

Vanguard FTSE Developed ex North America High Dividend Yield Index ETF

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of Vanguard FTSE Developed Ex North America High Dividend Yield Index ETF (the “ETF”) is to track, to the extent reasonably possible and before fees and expenses, the performance of a broad international equity index that measures the investment return of common stocks of companies that are characterized by high dividend yield, with a focus on companies located in developed markets, excluding Canada and the U.S. Currently, the ETF seeks to track the FTSE Developed ex North America High Dividend Yield Index (the “Index” or the “Benchmark”). The Index is a market capitalization-weighted index that aims to capture the performance of common stocks that are characterized by high dividend yield and located in developed markets, excluding the U.S. and Canada. The Index represents a range of industry sectors other than real estate and related sectors, such as REITS.

To achieve its investment objective, the ETF employs a “passive management,” or “indexing,” investment approach designed to track the performance of the Index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting to the Index. In the alternative, the ETF may use a sampling methodology to invest in a broadly diversified collection of securities that, in aggregate, approximates the Index in terms of key characteristics.

Risk

The risks associated with an investment in the ETF remain as discussed in the ETF’s most recent prospectus. During the period that began January 1, 2024, and ended December 31, 2024, there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF.

Results of Operations

For the 12 months ended December 31, 2024, the ETF returned 16.09%, after fees and expenses, compared with the 16.18% return of the Benchmark. The ETF’s management fees and other operating expenses reduced performance relative to the Benchmark by 0.31 percentage points. Other miscellaneous factors made a positive contribution.

Recent Developments

Following her approximately seven-year term on the Independent Review Committee, Susan Wolburgh Jenah completed her tenure in office on June 30, 2024. Sue Lemon was appointed as a member of the Independent Review Committee effective July 1, 2024.

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the ETF. You can obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-877-410-7275, by writing to us at 22 Adelaide Street West, Suite 2500, Toronto, ON M5H 4E3 or by visiting our website at vanguard.ca or SEDAR+ at sedarplus.com. You may also contact us using one of these methods to request a copy of the ETF’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Related Party Transactions

Vanguard Investments Canada Inc. (the “Manager”) is the manager, trustee, portfolio manager and promoter of the ETF, and is entitled to receive a management fee for its services that is paid by the ETF to the Manager (see “Management Fees” below).

From time to time, the Manager may, on behalf of the ETF, enter into transactions or arrangements with or involving certain persons or companies that are related to the Manager when, in the discretion of the Manager, it would be in the best interests of the ETF to do so. The purpose of this section is to provide a brief description of any transaction or arrangement with or involving the ETF and a related party.

Sub-Advisor

Vanguard Global Advisers, LLC (“VGA”), an affiliate of the Manager, has been retained by the Manager to act as sub-advisor to the Manager in connection with the ETF. As sub-advisor, VGA manages the investment portfolio of the ETF, provides analysis and makes investment decisions, subject to continuing oversight by the Manager. VGA is a registered investment advisor in the United States with offices based in Valley Forge, Pennsylvania. As compensation for its services as sub-advisor, VGA is entitled to receive a portion of the management fee that is paid by the ETF to the Manager.

With respect to the continuing oversight of the affiliate by the Manager, the Manager has relied on a positive recommendation and standing instruction that it has received from the ETF’s Independent Review Committee (“IRC”). The standing instruction requires the Manager to comply with its current policy and procedures on monitoring services provided by the sub-advisor of the ETF and to report periodically to the IRC, describing each instance in which the Manager relied on the standing instruction and its compliance with the policy and procedures.

Management Fees

As set out under Related Party Transactions, the Manager is the manager, trustee, portfolio manager and promoter of the ETF. As compensation for its services, the Manager is entitled to receive a maximum annual management fee of 0.28%, payable monthly, calculated based on the daily net asset value (“NAV”) of the ETF.

The major services paid for out of the management fee include fees payable to the custodian, registrar and transfer agent, as well as fees payable to other service providers, including the index providers, retained by the Manager.

The Manager may, in its discretion, agree to charge the ETF and/or certain unitholders a reduced management fee as compared with 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 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 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.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help readers understand the ETF's financial performance for the periods indicated.

The ETF's Net Assets Per Unit¹

	Financial Years Ended December 31,				
	2024	2023	2022	2021	2020
Net assets, beginning of period	\$28.03	\$25.39	\$26.22	\$23.79	\$25.42
Increase (decrease) from operations					
Total investment income	1.35	1.30	1.33	1.15	0.91
Total expenses	(0.10)	(0.08)	(0.08)	(0.08)	(0.07)
Realized gains (losses) for the period	0.79	0.03	(0.03)	0.21	(1.08)
Unrealized gains (losses) for the period	1.93	2.44	(0.72)	1.50	(0.25)
Total increase (decrease) from operations²	3.97	3.69	0.50	2.78	(0.49)
Distributions					
From income (excluding dividends)	(1.13)	(1.12)	(1.13)	(0.88)	(0.81)
From capital gains	(0.41)	—	—	—	—
Return of capital	(0.00)	—	(0.01)	—	—
Total annual distributions ³	(1.54)	(1.12)	(1.14)	(0.88)	(0.81)
Net assets at end of period	\$31.36	\$28.03	\$25.39	\$26.22	\$23.79

1 The financial highlights are derived from the financial statements prepared in accordance with IFRS Accounting Standards, which allow net assets to be calculated based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. There may be differences between the net assets calculated for the purpose of processing unitholder transactions and the net assets attributable to holders of redeemable units used for financial statement reporting purposes as at December 31, 2024, 2023, 2022, 2021, and 2020.

