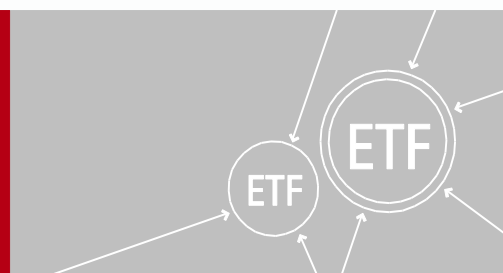


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Annual Report for the Vanguard® Exchange Traded Funds

11 September 2020



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard MSCI Australian Large Companies Index ETF	VLC	Annual Report
Vanguard MSCI Australian Small Companies Index ETF	VSO	Annual Report
Vanguard Australian Property Securities Index ETF	VAP	Annual Report
Vanguard Australian Shares High Yield ETF	VHY	Annual Report
Vanguard Australian Shares Index ETF	VAS	Annual Report

Vanguard has prepared an Annual Report for the year ended 30 June 2020, for the Vanguard Wholesale Domestic Equities Funds and ETFs. The ETFs above are classes of units in the relevant funds. Units in the ETF class are those that are traded on the Australian Securities Exchange (ASX).

The Annual Report provides financial information for each fund and where indicated, provides specific information for the ETF class.

Further Information

If you have any queries on Vanguard ETFs, please visit vanguard.com.au

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The funds or securities referred to herein are not sponsored, endorsed or promoted by MSCI and MSCI bears no liability with respect to any such funds or securities. The Product Disclosure Statement contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds.

Vanguard Investments Australia Ltd, Level 13, 130 Lonsdale Street, Melbourne VIC 3000 vanguard.com.au 1300 655 888

Vanguard Wholesale Domestic Equities Funds and ETFs

2019
to
2020

Responsible Entity

Vanguard Investments Australia Ltd
ABN 72 072 881 086
AFSL 227263

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Melbourne VIC 3000
Australia

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vanguard.com.au



Vanguard Wholesale Domestic Equities Funds and ETFs

Vanguard MSCI Australian Large Companies Index ETF	ASX: VLC	ARSN 147 936 105	ABN 17 468 108 459
Vanguard MSCI Australian Small Companies Index ETF	ASX: VSO	ARSN 147 936 570	ABN 73 969 263 897
Vanguard Australian Property Securities Index Fund	ASX: VAP	ARSN 090 939 549	ABN 27 186 332 271
Vanguard Australian Shares High Yield Fund	ASX: VHY	ARSN 091 751 807	ABN 61 324 061 551
Vanguard Australian Shares Index Fund	ASX: VAS	ARSN 090 939 718	ABN 65 759 271 740

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About Vanguard

Since our establishment in 1975, Vanguard has strived to be the world's highest-value provider of investment products and services. We have an unwavering focus on our clients with a commitment to champion what's best for investors by offering outstanding service, while keeping costs low.

Over the years Vanguard has built a reputation as a global leader in client advocacy and earned the trust of millions of investors along the way. Our sole purpose has been to align our interest with those of our investors to ensure they have the best chance for investment success.

With more than AUD \$8.8 trillion in assets under management as of 30 June 2020, including more than AUD \$1.8 trillion in ETFs, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

Our unique structure – putting investors' interests first

What sets Vanguard apart - and allows Vanguard to put investors first around the world - is the ownership structure of The Vanguard Group, Inc., in the United States.

Rather than being publicly traded or owned by a small group of individuals, the Vanguard Group is owned by Vanguard's US-domiciled funds and ETFs. Those funds, in turn, are owned by their investors.

This mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, Australian investors benefit from Vanguard's stability and experience, low costs and client focus.

Our investment expertise

When you invest with Vanguard, you have more than 40 years of investing experience behind you. So no matter which investment products suit your needs, you can feel confident that Vanguard investments are built on a rigorous investment philosophy that stands the test of time.

Low-cost investing

We know we can't control the markets, but we can control the costs of investing. To that end, providing low-cost investments isn't a pricing strategy for us. It's how we do business.

We can keep costs low because of our unique ownership structure in the United States, which allows us to return profits to investors through lower costs.

Directors' report

The Responsible Entity of the Vanguard Wholesale Domestic Equities Funds and ETFs (the "Funds") for the year ended 30 June 2020 was Vanguard Investments Australia Ltd (the "Responsible Entity").

The directors of Vanguard Investments Australia Ltd present their report together with the financial statements for the year ended 30 June 2020.

Principal activities

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Funds' Constitution. The Funds seek to track the returns of the Funds' respective indices, before taking into account fees, expenses and tax.

The ETF Class units of the Funds operate as Exchange Traded Funds (ETFs) listed on the Australian Securities Exchange (ASX).

The Funds did not have any employees during the year.

There were no significant changes in the nature of the activities of the Funds during the year.

Directors

The following persons held office as directors of the Responsible Entity during the year and up to the date of this report:

J M Norris

C Lui

J Platt

F Kolimago

Review and results of operations

The Funds invest in listed equity securities, listed unit trusts, fixed interest securities, derivatives and cash and cash equivalents. The investment policy of the Funds continues to be in accordance with the provisions of the Funds' Constitution.

Results

The results of the operations of the Funds were as follows:

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	(8,198)	11,515	(7,476)	11,658	(1,278,764)	891,368
Distributions - Wholesale Class						
Distribution paid and payable (\$'000)	-	-	-	-	210,565	260,434
Distribution (cents per unit)	-	-	-	-	5.3990	6.8871
Distributions - ETF Class						
Distribution paid and payable (\$'000)	3,621	4,559	25,783	7,361	55,726	70,308
Distribution (cents per unit)	244.0345	346.1547	400.5724	177.6137	280.5130	475.8349
	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund			
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019		
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)			(285,867)	286,387	(1,238,305)	1,603,033
Distributions - Wholesale Class						
Distribution paid and payable (\$'000)			42,949	58,251	421,816	479,481
Distribution (cents per unit)			6.4207	9.0017	7.6469	10.1373
Distributions - ETF Class						
Distribution paid and payable (\$'000)			58,329	67,536	150,850	151,991
Distribution (cents per unit)			255.2475	356.7290	267.1005	357.5340

Directors' report (continued)

Review and results of operations (continued)

Performance

The tables below detail the performance of the Funds as represented by the total return, net of fees, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2020 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns. The directors assess the performance of the Funds by comparing each Fund's total return with the corresponding Index (the "Benchmark") gross of fees.

	2020 %	2019 %	2018 %	2017 %	2016 %
Vanguard MSCI Australian Large Companies Index ETF					
Capital growth	(12.69)	8.35	5.81	8.13	(9.37)
Distribution of income	3.41	6.10	4.78	4.63	4.15
Total return	(9.28)	14.45	10.59	12.76	(5.22)
Benchmark					
<i>MSCI Australian Shares Large Cap Index</i>	(9.18)	14.71	10.86	13.02	(5.03)

	2020 %	2019 %	2018 %	2017 %	2016 %
Vanguard MSCI Australian Small Companies Index ETF					
Capital growth	(8.25)	1.13	16.59	6.47	8.20
Distribution of income	6.85	3.37	2.34	4.76	4.03
Total return	(1.40)	4.50	18.93	11.23	12.23
Benchmark					
<i>MSCI Australian Shares Small Cap Index</i>	(1.44)	4.78	19.28	11.61	12.57

	2020 %	2019 %	2018 %	2017 %	2016 %
Vanguard Australian Property Securities Index Fund					
Capital growth	(25.58)	11.60	3.92	(9.67)	18.48
Distribution of income	4.86	7.65	9.09	4.12	5.90
Total return	(20.72)	19.25	13.01	(5.55)	24.38
Benchmark					
<i>S&P/ASX 300 A-REIT Index</i>	(20.71)	19.39	13.20	(5.64)	24.59

	2020 %	2019 %	2018 %	2017 %	2016 %
Vanguard Australian Shares High Yield Fund					
Capital growth	(16.44)	7.33	(5.57)	8.59	(11.60)
Distribution of income	3.91	6.75	8.06	8.21	4.96
Total return	(12.53)	14.08	2.49	16.80	(6.64)
Benchmark					
<i>FTSE Australia High Dividend Yield Index</i>	(12.31)	14.40	3.11	17.61	(6.59)

	2020 %	2019 %	2018 %	2017 %	2016 %
Vanguard Australian Shares Index Fund					
Capital growth	(10.73)	6.23	7.98	7.92	(4.38)
Distribution of income	3.16	4.97	5.11	5.74	5.03
Total return	(7.57)	11.20	13.09	13.66	0.65
Benchmark					
<i>S&P/ASX 300 Index</i>	(7.61)	11.42	13.24	13.82	0.87

Investors should be aware that past performance is not necessarily an indicator of future performance.

