied to the SEHK for the Units to be available for trading on the SEHK and deposit, clearing and settlement in the Central Clearing and Settlement System (“**CCASS**”) under a multiple counter (“**Multiple Counter**”) arrangement with the addition of renminbi (“**RMB**”) and United States dollars (“**USD**”) counters with effect from the Effective Date. From the Effective Date onwards, the Units will be traded on the SEHK in HKD, RMB and USD.

**B. Multiple Counter model**

By virtue of the Multiple Counter arrangement, the Sub-Funds will offer three trading counters on the SEHK (i.e. HKD counter, RMB counter and USD counter) to investors for secondary trading purposes. Units traded in HKD counter will be settled in HKD, Units traded in RMB counter will be settled in RMB and Units traded in USD will be settled in USD. Apart from settlement in different currencies, the trading prices of Units in different counters may be different as each counter is a distinct and separate market. Investors should note that the Units – regardless of which currency it is traded in - remain denominated in the Base Currency of the relevant Sub-Fund and the creation of new Units and redemption of Units in the primary market are settled in the Base Currency.

Units created and issued pursuant to a creation application may be deposited in CCASS as HKD traded Units, RMB traded Units or USD traded Units initially. A Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Units deposited in any of the three counters. Similarly, Units redeemed pursuant to a redemption application may be withdrawn from any trading counter (i.e. HKD, RMB or USD trading counter). Units of all three counters may be redeemed by way of redemption application through a Participating Dealer.

Notwithstanding a Multiple Counter arrangement being adopted, (a) Units traded on all three counters are of the same class with the same rights attached thereto and all Unitholders of all these counters are treated equally; (b) all cash creation applications must be made in the Base Currency of the relevant Sub-Fund; and (c) all cash proceeds received by a Participating Dealer in a cash redemption application shall be paid only in the Base Currency. In specie creations and redemptions are still available in the manner described in the Prospectus and will be unaffected by the Multiple Counter arrangement. The board lot size and sizes of the Creation Unit and Redemption Unit will also remain the same.

Each Sub-Fund's distribution policy will be unaffected by the Multiple Counter arrangement adopted in respect of the Units and each Unitholder will receive distributions in the Base Currency of the Sub-Fund, regardless of the trading currency of their Units.

Please note that investors without RMB or USD accounts may buy and sell HKD traded Units only. Such investors will not be able to buy or sell RMB or USD traded Units through RMB and USD counters.

**C. Stock codes, stock short names and ISIN**

The stock codes, and International Securities Identification Numbers (“**ISIN**”) of the existing HKD counter for each Sub-Fund will remain unchanged, however the stock short names will be updated from the Effective Date for each Sub-Fund as follows:

	<b>Sub-Fund</b>	<b>Stock Code</b>	<b>New Stock Short Name</b>
1	VANGUARD FTSE ASIA EX JAPAN INDEX ETF	2805	VANGUARDASXJP
2	VANGUARD FTSE DEVELOPED EUROPE INDEX ETF	3101	VANGUARDDEVEUR
3	VANGUARD FTSE JAPAN INDEX ETF	3126	VANGUARDJAPAN
4	VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF	3085	VANGUARDAXJHY
5	VANGUARD S&P 500 INDEX ETF	3140	VANGUARDSP500

The RMB and USD counters will, from the Effective Date, have stock codes, stock short names and separate ISIN for each Sub-Fund as follows:

	<b>Sub-Fund</b>	<b>Additional Counter</b>	<b>Stock Code</b>	<b>Stock Short Name</b>	<b>ISIN</b>
1	VANGUARD FTSE ASIA EX JAPAN INDEX ETF	RMB Counter:	82805	VANGUARDASXJP-R	HK0000398971
		USD Counter:	9805	VANGUARDASXJP-U	HK0000398963
2	VANGUARD FTSE DEVELOPED EUROPE INDEX ETF	RMB Counter:	83101	VANGUARDDEUR-R	HK0000399011
		USD Counter:	9101	VANGUARDDEUR-U	HK0000399003
3	VANGUARD FTSE JAPAN INDEX ETF	RMB Counter:	83126	VANGUARDJAPAN-R	HK0000398997
		USD Counter:	9126	VANGUARDJAPAN-U	HK0000398989
4	VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF	RMB Counter:	83085	VANGUARDAXJHY-R	HK0000399037
		USD Counter:	9085	VANGUARDAXJHY-U	HK0000399029
5	VANGUARD S&P 500 INDEX ETF	RMB Counter:	83140	VANGUARDSP500-R	HK0000399052
		USD Counter:	9140	VANGUARDSP500-U	HK0000399045

