PERFORMANCE

Overcoming biases against global stock investing

Global stock market leadership historically has alternated between U.S. and international markets. Rather than choosing one class of stocks over the other based on past performance, focus on the potential long-term benefits of a global approach.

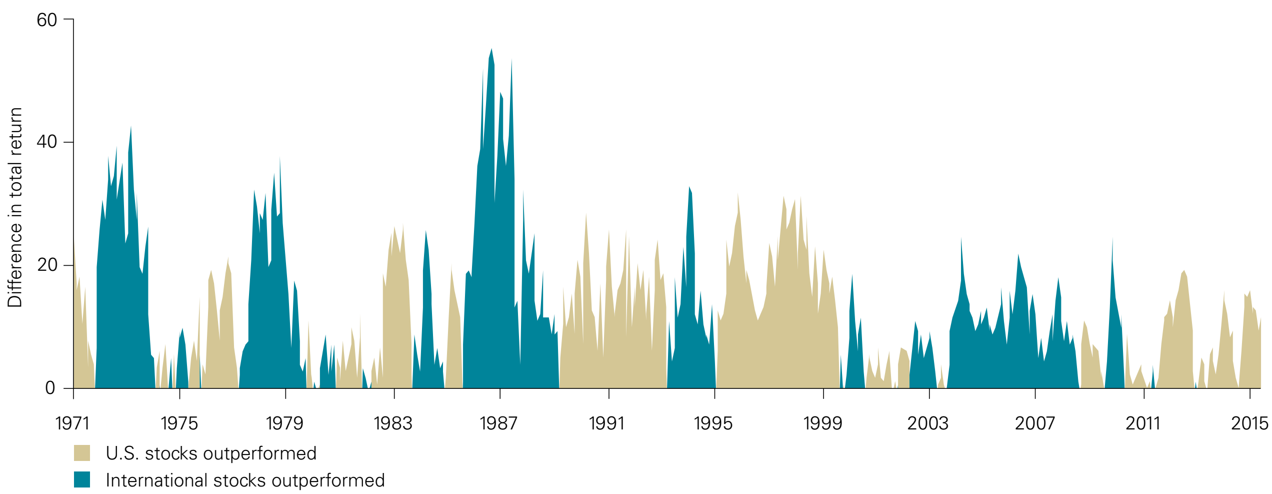
• Diversifying between U.S. and non-U.S. stocks gives you a chance to participate in whatever region is outperforming at a given time.

• Companies based outside the United States are exposed to an array of economic and market forces that may cause the performance patterns of their stocks to differ from those of U.S. companies.

• Because international and U.S. stock markets may perform differently—at times, very differently—a global portfolio may provide smoother performance over the long term than a portfolio invested wholly in one class of stocks or the other.

U.S. and international stocks have alternated as global market performance leaders

Trailing 12-month return differential, in percentage points



Notes: The chart reflects differences in the 12-month total returns of U.S. and international stocks, observed monthly between January 31, 1971, and June 30, 2015. For example, during the 12 months ended June 30, 2007, international stocks returned 9.5 percentage points more than U.S. stocks. (Their total returns were 30.1% and 20.6%, respectively.) U.S. stocks are represented by the MSCI USA Index. International stocks are represented by the MSCI World Index ex USA until 1987 and the MSCI All Country World Index ex USA thereafter. All total returns on which the performance differentials are based are in U.S. dollar terms.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Past performance is no guarantee of future returns.

Sources: Vanguard calculations, based on data from Thomson Reuters Datastream.

THE BOTTOM LINE

Investing globally enhances diversification and can help reduce portfolio risk.

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All investments are subject to risk, including the possible loss of the money you invest.

Diversification does not ensure a profit or protect against a loss.

Investments in stocks issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. Stocks of companies based in emerging markets are subject to national and regional political and economic risks and to the risk of currency fluctuations. These risks are especially high in emerging markets.

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