Directors' report (continued)

Review and results of operations (continued)

Unit redemption prices

Unit redemption prices (quoted including distribution) are shown as follows:

	At 30 June		Period high		Period low	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Vanguard MSCI Australian Large Companies Index ETF	60.0358	69.1350	73.6140	69.6386	48.7094	56.9444
Vanguard MSCI Australian Small Companies Index ETF	56.2328	58.8308	63.1818	59.8836	37.0710	49.1940
Vanguard Australian Property Securities Index Fund - Wholesale Class	0.8248	1.1100	1.1731	1.1406	0.5974	0.9185
Vanguard Australian Property Securities Index Fund - ETF Class	69.2593	92.2718	98.1473	94.8044	49.9818	75.8899
Vanguard Australian Shares High Yield Fund - Wholesale Class	1.3160	1.5883	1.6094	1.6041	1.0255	1.2991
Vanguard Australian Shares High Yield Fund - ETF Class	51.7051	62.3620	63.2024	62.9804	40.2604	50.9642
Vanguard Australian Shares Index Fund - Wholesale Class	2.1158	2.3867	2.5647	2.4076	1.6367	1.9693
Vanguard Australian Shares Index Fund - ETF Class	75.0304	84.5365	90.8259	85.2308	57.9664	69.7214

Significant changes in state of affairs

Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the Funds and thus performance of the Funds.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Funds in future financial years.

Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitution.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of Vanguard Investments Australia Ltd or the auditors of the Funds. So long as the officers of Vanguard Investments Australia Ltd act in accordance with the Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditors of the Funds are in no way indemnified out of the assets of the Funds.

Fees paid to and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Funds' property during the year are disclosed in note 14 of the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 14 of the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the year is disclosed in note 9 of the financial statements.

The value of the Funds' assets and liabilities are disclosed on the balance sheet and derived using the basis set out in note 2 of the financial statements.

Directors' report (continued)

Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under either Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of the directors.

DocuSigned by:

DC91B2E3E62D42C...

F Kolimago

Managing Director

Melbourne

9 September 2020



Auditor's Independence Declaration

- Vanguard MSCI Australian Large Companies Index ETF
- Vanguard MSCI Australian Small Companies Index ETF
- Vanguard Australian Property Securities Index Fund
- Vanguard Australian Shares High Yield Fund
- Vanguard Australian Shares Index Fund

referred to collectively as Vanguard Wholesale Domestic Equities Funds and ETFs.

As lead auditor for the audit of Vanguard Wholesale Domestic Equities Funds and ETFs for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'Britt Hawkins'.

Britt Hawkins
Partner
PricewaterhouseCoopers

Melbourne
9 September 2020

Statements of comprehensive income

For the year ended 30 June 2020

	Notes	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Investment income							
Interest income		-	-	-	-	-	8
Dividend income		3,487	4,181	7,569	5,945	10,823	6,156
Distribution income		334	384	2,159	1,465	230,610	234,462
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(11,821)	7,126	(16,491)	4,805	(1,505,374)	662,959
Other operating income		9	1	326	148	424	65
Total net investment income/(loss)		(7,991)	11,692	(6,437)	12,363	(1,263,517)	903,650
Expenses							
Responsible Entity's fees	14	196	165	959	655	12,660	11,540
Custody fees		5	3	40	34	33	17
Transaction costs		4	3	38	13	345	359
Other operating expenses		2	6	2	3	2,209	366
Total operating expenses		207	177	1,039	705	15,247	12,282
Operating profit/(loss)		(8,198)	11,515	(7,476)	11,658	(1,278,764)	891,368
Finance costs attributable to unitholders							
Distributions to unitholders	10	-	-	-	-	(266,291)	(330,742)
(Increase)/decrease in net assets attributable to unitholders	9	-	-	-	-	1,545,055	(560,626)
Profit/(loss) for the year		(8,198)	11,515	(7,476)	11,658	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		(8,198)	11,515	(7,476)	11,658	-	-

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of comprehensive income (continued)

For the year ended 30 June 2020

	Notes	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Investment income					
Interest income		-	-	29	1,023
Dividend income		96,631	118,132	537,283	573,620
Distribution income		7,393	10,982	80,756	76,402
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(383,061)	163,695	(1,836,583)	973,576
Other operating income		53	316	6,247	2,029
Total net investment income/(loss)		(278,984)	293,125	(1,212,268)	1,626,650
Expenses					
Responsible Entity's fees	14	6,618	6,288	24,643	22,952
Custody fees		33	20	144	103
Transaction costs		177	304	821	562
Other operating expenses		55	126	429	-
Total operating expenses		6,883	6,738	26,037	23,617
Operating profit/(loss)		(285,867)	286,387	(1,238,305)	1,603,033
Finance costs attributable to unitholders					
Distributions to unitholders	10	(101,278)	(125,787)	(572,666)	(631,472)
(Increase)/decrease in net assets attributable to unitholders	9	387,145	(160,600)	1,810,971	(971,561)
Profit/(loss) for the year		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets

As at 30 June 2020

		Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
	Notes						
Assets							
Cash and cash equivalents	11	314	-	1,006	-	-	10,826
Margin accounts		68	14	153	52	1,401	10
Receivables		3	3	17	19	2,284	5,062
Accrued income		214	571	1,431	636	65,575	89,194
Due from brokers - receivable for securities sold		-	401	16,221	3,668	54,742	37,940
Financial assets at fair value through profit or loss	6	105,073	91,408	347,628	250,070	4,685,002	5,514,860
Total assets		105,672	92,397	366,456	254,445	4,809,004	5,657,892
Liabilities							
Bank overdraft	11	-	31	-	80	15,333	-
Margin accounts		-	-	-	-	-	580
Distribution payable	10	270	736	20,366	4,076	118,461	175,492
Payables		18	30	91	61	3,723	4,876
Due to brokers - payables for securities purchased		-	-	-	403	5,562	26,173
Financial liabilities at fair value through profit or loss	7	-	-	-	2	131	651
Total liabilities		288	797	20,457	4,622	143,210	207,772
Net assets attributable to unitholders (equity)	9	105,384	91,600	345,999	249,823	-	-
Net assets attributable to unitholders (liability)	9	-	-	-	-	4,665,794	5,450,120

The above balance sheets should be read in conjunction with the accompanying notes.

Balance sheets (continued)

As at 30 June 2020

		Vanguard Australian Shares High Yield Fund	Vanguard Australian Shares Index Fund	
	Notes	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000
Assets				
Cash and cash equivalents	11	2,847	4,081	51,945
Margin accounts		702	866	8,456
Receivables		233	393	3,628
Accrued income		6,228	16,127	47,982
Due from brokers - receivable for securities sold		-	12,029	108
Financial assets at fair value through profit or loss	6	2,229,512	2,244,602	18,186,703
Total assets		2,239,522	2,278,098	18,298,822
Liabilities				
Margin accounts		-	-	-
Distribution payable	10	9,547	28,564	49,424
Payables		954	3,071	100,428
Due to brokers - payables for securities purchased		-	5,024	434
Financial liabilities at fair value through profit or loss	7	-	-	-
Total liabilities		10,501	36,659	150,286
Net assets attributable to unitholders (liability)	9	2,229,021	2,241,439	18,148,536

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June 2020

	Notes	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Total equity at the beginning of the financial year		91,600	83,034	249,823	186,795	-	-
Comprehensive income for the year							
Profit/(loss) for the year		(8,198)	11,515	(7,476)	11,658	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		(8,198)	11,515	(7,476)	11,658	-	-
Transactions with unitholders							
Applications		42,382	2,646	132,710	61,491	-	-
Redemptions		(17,057)	(1,278)	(4,680)	(3,481)	-	-
Units issued upon reinvestment of distributions		278	242	1,405	721	-	-
Distributions paid and payable	10	(3,621)	(4,559)	(25,783)	(7,361)	-	-
Total transactions with unitholders		21,982	(2,949)	103,652	51,370	-	-
Total equity at the end of the financial year		105,384	91,600	345,999	249,823	-	-