#### *D. Inter-counter transfer*

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in another counter provided their brokers provide HKD, RMB and/or USD trading services at the same time and offer inter-counter transfer services to support Multiple Counter trading. Inter-counter buy and sell is permissible even if the trades takes place within the same trading day. However, investors should note that the trading price of Units traded in different counters may be different and may not always maintain a close relationship depending on factors such as market demand supply and liquidity in each counter.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multiple Counter arrangement, including inter-counter transfers.

#### *E. Market Making*

As with all exchange traded funds listed on the SEHK, the Manager will ensure that there is at all times at least one market maker for the HKD counter and, from the Effective Date, one market maker for each of the RMB and USD counters (although the same entity can act as the market maker for all three counters). The Manager will seek to ensure that at least one Market Maker per counter is required to give not less than three months' prior notice to terminate the relevant market making arrangement.

For a list of market makers for each counter, please refer to the respective webpage of the counter of the relevant Sub-Fund on the HKEX website: [http://www.hkex.com.hk/Market-Data/Securities-Prices/Exchange-Traded-Products?sc\\_lang=en](http://www.hkex.com.hk/Market-Data/Securities-Prices/Exchange-Traded-Products?sc_lang=en).

## *F. Multiple Counter related risks*

### *Inter-Counter Transfer Risk*

The Multiple Counter arrangement may make investment in the Units riskier than in single counter units or shares of an SEHK listed issuer, for example, where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, leaving insufficient time to transfer the Units to the other counter for settlement on the same day.

In addition, if there is a suspension of the inter-counter transfers of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their Units in one counter only, which may inhibit or delay an investor dealing. Accordingly, it should be noted that the inter-counter transfers may not always be available.

### *Counter Market Price Risk*

There is a risk that the market price on the SEHK of Units traded in each counter may deviate significantly from one another due to different factors such as market liquidity, supply and demand in each counter and exchange rate fluctuation between HKD, RMB and USD in both onshore and offshore markets. The trading price of Units in each counter is determined by market forces and so will not be the same as the trading price of Units multiplied by the prevailing rate of foreign exchange. Accordingly, when selling or buying Units traded in one counter, an investor may receive less or pay more than the equivalent amount in the currency of another counter if the trade of the relevant Units took place on another counter. There can be no assurance that the price of Units in each counter will be equivalent.

### *Exchange Rates Movement between Base Currency and Other Currencies Risk*

Investors who hold Units in currencies other than the Base Currency should take into account the potential risk of loss arising from fluctuations in value between the Base Currency and the currency of the Units traded. There is no guarantee that the Base Currency will appreciate in value against any other currency, or that the strength of the Base Currency may not weaken. Accordingly, it is possible that an investor may enjoy a gain in terms of the Base Currency but suffer a loss when converting funds from the Base Currency into any other currency.

As the RMB is currently not a freely convertible currency and is subject to exchange controls and restriction, investors holding Units traded in RMB may be exposed to fluctuations in the RMB exchange rate against the Base Currency.

### *RMB Counter Risk*

The Units in the RMB Counter are RMB-denominated securities traded on SEHK and settled in CCASS. Not all brokers or custodians may be ready and able to carry out trading and settlement of the RMB-traded Units. Also, the limited availability of RMB outside the PRC may also affect the liquidity and trading price of RMB traded units. Investors in the secondary market who buy and sell Units traded in RMB counter are also exposed to foreign exchange currency risk arising from the fluctuations between the Base Currency and the RMB.

