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MEDIA RELEASE

Vanguard, one of world's largest investment management companies, enters Hong Kong retail market

Hong Kong 6 May 2013: Vanguard, the pioneering mutual fund company known around the world for setting the standard for low investment costs, clear fee disclosures and broadly diversified portfolios, today launched its intermediary business in Hong Kong to expand access to its products to investors throughout Asia.

Vanguard will soon announce the listing of its first locally domiciled product offering in Hong Kong.

Since launching the first index fund for individual investors in the United States in 1976, Vanguard has led the industry with its low-cost, broadly diversified and long-term investment approach. Vanguard later extended its indexing expertise to ETFs, giving investors other low-cost investment choices and greater trading flexibility. Vanguard manages USD 2.4 trillion in assets globally. It is the third-largest global ETF provider, with USD 280 billion in ETF assets.

In Asia, Vanguard provides institutions and intermediaries with access to its global management capabilities through ETFs, separately managed accounts and mutual funds. The Hong Kong office also serves as the Asian hub for the company, which established a site in Japan in 2000 and in Singapore in 2003. Vanguard's presence in the Asia Pacific region began in 1996 when it opened its Australia office.

Vanguard's unique structure eliminates a costly additional ownership layer and enables the firm to return profit to investors through lower costs. Rather than being publicly traded or owned by a small group of individuals, Vanguard is owned by Vanguard's US-domiciled funds and ETFs. Those funds, in turn, are owned by their investors. This unique mutual structure aligns Vanguard's interests with those of investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, Asian investors benefit from Vanguard's stability and experience, low-cost investing and client focus.

Ms. Shelly Painter, Vanguard Asia Regional Managing Director, leads the team in Asia from Vanguard's office in Hong Kong. The Hong Kong operation was established two years ago to serve institutions in Asia and has now expanded with more than two dozen professionals to serve retail investors through financial intermediaries. **Ms. Linda Luk, Managing Director of Retail & Intermediary Sales**, heads the group that focuses on intermediaries.

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Ms. Painter said:

“We have been privileged to do business with institutions in Asia for several years, including institutional investors in Hong Kong. We have built out our presence here because we believe Vanguard’s approach to investing can benefit even more Asian investors.

“Vanguard is well-known in the United States and other markets around the world for doing what’s right for investors. We take a stand for investors, treat them fairly and give them the best chance for investment success. We do that by advocating for low-cost investment products and transparency in what investors are paying for their investments.

“Our views of investing are straightforward, easy to understand and designed for the long-term. With nearly 40 years of experience in successfully managing money for individuals and institutions, we have helped millions of investors meet their investment objectives around the world. Our goal is to do the same for investors in Asia.”

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

“While most mutual funds in Hong Kong are actively managed, we believe indexing, including index funds and ETFs, should be a core holding in all portfolios. Indexing represents low cost and relative predictability of returns because it seeks to follow the performance of a given benchmark. Investors seeking returns in excess of a benchmark can do so by using active funds, although they tend to be more expensive and show unpredictable relative return patterns.

“In addition to combining active and index strategies, investors should consider diversifying their asset allocation, distributing their investments appropriately across the asset classes of stocks, bonds and cash. When one of those asset classes is volatile, the others may be steadier, so mixing investments among all of them can be an additional way to smooth out the risk and return of a portfolio.”

Mr James Norris, Vanguard International Managing Director, said:

“The importance of investing in low-cost funds cannot be emphasised enough, as costs are the only certainty when it comes to investing. To appreciate the power of low costs, consider a hypothetical investor who splits HKD 250,000 evenly between two funds that are identical in every respect except cost. Fund A has a management expense ratio of 0.40%. Fund B has a management expense ratio of 1.50%. Assuming a 6% annual rate of return for both funds, after 10 years, Fund A would provide an “extra” HKD 22,605 in net returns. After 20 years, the extra net returns would be HKD 73,697.*

“As we work to bring our investment approach – including a focus on low investment costs – to more investors around the world, Vanguard’s commitment to building our presence in Asia through the expansion of our regional hub in Hong Kong is a natural step. We believe we can help position more investors in Asia for greater long-term financial success.”

Editor’s Note:

ETFs are similar to mutual funds but are listed, bought and sold throughout the day on a regulated stock exchange. ETFs offer investors the opportunity to invest in a portfolio of securities that provide the same diversification benefits of mutual funds but with the liquidity and trading flexibility of stocks. They measure themselves against a benchmark and thus typically aim to achieve the market return of securities that comprise an index. ETFs, on average, cost less than mutual funds.

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Media Resources

For more information on indexing in Asia:

<https://www.vanguard.com.hk/documents/case-for-indexing-asia.pdf>.

For more information on Vanguard's investment principles:

<https://www.vanguard.com.hk/documents/principles-investing-success-tlr.pdf>

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 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 USD 2.4 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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*This is a hypothetical situation and for illustrative purposes only. Transaction costs, trading, portfolio rebalancing, bid-ask spreads, optional costs and income taxes payable by an investor are not included.

All Vanguard asset figures are as at 31 March 2013, unless otherwise noted.

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