	Notes	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Total equity at the beginning of the financial year		-	-	-	-
Comprehensive income for the year					
Profit/(loss) for the year		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transactions with unitholders					
Applications		-	-	-	-
Redemptions		-	-	-	-
Units issued upon reinvestment of distributions		-	-	-	-
Distributions paid and payable	10	-	-	-	-
Total transactions with unitholders		-	-	-	-
Total equity at the end of the financial year		-	-	-	-

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2020

	Notes	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities							
Proceeds from sale of financial instruments at fair value through profit or loss		26,676	9,574	106,401	42,819	556,092	699,413
Purchases of financial instruments at fair value through profit or loss		(51,546)	(10,580)	(233,510)	(103,599)	(1,270,928)	(877,170)
Transaction costs on purchases of financial instruments at fair value through profit or loss		(4)	(3)	(38)	(13)	(345)	(359)
Interest received		-	-	-	-	-	8
Dividends received		3,509	3,995	6,993	5,969	11,197	5,414
Distributions received		400	371	1,940	1,319	254,229	225,745
Other income received		9	1	328	148	445	65
Responsible Entity's fees paid		(207)	(176)	(929)	(639)	(12,777)	(11,386)
Operating expenses paid		(8)	(17)	(42)	(48)	(2,254)	(767)
Net cash inflow/(outflow) from operating activities	12(a)	(21,171)	3,165	(118,857)	(54,044)	(464,341)	40,963
Cash flows from financing activities							
Proceeds from applications by unitholders		42,382	2,646	132,710	61,491	1,542,740	835,077
Payments for redemptions by unitholders		(17,057)	(1,278)	(4,680)	(3,481)	(882,641)	(750,951)
Distributions paid from operating activities		(3,809)	(3,984)	(8,088)	(4,406)	(221,333)	(122,563)
Net cash inflow/(outflow) from financing activities		21,516	(2,616)	119,942	53,604	438,766	(38,437)
Net increase/(decrease) in cash and cash equivalents		345	549	1,085	(440)	(25,575)	2,526
Cash and cash equivalents at the beginning of the year		(31)	(580)	(80)	360	10,826	8,286
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	-	1	-	(584)	14
Cash and cash equivalents at the end of the year	11	314	(31)	1,006	(80)	(15,333)	10,826
Non-cash financing activities	12(b)	278	242	1,405	721	101,989	59,270

The above statements of cash flows should be read in conjunction with the accompanying notes.

Statements of cash flows (continued)

For the year ended 30 June 2020

	Notes	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities					
Proceeds from sale of financial instruments at fair value through profit or loss		356,351	703,552	638,966	610,633
Purchases of financial instruments at fair value through profit or loss		(705,317)	(786,559)	(4,937,871)	(3,069,363)
Transaction costs on purchases of financial instruments at fair value through profit or loss		(177)	(304)	(821)	(562)
Interest received		-	-	29	1,077
Dividends received		92,194	112,745	559,412	541,747
Distributions received		9,893	10,438	88,376	69,237
Other income received		53	316	6,247	2,029
Responsible Entity's fees paid		(7,216)	(6,633)	(24,671)	(22,515)
Operating expenses paid		(138)	(539)	(678)	(420)
Net cash inflow/(outflow) from operating activities	12(a)	(254,357)	33,016	(3,671,011)	(1,868,137)
Cash flows from financing activities					
Proceeds from applications by unitholders		515,541	246,236	5,993,133	3,233,326
Payments for redemptions by unitholders		(171,812)	(160,961)	(1,950,230)	(1,079,198)
Distributions paid from operating activities		(90,606)	(118,793)	(334,361)	(318,298)
Net cash inflow/(outflow) from financing activities		253,123	(33,518)	3,708,542	1,835,830
Net increase/(decrease) in cash and cash equivalents		(1,234)	(502)	37,531	(32,307)
Cash and cash equivalents at the beginning of the year		4,081	4,583	14,504	46,808
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	-	(90)	3
Cash and cash equivalents at the end of the year	11	2,847	4,081	51,945	14,504
Non-cash financing activities	12(b)	29,689	39,668	341,837	317,681

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2020

1 General information

These financial statements cover the Vanguard Wholesale Domestic Equities Funds and ETFs (the “Funds”) as registered managed investment schemes. The respective constitution dates are as follows:

- Vanguard MSCI Australian Large Companies Index ETF 17 December 2010
- Vanguard MSCI Australian Small Companies Index ETF 17 December 2010
- Vanguard Australian Property Securities Index Fund 6 December 1996
- Vanguard Australian Shares High Yield Fund 21 February 2000
- Vanguard Australian Shares Index Fund 6 December 1996

The Responsible Entity of the Vanguard Wholesale Domestic Equities Funds and ETFs is Vanguard Investments Australia Ltd (the “Responsible Entity”). The Responsible Entity’s registered office is Level 13, 130 Lonsdale Street, Melbourne VIC 3000.

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Funds’ Constitution. The Funds seek to track the returns of the Funds’ respective indices, before taking into account fees, expenses and tax.

The ETF Class units of the Funds operate as Exchange Traded Funds (ETFs) listed on the Australian Securities Exchange (ASX).

The financial statements were authorised for issue by the directors on 9 September 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All material balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder’s option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

Notes to the financial statements (continued)

For the year ended 30 June 2020

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Compliance with International Financial Reporting Standards

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after 1 July 2020 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

(b) Financial instruments

(i) Classification

The Funds classify their investments based on their business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Funds' portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

(ii) Recognition/derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Funds have transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Funds measure financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

For further details on how the fair value of the financial instruments is determined are disclosed in note 4.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

For the year ended 30 June 2020

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Funds. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Funds' main income generating activity.

(e) Margin accounts

Deposits held with brokers for margin, represent restricted margin deposits for derivative financial instruments.

The reported balance for collateral margins represents the level of restricted cash required to be settled as at close of business at balance sheet date.

(f) Investment income

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

(g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, Funds that have elected into the AMIT tax regime are not subject to income tax provided they attribute the entirety of their taxable income to their unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(i) Distributions

Distributions are payable as set out in the Funds' Product Disclosure Statement and/or Funds' Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Funds.

Notes to the financial statements (continued)

For the year ended 30 June 2020

2 Summary of significant accounting policies (continued)

(j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Funds' units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(k) Functional and presentation currency

(i) Functional and presentation currency

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and is regulated. The Australian dollar is also the Funds' presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(m) Receivables and accrued income

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

(n) Payables

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting period.

As the Funds have a contractual obligation to distribute their distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(o) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

Notes to the financial statements (continued)

For the year ended 30 June 2020

2 Summary of significant accounting policies (continued)

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credit recovery rate of between 55% and 100%, hence Responsible Entity's fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(r) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(s) Investment entity exception

AASB 10 *Consolidated Financial Statements* for investment entities includes an exception to the consolidation rules for those entities qualifying as "investment entities". Subsidiaries of investment entities will be accounted for at fair value through profit or loss, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

A parent entity will need to make an assessment of whether it meets the definition of an investment entity. An investment entity is defined as an entity that:

- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Funds have multiple investments that they control. However, the Funds have determined that they are investment entities under the definition in AASB 10, as they meet the following criteria:

- (a) the Funds have obtained funds from unitholders for the purpose of providing them with investment management services;
- (b) the Funds' business purpose, which is communicated directly to unitholders, is investing solely for returns from capital appreciation and investment income; and
- (c) the performance of investments made by the Funds are measured and evaluated on a fair value basis.

The Funds also meet all of the typical characteristics of an investment entity, including:

- (a) holding more than one investment;
- (b) having more than one investor;
- (c) having investors that are not related parties of the entity; and
- (d) having ownership interests in the form of equity or similar interests.