### *Broker Risk*

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in another, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in different counters at the same time. In such a case, another broker or CCASS participant may need to be used. Accordingly, this may inhibit or delay an investor dealing in the HKD, RMB and USD traded Units and may mean that an investor may only be able to sell their Units in one currency. Investors are

recommended to check the readiness of their brokers in respect of the Multiple Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

#### *Distribution in Base Currency Risk*

Unitholders should note that all Units will receive distributions only in the Base Currency of their Sub-Funds. In the event that the relevant Unitholder has no account in the Base Currency, the Unitholder may have to bear the fees and charges associated with the conversion of any distributions from the Base Currency to any other currency. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payments. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Investors should also refer to the First Addendum for further risks associated with the Multiple Counter arrangement.

#### *G. No objection from SEHK*

The SEHK has no objection to the admission for trading of the Units to the RMB counter and USD counter with effect from the Effective Date.

#### *H. Stamp duty*

No Hong Kong stamp duty is payable by an investor in relation to an issue of Units (HKD, RMB or USD traded Units) to him or her or the redemption of Units (HKD, RMB or USD traded Units) by him or her or on the sale and purchase of Units (HKD, RMB or USD traded Units) by him or her in the secondary market.

#### *I. Information on website*

From the Effective Date, the website of the Manager in respect of the Trust and the Sub-Funds, [www.vanguard.com.hk](http://www.vanguard.com.hk) (which has not been reviewed by the SFC) will be updated. In particular the near real time estimated Net Asset Value per Unit throughout each Dealing Day and the last closing Net Asset Value per Unit of the previous Dealing Day will also be provided in the relevant trading currencies of each Sub-Fund (e.g. HKD, RMB and USD).

Please note that the near real time estimated Net Asset Value per Unit (in each of the Sub-Fund's trading currencies) and the last closing Net Asset Value per Unit (in each of the Sub-Fund's trading currencies (other than the Base Currency)) are indicative and for reference only. The near real time estimated Net Asset Value per Unit in each of the Sub-Fund's trading currencies (other than the Base Currency) uses a real time exchange rate between the Base Currency and each of the trading currencies (other than the Base Currency). It is calculated using the near real time estimated NAV per Unit in the Base Currency of the relevant Sub-Fund multiplied by the real time exchange rate provided by ICE Data Services for the relevant trading currencies of each Sub-Fund (other than the Base Currency).

The last closing Net Asset Value per Unit in each of the Sub-Fund's trading currencies (other than the Base Currency) are calculated using the last closing Net Asset Value per Unit in the Base Currency of the relevant Sub-Fund multiplied by the WM Reuters 4:00p.m. (London time)\* rate for the relevant trading currencies of each Sub-Fund (other than the Base Currency) for that Dealing Day.

\*- please note 4:00p.m. (London time) (i) during British Summer Time is equivalent to 11:00 p.m. Hong Kong Time and (ii) otherwise is equivalent to 12:00 a.m. Hong Kong Time.

The costs incurred in connection with the changes (including the costs of preparing the First Addendum and KFS for each Sub-Fund, as well as the legal fees in relation to the foregoing) will be borne by the Manager.

**2 Update on information relating to underlying indices in respect of each Sub-Fund**

The First Addendum and KFS for each Sub-Fund, which provide updates to the index information (including the 10 largest Index Securities) relating to the Underlying Indices of the Sub-Funds, will be available on the Effective Date.

**3 Updates on ongoing charges, tracking difference and past performance information in respect of each Sub-Fund**

The KFS for each Sub-Fund, which provide updates to the ongoing charges, tracking difference and past performance information for each Sub-Fund, will be available on the Effective Date.

Hard copies of the Prospectus (appended with the First Addendum), the KFS of the Sub-Funds, the Trust Deed and all supplemental deeds are available for inspection at the Manager's office located at 48/F, The Center, 99 Queen's Road Central, Hong Kong (telephone number: +852 3409 8333) during normal office hours (Monday to Friday (excluding public holidays), from 9:00a.m. to 5:30p.m.).

If you have any queries or concerns regarding the above change, please direct them to your financial adviser or contact the Manager at the address or telephone number mentioned above.

**Vanguard Investments Hong Kong Limited**

**3 April 2018**