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MEDIA RELEASE

Leading fund manager Vanguard unveils Hong Kong-domiciled Asia ex Japan equity ETF

Low TER provides alternative to more expensive options in marketplace

Hong Kong 15 May 2013: The first Hong Kong-domiciled exchange traded fund (ETF) to be offered by The Vanguard Group, Inc. (Vanguard), the world's largest mutual fund company and a leader in low-cost investing, will commence trading on the Hong Kong Stock Exchange today. The physical-backed **Vanguard FTSE Asia ex Japan Index ETF** will offer investors broad diversification with exposure to large- and mid-capitalisation stocks in 11 Asian countries.

The Vanguard FTSE Asia ex Japan Index ETF seeks to track the performance of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index. The index is market-capitalisation weighted and measures the performance of large- and mid-cap stocks in China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan and Thailand. As at 31 March 2013, the index invested in 766 stocks with China (22%), Korea (19%) and Hong Kong (15%) its largest country allocations.

The Vanguard FTSE Asia ex Japan Index ETF is trading under the stock code 2805. The ETF features a total expense ratio (TER) of 0.38% (plus brokerage costs), which is considerably lower than the average expense ratio of 0.62% for index ETFs domiciled or authorised for sale currently in Hong Kong.*

ETF	Stock Code	Fund Objective	Total Expense Ratio
Vanguard FTSE Asia ex Japan Index ETF	2805	Seeks to track FTSE Asia Pacific ex Japan, Australia and New Zealand Index	0.38% annually

Vanguard, which launched the first index fund for US individual investors in 1976, is the third-largest global provider of ETFs, with USD 288 billion in ETF assets worldwide. Vanguard is owned by its US-domiciled funds and ETFs, which, in turn, are owned by their investors. This US mutual structure aligns Vanguard's interests with those of investors and enables the firm to return any profit to investors through lower costs.

Vanguard Asia Regional Managing Director Shelly Painter said:

"Vanguard ETFs provide investors with low-cost, broadly diversified options. They track high-quality, well-constructed benchmarks that provide low-cost exposure to broadly diversified markets. The Vanguard FTSE Asia ex Japan Index ETF represents our first locally domiciled product offering and, together with the official [launch](#) of our intermediary business in Hong Kong, demonstrates our commitment to building Vanguard's presence in Asia.

"We recommend that intermediaries and investors choose an ETF based on the exposure they seek to particular markets and market segments, as well as the total cost to purchase an ETF and hold it

over the long term. Investors should evaluate the target benchmark and ETF's ability to track that index with precision. It's also important to note that an ETF's liquidity is not simply a measure of its daily trading volume. ETF shares are created using their underlying securities, which represent an additional source of liquidity for investors—and because Vanguard ETFs track markets that are easily accessible, their underlying securities are quite liquid. As a result, ETF liquidity reflects more than just trading volume because new ETF shares can be created daily. Liquidity providers such as market makers and trading desks across the region can create new ETF shares via participating dealers, making these new shares available for investors directly or through trading on the exchange. The process of creating new shares is often referred to as primary market liquidity, and together with secondary market liquidity provides a true measure of an ETF's ease of trading.

“As intermediaries and their clients learn more about ETFs, how they are bought and sold, how they are designed and how to incorporate them into investment portfolios, we believe that we will continue to see increased adoption of ETFs across Asia.”

Gregory Davis, Chief Investment Officer for Vanguard Asia Pacific, said:

“The Vanguard FTSE Asia ex Japan Index ETF can be an appropriate product for investors who want a low-cost, diversified way to invest in local stocks in countries throughout Asia. The ETF provides broad diversification that can spread an investor's risk widely and minimise the losses that can follow a dramatic decline in any one specific company or industry sector.

“Besides offering exposure to this particular region, the Vanguard FTSE Asia ex Japan Index ETF can be an important tool to use in conjunction with actively managed and index mutual funds in a portfolio. Investors can benefit from the use of both active and index approaches. For instance, investors can use broadly diversified indexed investments, such as ETFs, at the core of their portfolio to provide a risk-controlled, low-cost way to earn the market's returns. Actively managed funds can then be used as satellites to provide an opportunity to earn higher-than-market returns.”

James Norris, Vanguard International Managing Director, said:

“Since the global financial crisis in 2008, investors worldwide have become more focused on broad diversification, low investment costs and transparency – which are the key characteristics of index funds and index ETFs. From 2007-2012, Morningstar data shows that worldwide index-based product assets experienced a 27% annual growth rate, compared to a 4% growth rate for non-index products.

“In particular, the benefits of ETFs certainly haven't been lost on investors in Asia. At the end of October 2012, the region had 402 ETFs with USD 77 billion in assets. That was up from 73 ETFs and USD 28 billion in assets just five years before.”**

Editor's Note:

For more information about the Vanguard FTSE Asia ex Japan Index ETF and to access a product disclosure statement, visit www.vanguard.com.hk.

ETFs combine the broad diversification of conventional index mutual funds with the continual pricing and trading flexibility of individual stocks and bonds. ETFs are listed, bought and sold throughout the day on a regulated stock exchange. They measure themselves against a benchmark and thus typically aim to achieve the market return of securities that comprise an index.

ETFs often have lower total costs than mutual funds, and index investments typically have lower TERs than active investments. Low-cost index ETFs can mean that more of an investment's returns go to investors, positioning them for greater long-term financial success.

About Vanguard Asia

The Vanguard Group, based in Valley Forge, Pennsylvania, in the United States, is owned by the US-domiciled Vanguard mutual funds, which in turn are owned by the investors in those funds. This unique US mutual structure aligns Vanguard's interests with those of its investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide, including Vanguard Investments Hong Kong, Singapore and Japan. As a result, Asian investors benefit from Vanguard's stability and experience, low-cost investing and client focus. Globally, Vanguard manages nearly USD 2.45 trillion in mutual fund, separately managed account and ETF assets. For more information about Vanguard Investments Hong Kong, visit www.vanguard.com.hk.

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*Vanguard calculations using Morningstar data as at 30 April 2013.

**ETFGL analysis based on data from ETFGL, Bloomberg, ETF providers and WIND.0. Data as at 31 October 2012.

All Vanguard asset figures are at 30 April 2013, unless otherwise noted.

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