As the Funds measure all of their controlled entities at fair value through profit or loss, they only present separate financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2020

2 Summary of significant accounting policies (continued)

(t) Securities lending arrangements

The Vanguard MSCI Australian Small Companies Index ETF, Vanguard Australian Property Securities Index Fund and Vanguard Australian Shares Index Fund have entered into securities lending arrangements under which legal title to some of the Funds' assets may be transferred to another entity. The securities are loaned by JPM Chase Bank, N.A., Sydney Branch as agent of the Responsible Entity, to a limited number of pre-approved brokers and other financial institutions (the "Borrowers"). The Borrowers provide collateral against loans to an amount of 105% of the fair value of the loaned securities. The earnings on securities lending arrangements have been recognised in the statement of comprehensive income as other income. All securities lending revenue, with the exception of a minimal lending agent fee, are received directly into the Funds.

The risks and benefits of ownership of the loaned assets remain with the Funds, because the Funds continue to enjoy the risks and benefits of ownership, assets that have been loaned have not been derecognised (i.e. treated as having been sold). JPM Chase Bank, N.A., Sydney Branch, as lending agent, indemnifies the Funds for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan.

Details of all open transactions at year end are disclosed in note 16.

(u) Rounding of amounts

The Funds are registered schemes of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3 Financial risk management

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management program focuses on ensuring compliance with the Funds' Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Funds use different methods to measure different types of risks to which they are exposed. These methods are explained on the following pages.

Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the Funds and thus performance of the Funds.

(a) Market risk

(i) Price risk

The Funds are exposed to equity securities and derivative price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

In any asset sector the returns of individual securities are a combination of the market returns and returns specific to each security. By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities. Vanguard employs an indexing investment strategy in all asset classes in which the Funds invest.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Derivative assets	2	-	19	-	-	1
Equity securities	96,945	82,651	299,949	217,902	46,749	161,435
Listed unit trusts	8,126	8,757	47,660	32,168	4,638,253	5,308,420
Derivative liabilities	-	-	-	(2)	(131)	-
Net total	105,073	91,408	347,628	250,068	4,684,871	5,469,856

Notes to the financial statements (continued)

For the year ended 30 June 2020

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	\$'000	\$'000	\$'000	\$'000
Derivative assets	-	1	520	-
Equity securities	2,019,861	2,019,627	16,099,959	13,804,039
Listed unit trusts	209,651	224,974	2,038,025	1,853,493
Derivative liabilities	-	-	-	(53)
Net total	2,229,512	2,244,602	18,138,504	15,657,479

The table presented in note 3(b) summarises the impact on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably based on the risk that the Funds were exposed to at reporting date.

(ii) Foreign exchange risk

Foreign exchange risk arises as a result of investments in financial instruments denominated in foreign currencies. Fluctuations in the value of Australian dollar and foreign currencies can affect the returns from overseas investments, as losses or gains must be converted to Australian Dollars.

The Funds have no significant direct exposure to foreign exchange risk.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Funds have insufficient direct exposure to interest rate risk to be material. All financial liabilities are non-interest bearing.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Funds' operating profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates as well as the indices that the individual Funds are designed to track. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Price risk movement represents the range of historical index returns from the average return minus one standard deviation to the average return plus one standard deviation. For a normal distribution approximately two-thirds of the outcomes are expected to fall within plus or minus one standard deviation of the mean. Outcomes are expected to occur outside these ranges, approximately one-third of the time.

	Impact on operating profit/(loss) and net assets attributable to unitholders									
	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	Price risk		Price risk		Price risk		Price risk		Price risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Low	High	Low	High	Low	High	Low	High	Low	High
30 Jun 2020	-3%	+5%	-4%	+5%	-4%	+5%	-3%	+5%	-3%	+5%
	(3,152)	5,253	(13,905)	17,381	(187,395)	234,243	(66,886)	111,476	(544,156)	906,925
30 Jun 2019	-3%	+4%	-3%	+4%	-4%	+5%	-3%	+4%	-3%	+4%
	(2,743)	3,656	(7,502)	10,003	(218,794)	273,493	(67,338)	89,784	(469,724)	626,300

Notes to the financial statements (continued)

For the year ended 30 June 2020

3 Financial risk management (continued)

(c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The Funds are exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. There were no significant concentrations of credit risk to counterparties at 30 June 2020 or 30 June 2019.

(i) Derivatives

The Responsible Entity has established counterparty limits such that, at any time, exposure to derivative financial instruments equivalent to less than 5% of the value of a Fund are with any individual counterparty, and all contracts are with counterparties included in the Board's Approved Counterparties list.

The Funds also restrict their exposure to credit losses on derivative instruments they hold by entering into master netting arrangements with counterparts with whom they undertake a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities unless transactions are settled on a net basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Funds' overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangements. As at 30 June 2020, the Funds do not have outstanding netting arrangements that materially impact offsetting of financial assets and liabilities on the balance sheet. As a result, the financial assets and liabilities are presented on a gross basis.

During the year, the Funds could enter into collateral arrangements for repurchase agreements and reverse repurchase agreements to assist in enhancing returns in a risk controlled environment for the cash flow management of the Funds. Refer to note 6 for the balances in relation to these arrangements as of year end.

(ii) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligations.

(iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or higher short-term Standard & Poor's credit ratings (or Moody's equivalent).

In accordance with the Responsible Entity's derivatives policy, the Responsible Entity monitors the Funds' exposures on a daily basis, which the Board of Directors reviews quarterly. The derivatives policy is subject to annual review.

(iv) Other

The Funds are not materially exposed to credit risk on other financial assets. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

The clearing and depository operations for the Funds' security transactions are mainly concentrated with one counterparty, namely JPM Chase Bank, N.A., Sydney Branch. JPM Chase Bank, N.A., Sydney Branch, is a member of a major securities exchange, and at 30 June 2020 had a credit rating of A-1 (30 June 2019: A-1). At 30 June 2020, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by JPM Chase Bank, N.A., Sydney Branch.

Notes to the financial statements (continued)

For the year ended 30 June 2020

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Funds are exposed to daily cash redemptions of redeemable units. The Funds primarily hold investments that are traded in active markets and can be readily disposed. The Funds' financial instruments include investments in equity investments, fixed interest securities and derivative contracts traded over-the-counter and on an exchange. The Funds' listed securities are considered to be readily realisable as they are all listed on major stock exchanges. The Funds may use futures to gain market exposure without investing directly in the securities. This allows the Funds to maintain liquidity without being under-invested in their respective investment policies. The derivatives are not used to leverage the Funds' portfolios.

The tables below analyse the Funds' financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the tables are contractual undiscounted cash flows.

Vanguard MSCI Australian Large Companies Index ETF										
	30 Jun 2020					30 Jun 2019				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Bank overdraft	-	-	-	-	-	31	-	-	-	31
Distribution payable	270	-	-	-	270	736	-	-	-	736
Payables	18	-	-	-	18	30	-	-	-	30
Total liabilities	288	-	-	-	288	797	-	-	-	797

Vanguard MSCI Australian Small Companies Index ETF										
	30 Jun 2020					30 Jun 2019				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	2	-	-	2
Bank overdraft	-	-	-	-	-	80	-	-	-	80
Distribution payable	20,366	-	-	-	20,366	4,076	-	-	-	4,076
Payables	91	-	-	-	91	61	-	-	-	61
Due to brokers - payables for securities purchased	-	-	-	-	-	403	-	-	-	403
Total liabilities	20,457	-	-	-	20,457	4,620	2	-	-	4,622

Vanguard Australian Property Securities Index Fund										
	30 Jun 2020					30 Jun 2019				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	-	131	-	-	131	-	-	651	-	651
Bank overdraft	15,333	-	-	-	15,333	-	-	-	-	-
Margin accounts	-	-	-	-	-	580	-	-	-	580
Distribution payable	118,461	-	-	-	118,461	175,492	-	-	-	175,492
Payables	3,723	-	-	-	3,723	4,876	-	-	-	4,876
Due to brokers - payables for securities purchased	5,562	-	-	-	5,562	26,173	-	-	-	26,173
Net assets attributable to unitholders	4,665,794	-	-	-	4,665,794	5,450,120	-	-	-	5,450,120
Total liabilities	4,808,873	131	-	-	4,809,004	5,657,241	-	651	-	5,657,892

Notes to the financial statements (continued)

For the year ended 30 June 2020

3 Financial risk management (continued)

(d) Liquidity risk (continued)