2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

3 Distributions were paid in cash or certain distributions were reinvested in additional units of the ETF. Immediately following such reinvestment, the number of units outstanding was consolidated so that the net asset value per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid. Actual distributions may vary slightly owing to rounding.

Ratios and Supplemental Data

	Financial Years Ended December 31,				
	2024	2023	2022	2021	2020
Total net asset value (000's) ¹	\$228,086	\$109,317	\$73,624	\$49,812	\$16,654
Number of units outstanding (000's) ¹	7,272	3,900	2,900	1,900	700
Management expense ratio ²	0.31%	0.31%	0.31%	0.31%	0.30%
Management expense ratio before waivers or absorptions	0.32%	0.31%	0.31%	0.32%	0.32%
Portfolio turnover rate ³	23.36%	13.15%	17.13%	10.89%	23.26%
Trading expense ratio ⁴	0.00%	0.00%	0.02%	0.00%	0.00%
Net asset value per unit ¹	\$31.36	\$28.03	\$25.39	\$26.22	\$23.79
Closing market price ¹	\$31.34	\$28.27	\$25.49	\$26.31	\$23.87

1 This information is provided as at December 31 of the year shown.

2 Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as a percentage of daily average net asset value during the period.

3 The ETF's portfolio turnover rate indicates how actively the ETF's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

4 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net assets during the period. If, during the period, the ETF charged a fee to designated broker/dealers to offset the impact of certain transaction costs associated with a purchase or redemption of units of the ETF, the transaction costs used in the trading expense ratio would have been reduced by those fees.

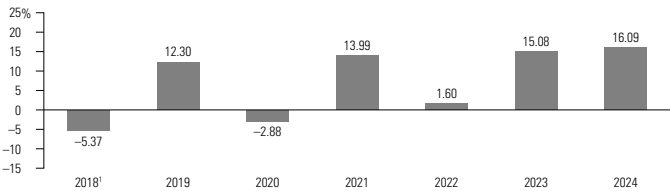
Past Performance

The ETF's performance information assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. How the ETF has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the ETF's annual performance for the years shown and illustrates how the ETF's performance has changed from year to year.

The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period.



¹ Return from August 21, 2018 (the ETF's commencement date), to December 31, 2018.

Annual Compound Returns

The following table compares the historical annual compound returns of the ETF with those of the Benchmark.

The relative performance of the ETF compared with that of the Benchmark is discussed in the Results of Operations section. The Benchmark is described in the Investment Objective and Strategies section.

Annual Compound Returns

Periods Ended December 31, 2024

	One Year	Three Years	Five Years	Since Inception ¹
Vanguard FTSE Developed ex North America High Dividend Yield Index ETF	16.09%	10.72%	8.49%	7.64%
FTSE Developed ex North America High Dividend Yield Index	16.18	10.83	8.53	7.70

¹ August 21, 2018

Summary of Investment Portfolio

Sector Allocation

As at December 31, 2024

	% of Net Asset Value
Financials	35.7%
Industrials	12.6
Consumer Discretionary	10.1
Consumer Staples	8.7
Health Care	7.7
Energy	6.6
Basic Materials	6.0
Utilities	5.4
Telecommunications	4.6
Real Estate	1.3
Technology	0.7
Other assets and liabilities (net)	0.6
	100.0

Market Allocation

As at December 31, 2024

	% of Investment Portfolio
Japan	20.3%
United Kingdom	17.2
Australia	10.7
Switzerland	10.4
Germany	9.3
France	8.0
Spain	4.1
Italy	4.0
Hong Kong	2.4
Singapore	2.3
Sweden	2.1
South Korea	1.9
Finland	1.8
Netherlands	1.6
Norway	1.0
Other	2.9
	100.0

Top 25 Holdings

As at December 31, 2024

The following Top Holdings table shows the 25 largest holdings (or all holdings if the total number of holdings is less than 25).

	% of Net Asset Value
Toyota Motor Corp.	2.6%
Nestlé SA	2.3
Roche Holding AG	2.3
Novartis AG	2.2
Shell plc	2.1
HSBC Holdings plc	2.0
Commonwealth Bank of Australia	1.8
Siemens AG	1.6
Unilever plc	1.6
Mitsubishi UFJ Financial Group, Inc.	1.5
BHP Group Ltd.	1.4
Allianz SE	1.3
TotalEnergies SE	1.2
Sanofi	1.2
Cash	1.1
Deutsche Telekom AG	1.1
Sumitomo Mitsui Financial Group, Inc.	1.0
Zurich Insurance Group AG	1.0
Iberdrola SA	0.9
BP plc	0.9
British American Tobacco plc	0.8
National Australia Bank Ltd.	0.8
Banco Santander SA	0.8
Westpac Banking Corp.	0.8
Tokio Marine Holdings, Inc.	0.8
	35.1
Total net asset value	\$228,085,516



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