Vanguard Australian Shares High Yield Fund										
	30 Jun 2020					30 Jun 2019				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Distribution payable	9,547	-	-	-	9,547	28,564	-	-	-	28,564
Payables	954	-	-	-	954	3,071	-	-	-	3,071
Due to brokers - payables for securities purchased	-	-	-	-	-	5,024	-	-	-	5,024
Net assets attributable to unitholders	2,229,021	-	-	-	2,229,021	2,241,439	-	-	-	2,241,439
Total liabilities	2,239,522	-	-	-	2,239,522	2,278,098	-	-	-	2,278,098

Vanguard Australian Shares Index Fund										
	30 Jun 2020					30 Jun 2019				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	53	120	-	173
Margin accounts	-	-	-	-	-	160	-	-	-	160
Distribution payable	49,424	-	-	-	49,424	152,956	-	-	-	152,956
Payables	100,428	-	-	-	100,428	53,493	-	-	-	53,493
Due to brokers - payables for securities purchased	434	-	-	-	434	16,168	-	-	-	16,168
Net assets attributable to unitholders	18,148,536	-	-	-	18,148,536	15,623,617	-	-	-	15,623,617
Total liabilities	18,298,822	-	-	-	18,298,822	15,846,394	53	120	-	15,846,567

4 Fair value measurement

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVPL) (see note 6 and 7)
- Derivative financial instruments (see note 8)

The Funds have no assets or liabilities at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the financial statements (continued)

For the year ended 30 June 2020

4 Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2(b) to the financial statements. For the majority of investments, the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The carrying amounts of the Funds' assets and liabilities at the balance sheet date approximate their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

Notes to the financial statements (continued)

For the year ended 30 June 2020

4 Fair value measurement (continued)

Recognised fair value measurements

The following tables present the Funds' financial assets and liabilities (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019.

Vanguard MSCI Australian Large Companies Index ETF								
	30 Jun 2020				30 Jun 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Derivatives	2	-	-	2	-	-	-	-
Equity securities	96,945	-	-	96,945	82,651	-	-	82,651
Listed unit trusts	8,126	-	-	8,126	8,757	-	-	8,757
Total	105,073	-	-	105,073	91,408	-	-	91,408

Vanguard MSCI Australian Small Companies Index ETF								
	30 Jun 2020				30 Jun 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Derivatives	19	-	-	19	-	-	-	-
Equity securities	299,429	520	-	299,949	217,902	-	-	217,902
Listed unit trusts	47,660	-	-	47,660	32,168	-	-	32,168
Total	347,108	520	-	347,628	250,070	-	-	250,070
Financial liabilities at fair value through profit or loss								
Derivatives	-	-	-	-	2	-	-	2
Total	-	-	-	-	2	-	-	2

Vanguard Australian Property Securities Index Fund								
	30 Jun 2020				30 Jun 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Derivatives	-	-	-	-	1	-	-	1
Equity securities	46,749	-	-	46,749	161,435	-	-	161,435
Listed unit trusts	4,638,253	-	-	4,638,253	5,308,420	-	-	5,308,420
Fixed interest securities*	-	-	-	-	-	45,004	-	45,004
Total	4,685,002	-	-	4,685,002	5,469,856	45,004	-	5,514,860
Financial liabilities at fair value through profit or loss								
Derivatives	131	-	-	131	-	651	-	651
Total	131	-	-	131	-	651	-	651

*Reverse repurchase agreements are used to manage the Funds' liquidity and collateral requirements whilst preserving capital

Vanguard Australian Shares High Yield Fund								
	30 Jun 2020				30 Jun 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Derivatives	-	-	-	-	1	-	-	1
Equity securities	2,019,861	-	-	2,019,861	2,019,627	-	-	2,019,627
Listed unit trusts	209,651	-	-	209,651	224,974	-	-	224,974
Total	2,229,512	-	-	2,229,512	2,244,602	-	-	2,244,602

Notes to the financial statements (continued)

For the year ended 30 June 2020

4 Fair value measurement (continued)

Recognised fair value measurements (continued)

	Vanguard Australian Shares Index Fund							
	30 Jun 2020				30 Jun 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Derivatives	520	-	-	520	-	-	-	-
Equity securities	16,090,844	9,115	-	16,099,959	13,804,039	-	-	13,804,039
Listed unit trusts	2,038,025	-	-	2,038,025	1,853,493	-	-	1,853,493
Fixed interest securities*	-	48,199	-	48,199	-	60,006	-	60,006
Total	18,129,389	57,314	-	18,186,703	15,657,532	60,006	-	15,717,538
Financial liabilities at fair value through profit or loss								
Derivatives	-	-	-	-	53	120	-	173
Total	-	-	-	-	53	120	-	173

*Reverse repurchase agreements are used to manage the Funds' liquidity and collateral requirements whilst preserving capital

The Funds' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Transfers between levels

The following tables present the transfers between levels during the year ended 30 June 2020 and 30 June 2019:

	Vanguard MSCI Australian Small Companies Index ETF			Vanguard Australian Shares Index Fund		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
30 Jun 2020						
Transfers between level 1 and 2:						
Equity securities	(520)	520	-	(5,835)	5,835	-
30 Jun 2019						
Transfers between level 1 and 2:						
Equity securities	-	-	-	-	-	-

The equity securities transferred into level 2 relates to the frequency of quoted price valuations. There were no transfers into and out of level 3 during the reporting period.

5 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	(11,816)	6,946	(34,775)	2,923	(1,492,879)	568,624
Net realised gain/(loss) on financial instruments at fair value through profit or loss	(5)	180	18,284	1,882	(12,495)	94,335
Total net gains/(losses) on financial instruments at fair value through profit or loss	(11,821)	7,126	(16,491)	4,805	(1,505,374)	662,959

Notes to the financial statements (continued)

For the year ended 30 June 2020

5 Net gains/(losses) on financial instruments at fair value through profit or loss (continued)

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	(346,297)	195,882	(1,796,732)	940,584
Net realised gain/(loss) on financial instruments at fair value through profit or loss	(36,764)	(32,187)	(39,851)	32,992
Total net gains/(losses) on financial instruments at fair value through profit or loss	(383,061)	163,695	(1,836,583)	973,576

6 Financial assets at fair value through profit or loss

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit or loss						
Derivatives	2	-	19	-	-	1
Equity securities	96,945	82,651	299,949	217,902	46,749	161,435
Listed unit trusts	8,126	8,757	47,660	32,168	4,638,253	5,308,420
Fixed interest securities	-	-	-	-	-	45,004
Total financial assets at fair value through profit or loss	105,073	91,408	347,628	250,070	4,685,002	5,514,860
Comprising:						
Derivatives						
Australian share price futures	2	-	19	-	-	1
Total derivatives	2	-	19	-	-	1
Equity securities						
Australian equity securities	96,945	82,651	299,949	217,902	46,749	161,435
Total equity securities	96,945	82,651	299,949	217,902	46,749	161,435
Listed units trusts						
Australian listed trusts	8,126	8,757	47,660	32,168	4,638,253	5,308,420
Total listed unit trusts	8,126	8,757	47,660	32,168	4,638,253	5,308,420
Fixed interest securities						
Australian reverse repurchase agreements*	-	-	-	-	-	45,004
Total fixed interest securities	-	-	-	-	-	45,004
Total financial assets at fair value through profit or loss	105,073	91,408	347,628	250,070	4,685,002	5,514,860

*Reverse repurchase agreements are used to manage the Funds' liquidity and collateral requirements whilst preserving capital.

Notes to the financial statements (continued)

For the year ended 30 June 2020

6 Financial assets at fair value through profit or loss (continued)

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit or loss				
Derivatives	-	1	520	-
Equity securities	2,019,861	2,019,627	16,099,959	13,804,039
Listed unit trusts	209,651	224,974	2,038,025	1,853,493
Fixed interest securities	-	-	48,199	60,006
Total financial assets at fair value through profit or loss	2,229,512	2,244,602	18,186,703	15,717,538
Comprising:				
Derivatives				
Australian share price futures	-	1	520	-
Total derivatives	-	1	520	-
Equity securities				
Australian equity securities	2,019,861	2,019,627	16,099,959	13,804,039
Total equity securities	2,019,861	2,019,627	16,099,959	13,804,039
Listed units trusts				
Australian listed trusts	209,651	224,974	2,038,025	1,853,493
Total listed unit trusts	209,651	224,974	2,038,025	1,853,493
Fixed interest securities				
Australian reverse repurchase agreements*	-	-	48,199	60,006
Total fixed interest securities	-	-	48,199	60,006
Total financial assets at fair value through profit or loss	2,229,512	2,244,602	18,186,703	15,717,538

*Reverse repurchase agreements are used to manage the Funds' liquidity and collateral requirements whilst preserving capital.

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

7 Financial liabilities at fair value through profit or loss

	Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Financial liabilities at fair value through profit or loss						
Derivatives	-	2	131	651	-	173
Total financial liabilities at fair value through profit or loss	-	2	131	651	-	173
Comprising:						
Derivatives						
Australian share price futures	-	2	131	-	-	53
Total return swaps	-	-	-	651	-	120
Total derivatives	-	2	131	651	-	173
Total financial liabilities at fair value through profit or loss	-	2	131	651	-	173

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

Notes to the financial statements (continued)

For the year ended 30 June 2020

8 Derivative financial instruments

In the normal course of business the Funds enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of a Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

The Funds hold the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

Swaps

A total return swap is an agreement between two parties to exchange the performance of an index or underlying investments at set intervals, on a notional principal amount, over an agreed time period. The fair value of a total return swap is the estimated amount that the Fund would receive or pay to terminate the swap at the balance sheet date, taking into account index or underlying investments and the current creditworthiness of the swap counterparties.

The Funds' derivative financial instruments at year end are detailed below:

Vanguard MSCI Australian Large Companies Index ETF						
2020			2019			
Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	
Australian share price index futures	295	2	-	-	-	-
Total	295	2	-	-	-	-

Vanguard MSCI Australian Small Companies Index ETF						
2020			2019			
Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	
Australian share price index futures	1,031	19	328	-	2	2
Total	1,031	19	328	-	2	2

Vanguard Australian Property Securities Index Fund						
2020			2019			
Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	
Australian share price index futures	3,715	-	131	(1,640)	1	-
Total return swaps	-	-	-	38,909	-	651
Total	3,715	-	131	37,269	1	651

Notes to the financial statements (continued)

For the year ended 30 June 2020

8 Derivative financial instruments (continued)

Vanguard Australian Shares High Yield Fund						
2020			2019			
	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000
Australian share price index futures	-	-	-	(1,476)	1	-
Total	-	-	-	(1,476)	1	-

Vanguard Australian Shares Index Fund						
2020			2019			
	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000
Australian share price index futures	23,863	520	-	8,527	-	53
Total return swaps	-	-	-	7,429	-	120
Total	23,863	520	-	15,956	-	173

Risk exposures and fair value measurements

Information about the Funds' exposure to credit risk and foreign exchange risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

9 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Otherwise the financial instrument should be disclosed as a liability.

Movement in number of units and net assets attributable to unitholders during the year were as follows:

Vanguard MSCI Australian Large Companies Index ETF				Vanguard MSCI Australian Small Companies Index ETF			
30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Balance as at 1 July	1,336	1,312	91,600	83,034	4,321	3,266	249,823
Applications	660	40	42,382	2,646	2,260	1,101	132,710
Redemptions	(240)	(20)	(17,057)	(1,278)	(80)	(60)	(4,680)
Units issued upon reinvestment of distributions	4	4	278	242	24	14	1,405
Distributions paid and payable	-	-	(3,621)	(4,559)	-	-	(25,783)
Profit/(loss) for the year	-	-	(8,198)	11,515	-	-	(7,476)
Closing balance as at 30 June	1,760	1,336	105,384	91,600	6,525	4,321	345,999

Vanguard Australian Property Securities Index Fund							
Wholesale Class				ETF Class			
30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Balance as at 1 July	3,781,814	3,876,049	4,058,221	3,729,429	15,524	12,822	1,391,899
Applications	1,036,221	592,330	998,345	600,613	6,540	2,760	542,012
Redemptions	(969,413)	(743,845)	(881,617)	(744,830)	-	(100)	-
Units issued upon reinvestment of distributions	94,533	57,280	94,138	55,847	96	42	7,851
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,119,927)	417,162	-	-	(425,128)
Closing balance as at 30 June	3,943,155	3,781,814	3,149,160	4,058,221	22,160	15,524	1,516,634

Notes to the financial statements (continued)

For the year ended 30 June 2020

9 Net assets attributable to unitholders (continued)

	Vanguard Australian Shares High Yield Fund							
	Wholesale Class				ETF Class			
	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000
Balance as at 1 July	652,790	628,170	1,023,809	917,658	19,788	18,106	1,217,630	1,037,078
Applications	123,945	108,453	174,395	153,846	6,200	1,640	340,959	92,245
Redemptions	(112,701)	(105,717)	(164,058)	(153,661)	(100)	(100)	(6,258)	(5,995)
Units issued upon reinvestment of distributions	16,204	21,884	23,398	31,585	113	142	6,291	8,083
Increase/(decrease) in net assets attributable to unitholders	-	-	(166,089)	74,381	-	-	(221,056)	86,219
Closing balance as at 30 June	680,238	652,790	891,455	1,023,809	26,001	19,788	1,337,566	1,217,630

	Vanguard Australian Shares Index Fund							
	Wholesale Class				ETF Class			
	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000	30 Jun 2020 No. '000	30 Jun 2019 No. '000
Balance as at 1 July	4,985,861	4,174,069	11,782,480	9,286,946	45,919	35,532	3,841,137	2,796,754
Applications	1,691,124	1,068,291	3,763,528	2,332,463	29,580	11,640	2,227,714	903,220
Redemptions	(840,926)	(392,963)	(1,863,464)	(870,127)	(1,760)	(1,520)	(133,725)	(114,881)
Units issued upon reinvestment of distributions	142,487	136,464	315,574	297,112	337	267	26,263	20,569
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,387,216)	736,086	-	-	(423,755)	235,475
Closing balance as at 30 June	5,978,546	4,985,861	12,610,902	11,782,480	74,076	45,919	5,537,634	3,841,137

Each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. The Vanguard MSCI Australian Large Companies Index ETF and Vanguard MSCI Australian Small Companies Index ETF have no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

Capital risk management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified either as a liability or equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Funds' investment strategy remains unchanged and the Funds continue to hold direct investments which provide exposure to liquid assets including equity securities, income securities, interest earnings and cash equivalent securities. As such, the Funds will meet any capital requirements from the liquidation of liquid assets, which include cash and cash equivalents.

10 Distributions to unitholders paid and payable

The distributions during the year were as follows:

	Vanguard MSCI Australian Large Companies Index ETF				Vanguard MSCI Australian Small Companies Index ETF			
	30 Jun 2020		30 Jun 2019		30 Jun 2020		30 Jun 2019	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions paid								
- 30 September	1,517	110.7185	1,704	130.2622	-	-	-	-
- 31 December	893	58.9273	998	75.9222	5,417	89.8869	3,285	84.6858
- 31 March	941	59.5076	1,121	85.3421	-	-	-	-
Distributions payable								
- 30 June	270	14.8811	736	54.6282	20,366	310.6855	4,076	92.9279
	3,621	244.0345	4,559	346.1547	25,783	400.5724	7,361	177.6137

Notes to the financial statements (continued)

For the year ended 30 June 2020

10 Distributions to unitholders paid and payable (continued)

	Vanguard Australian Property Securities Index Fund							
	Wholesale Class				ETF Class			
	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU
Distributions paid								
- 30 September	27,536	0.7009	15,382	0.3955	8,417	51.3396	4,204	32.5028
- 31 December	44,267	1.1076	74,876	1.9914	16,638	87.4868	19,010	136.8657
- 31 March	37,225	1.0155	34,152	0.9034	13,747	66.2413	7,626	53.6533
Distributions payable								
- 30 June	101,537	2.5750	136,024	3.5968	16,924	75.4453	39,468	252.8131
	210,565	5.3990	260,434	6.8871	55,726	280.5130	70,308	475.8349

	Vanguard Australian Shares High Yield Fund							
	Wholesale Class				ETF Class			
	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU
Distributions paid								
- 30 September	17,539	2.6336	21,807	3.4839	21,852	103.5516	24,800	137.2794
- 31 December	11,103	1.6478	10,551	1.5694	15,053	65.7949	12,009	62.5171
- 31 March	10,732	1.6137	12,944	1.9648	15,452	63.2370	15,112	78.4093
Distributions payable								
- 30 June	3,575	0.5256	12,949	1.9836	5,972	22.6640	15,615	78.5232
	42,949	6.4207	58,251	9.0017	58,329	255.2475	67,536	356.7290

	Vanguard Australian Shares Index Fund							
	Wholesale Class				ETF Class			
	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU	30 Jun 2020 \$'000	CPU	30 Jun 2019 \$'000	CPU
Distributions paid								
- 30 September	158,999	3.0714	146,378	3.3068	52,569	107.0957	43,474	112.7434
- 31 December	110,915	2.0122	94,533	1.9798	38,840	72.1369	30,401	71.0611
- 31 March	118,456	2.0039	123,823	2.5492	43,463	67.2656	39,907	91.5933
Distributions payable								
- 30 June	33,446	0.5594	114,747	2.3015	15,978	20.6023	38,209	82.1362
	421,816	7.6469	479,481	10.1373	150,850	267.1005	151,991	357.5340

11 Cash and cash equivalents

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Domestic cash at bank	314	(31)	1,006	(80)	(15,335)	10,824
Foreign cash at bank	-	-	-	-	2	2
Total cash and cash equivalents	314	(31)	1,006	(80)	(15,333)	10,826

Notes to the financial statements (continued)

For the year ended 30 June 2020

11 Cash and cash equivalents (continued)

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	\$'000	\$'000	\$'000	\$'000
Domestic cash at bank	2,847	4,081	51,945	14,504
Total cash and cash equivalents	2,847	4,081	51,945	14,504

12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Profit/(loss) for the year	(8,198)	11,515	(7,476)	11,658	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	(1,545,055)	560,626
Distribution to unitholders	-	-	-	-	266,291	330,742
Proceeds from sale of financial instruments at fair value through profit or loss	26,676	9,574	106,401	42,819	556,092	699,413
Purchases of financial instruments at fair value through profit or loss	(51,546)	(10,580)	(233,510)	(103,599)	(1,270,928)	(877,170)
Net (gains)/losses on financial instruments at fair value through profit or loss	11,821	(7,126)	16,491	(4,805)	1,505,374	(662,959)
Net change in receivables	357	248	(793)	(87)	24,014	(9,479)
Net change in payables	(12)	(17)	30	15	(129)	(210)
Non-cash items	(269)	(449)	-	(45)	-	-
Net cash inflow/(outflow) from operating activities	(21,171)	3,165	(118,857)	(54,044)	(464,341)	40,963
(b) Non-cash financing activities						
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	278	242	1,405	721	101,989	59,270

Notes to the financial statements (continued)

For the year ended 30 June 2020

12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities				
Profit/(loss) for the year	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	(387,145)	160,600	(1,810,971)	971,561
Distribution to unitholders	101,278	125,787	572,666	631,472
Proceeds from sale of financial instruments at fair value through profit or loss	356,351	703,552	638,966	610,633
Purchases of financial instruments at fair value through profit or loss	(705,317)	(786,559)	(4,937,871)	(3,069,363)
Net (gains)/losses on financial instruments at fair value through profit or loss	383,061	(163,695)	1,836,583	(973,576)
Net change in receivables	9,872	4,740	37,826	9,372
Net change in payables	(621)	(649)	(24)	192
Non-cash items	(11,836)	(10,760)	(8,186)	(48,428)
Net cash inflow/(outflow) from operating activities	(254,357)	33,016	(3,671,011)	(1,868,137)
(b) Non-cash financing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	29,689	39,668	341,837	317,681

13 Remuneration of auditors

The auditor's remuneration is borne by the Responsible Entity. During the year, the following fees were paid or payable for services provided by the auditor of the Funds.

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF	
	30 Jun 2020 \$	30 Jun 2019 \$	30 Jun 2020 \$	30 Jun 2019 \$
PricewaterhouseCoopers				
Audit and other assurance services				
Audit and review of financial statements	18,000	18,000	18,000	18,000
Audit of compliance plan and specified assertions report	3,699	3,589	3,699	3,589
Total remuneration for audit and other assurance services	21,699	21,589	21,699	21,589
Taxation services				
Tax compliance services	9,490	9,865	9,490	9,865
Total remuneration for taxation services	9,490	9,865	9,490	9,865
Total remuneration of PricewaterhouseCoopers	31,189	31,454	31,189	31,454

Notes to the financial statements (continued)

For the year ended 30 June 2020

13 Remuneration of auditors (continued)

	Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	\$	\$	\$	\$	\$	\$
PricewaterhouseCoopers						
Audit and other assurance services						
Audit and review of financial statements	19,000	19,000	19,000	19,000	19,000	19,000
Audit of compliance plan, specified assertions report and internal controls report	9,324	9,402	9,324	9,402	9,324	9,402
Total remuneration for audit and other assurance services	28,324	28,402	28,324	28,402	28,324	28,402
Taxation services						
Tax compliance services	9,490	9,865	9,490	9,865	9,490	9,865
Total remuneration for taxation services	9,490	9,865	9,490	9,865	9,490	9,865
Total remuneration of PricewaterhouseCoopers	37,814	38,267	37,814	38,267	37,814	38,267

14 Related party transactions

Responsible Entity

The Responsible Entity of the Vanguard Wholesale Domestic Equities Funds and ETFs is Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263), which is a wholly owned subsidiary of The Vanguard Group, Inc.

Key management personnel

Key management personnel includes persons who were directors of Responsible Entity at any time during the financial year as follows:

J M Norris

C Lui

J Platt

F Kolimago

No other person had authority and responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial year.

Transactions with key management personnel

Key management personnel services are provided by Vanguard Investments Australia Ltd and included in the management fees. There is no separate charge for these services. There was no compensation paid directly by the Funds to any of the key management personnel.

Key management personnel unitholdings

The key management personnel of Vanguard Investments Australia Ltd (VIA) did not hold any units in the Funds during the financial year ended 30 June 2020 and 30 June 2019.

Key management personnel remuneration

Key management personnel are paid by the Responsible Entity. Payments made from the Funds do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Notes to the financial statements (continued)

For the year ended 30 June 2020

14 Related party transactions (continued)

Responsible Entity's fees and other transactions

During the year ended 30 June 2020, the Responsible Entity received an all-inclusive management fee (inclusive of GST, net of RITC available to the Funds) over the Funds' average net assets attributable to unitholders for the year as follows:

	Management costs	
	2020 % per annum	2019 % per annum
Vanguard MSCI Australian Large Companies Index ETF	0.20	0.20
Vanguard MSCI Australian Small Companies Index ETF	0.30	0.30
Vanguard Australian Property Securities Index Fund - Wholesale Class	0.23	0.23
Vanguard Australian Property Securities Index Fund - ETF Class	0.23	0.23
Vanguard Australian Shares High Yield Fund - Wholesale Class	0.38	0.38
Vanguard Australian Shares High Yield Fund - ETF Class	0.25	0.25
Vanguard Australian Shares Index Fund - Wholesale Class	0.18	0.18
Vanguard Australian Shares Index Fund - ETF Class	0.14	0.14

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Funds and the Responsible Entity are as follows:

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Responsible Entity's fees for the year	196	165	959	655	12,660	11,540
Total fees payable to the Responsible Entity at year end	18	29	91	61	933	1,050

	Vanguard Australian Shares High Yield Fund		Vanguard Australian Shares Index Fund	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Responsible Entity's fees for the year	6,618	6,288	24,643	22,952
Total fees payable to the Responsible Entity at year end	534	1,132	2,117	2,145

Related party unitholdings

Parties related to the Funds including the Responsible Entity, its affiliates or other schemes managed by the Responsible Entity held units in the Funds as follows:

	Vanguard Australian Property Securities Index Fund						
30 Jun 2020 Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard Index Australian Property Securities Fund	111,751,312	127,703,820	102,035,352	3.24	29,508,753	13,556,245	6,881,624
Vanguard Managed Payout Fund	437,884	714,255	570,690	0.02	412,872	136,501	35,556

	Vanguard Australian Property Securities Index Fund						
30 Jun 2019 Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard Index Australian Property Securities Fund	110,110,684	111,751,312	120,024,489	2.95	12,471,181	10,830,553	7,627,637
Vanguard Managed Payout Fund	280,979	437,884	470,302	0.01	270,159	113,254	28,213

Notes to the financial statements (continued)

For the year ended 30 June 2020

14 Related party transactions (continued)

Related party unitholdings (continued)

30 Jun 2020 Unitholder	Vanguard Australian Shares High Yield Fund						
	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard High Yield Australian Shares Fund	87,629,724	91,853,849	120,392,840	13.50	14,717,575	10,493,450	5,781,994

30 Jun 2019 Unitholder	Vanguard Australian Shares High Yield Fund						
	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard High Yield Australian Shares Fund	86,222,224	87,629,724	137,444,110	13.42	13,403,713	11,996,213	7,898,794

30 Jun 2020 Unitholder	Vanguard Australian Shares Index Fund						
	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard Index Australian Shares Fund	253,739,656	271,956,425	573,882,449	4.55	34,541,188	16,324,419	19,807,139
Vanguard LifeStrategy® Conservative Fund	2,195,664	3,254,168	6,866,945	0.05	4,291,732	3,233,228	234,013
Vanguard LifeStrategy® Balanced Fund	11,228,453	14,918,274	31,480,542	0.25	7,359,752	3,669,931	1,042,638
Vanguard LifeStrategy® Growth Fund	26,549,935	30,776,518	64,944,609	0.51	8,368,157	4,141,574	2,170,557
Vanguard LifeStrategy® High Growth Fund	38,620,104	46,608,076	98,352,362	0.78	13,865,996	5,878,024	3,212,181
Vanguard Conservative Index Fund	98,844,308	148,142,834	312,611,009	2.48	69,669,788	20,371,262	9,889,308
Vanguard Balanced Index Fund	361,112,547	509,669,109	1,075,503,753	8.52	211,957,893	63,401,331	34,320,915
Vanguard Growth Index Fund	564,676,075	723,674,062	1,527,097,006	12.10	315,140,418	156,142,431	53,438,728
Vanguard High Growth Index Fund	400,080,347	572,615,126	1,208,332,438	9.58	226,605,131	54,070,352	37,900,353
Vanguard Managed Payout Fund	1,541,200	2,137,029	4,509,558	0.04	1,093,681	497,852	150,172

30 Jun 2019 Unitholder	Vanguard Australian Shares Index Fund						
	Number of units held opening Units	Number of units held closing Units	Fair value of investments \$	Interest held at year end %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Vanguard Index Australian Shares Fund	239,223,739	253,739,656	599,760,725	5.09	31,763,767	17,247,850	25,723,579
Vanguard LifeStrategy® Conservative Fund	2,147,117	2,195,664	5,189,860	0.04	850,455	801,908	231,473
Vanguard LifeStrategy® Balanced Fund	10,156,602	11,228,453	26,540,530	0.23	2,522,282	1,450,431	1,146,745
Vanguard LifeStrategy® Growth Fund	22,916,208	26,549,935	62,755,694	0.53	4,682,367	1,048,640	2,638,888
Vanguard LifeStrategy® High Growth Fund	31,827,442	38,620,104	91,285,777	0.77	7,839,761	1,047,099	3,782,416
Vanguard Conservative Index Fund	77,526,253	98,844,308	233,636,851	1.98	25,657,491	4,339,436	9,399,693
Vanguard Balanced Index Fund	274,030,811	361,112,547	853,556,462	7.24	91,774,401	4,692,665	34,169,705
Vanguard Growth Index Fund	407,350,122	564,676,075	1,334,716,606	11.33	164,820,079	7,494,126	52,836,204
Vanguard High Growth Index Fund	293,404,053	400,080,347	945,664,085	8.02	116,313,031	9,636,737	37,581,774
Vanguard Managed Payout Fund	900,079	1,541,200	3,642,912	0.03	957,952	316,831	134,890

Investments

The Funds did not hold any investments in Vanguard Investments Australia Ltd during the year.

The Funds did not hold any investments in other schemes managed by the Responsible Entity or its related parties.

Other transactions within the Funds

Apart from those details disclosed in this note, no directors have entered into a material contract with the Funds during the financial year and there were no material contracts involving directors' interests subsisting at year end.

Notes to the financial statements (continued)

For the year ended 30 June 2020

15 Responsible Entity's fees

	Vanguard MSCI Australian Large Companies Index ETF		Vanguard MSCI Australian Small Companies Index ETF		Vanguard Australian Property Securities Index Fund			
					Wholesale Class		ETF Class	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2019 \$'000	30 Jun 2019 \$'000
Responsible Entity's fees incurred by the Funds	196	165	959	655	9,063	8,859	3,597	2,681
Management costs per annum	0.20%	0.20%	0.30%	0.30%	0.23%	0.23%	0.23%	0.23%

	Vanguard Australian Shares High Yield Fund				Vanguard Australian Shares Index Fund			
	Wholesale Class		ETF Class		Wholesale Class		ETF Class	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Responsible Entity's fees incurred by the Funds	3,540	3,592	3,078	2,696	20,107	18,464	4,536	4,488
Management costs per annum	0.38%	0.38%	0.25%	0.25%	0.18%	0.18%	0.14%	0.14%

16 Securities Lending

The aggregate amount of securities on loan by the Funds and the value of collateral held by the Funds in respect of these securities are set out below. There was no cash collateral received.

	30 Jun 2020		30 Jun 2019	
	Value of outstanding securities on loan \$'000	Value of collateral \$'000	Value of outstanding securities on loan \$'000	Value of collateral \$'000
Vanguard MSCI Australian Small Companies Index ETF	10,649	11,389	5,747	6,127
Vanguard Australian Property Securities Index Fund	7,635	8,302	46,063	48,852
Vanguard Australian Shares Index Fund	261,145	286,860	120,531	128,508

17 Events occurring after the reporting period

There are no significant events that have occurred since balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 30 June 2020 or on the results and cash flows of the Funds for the year ended on that date.

18 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 (2019: Nil).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 9 to 40 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2020 and of their performance, as represented by the results of their operations for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

DocuSigned by:

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F Kolimago
Managing Director
Melbourne
9 September 2020



Independent auditor's report

To the unitholders of:

- Vanguard MSCI Australian Large Companies Index ETF
- Vanguard MSCI Australian Small Companies Index ETF
- Vanguard Australian Property Securities Index Fund
- Vanguard Australian Shares High Yield Fund
- Vanguard Australian Shares Index Fund

referred to collectively as Vanguard Wholesale Domestic Equities Funds and ETFs.

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Vanguard Wholesale Domestic Equities Funds and ETFs (the Funds) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial positions as at 30 June 2020 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheets as at 30 June 2020
- the statements of comprehensive income for the year then ended
- the statements of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Funds, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit, we used approximately 1% of each Fund's net assets to set our overall materiality for each Fund.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets because, in our view, it is the metric against which the performance of the Funds are most commonly measured and is a generally accepted benchmark in the fund industry.
- We utilised 1% as the threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Funds made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit approach reflects the nature of the investments held by the Funds and the consideration of the work undertaken by third-party service providers. The key service provider relevant to our audit is the administrator and custodian, who maintains the accounting records of the Funds and provides custodian services for the investments.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Investments in financial assets and financial liabilities</i></p> <p><i>Refer to note 2 (Summary of significant accounting policies) and note 4 (Fair value measurement)</i></p> <p>At 30 June 2020, investments in financial assets and financial liabilities comprised primarily of investments in listed equity securities, listed unit trusts, fixed interest securities and derivatives.</p> <p>Investments in financial assets and financial liabilities was a key audit matter because investments represent the principal element of the balance sheet. A discrepancy in the valuation or existence of investments could cause the net asset value to be materially misstated which would also impact the Funds' reported performance as the valuation of investments is the main driver of movements in the profit of the Funds.</p>	<p>To assess the design and operating effectiveness of the service providers' relevant controls, we:</p> <ul style="list-style-type: none">• inspected the most recent reports provided to Vanguard Investments Australia Ltd (the Responsible Entity) by the service providers setting out the controls in place at that service provider, and that included an independent audit opinion over the design and operating effectiveness of those controls.• developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the Funds. <p>We obtained an independent audit report from the third-party service provider's auditors on the valuation and existence of the Funds' investments as at balance sheet date. We compared the number and value of the investments at 30 June 2020 as recorded in the Funds' financial report and underlying accounting records to this report.</p>

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Britt Hawkins

Britt Hawkins
Partner

Melbourne
9 September 2020

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