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## FTSE Custom Index Created for New Vanguard Fund

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**New York, November 16, 2006:** FTSE Group (FTSE), the award-winning index provider, announced today that it has created a custom benchmark to be used as the basis for the new Vanguard® High Dividend Yield Index Fund. The new fund offers both traditional investor shares and ETF shares.

Product issuers are increasingly using FTSE tradable indices as the basis for ETFs and other indexed derivative products. In North America, FTSE indices are already supporting a dozen ETFs in a range of asset classes and sectors on exchanges such as NYSE, NASDAQ, the Toronto Stock Exchange, and the ISE.

Jerry Moskowitz, Managing Director, FTSE Americas commented: "FTSE offers a range of innovative indices covering the all important asset classes, sectors, and high opportunity segments. Working with Vanguard to create this new custom benchmark helps to demonstrate FTSE's skill in developing index solutions in line with investor and product issuer needs."

The new Index consists of stocks that are characterized by higher-than-average dividend yields, and is drawn from the US component of the FTSE Global Equity Index Series (GEIS). Real estate investment trusts (REITs), whose income generally do not qualify for favorable tax treatment as qualified dividend income (QDI) are removed, as are stocks that have not paid a dividend during the previous 12 months. The remaining stocks are ranked by annual dividend yield and included in the target index until the cumulative market capitalization reaches 50% of the total market cap of this universe of stocks.

The index's methodology holds the potential of durable high yields from solid companies, with lower weightings to companies that have high yields because of low or falling share prices. In addition, the index has the potential for greater tax efficiency because of low turnover and a high proportion of its dividends meeting the criteria for QDI.

The Vanguard High Dividend Yield ETF (AMEX: VYM), commences trading today.

More information about FTSE's suite of index products is available at [www.ftse.com](http://www.ftse.com)

For more information

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**Notes to Editors**

**About FTSE Group**

FTSE Group is leader in the creation and management of indexes and related market data services. It is estimated that there are over \$2.5 trillion USD in assets under management globally using any of the 60,000 FTSE indexes calculated daily for markets worldwide.

FTSE's flagship index, the FTSE Global Equity Index Series (GEIS), covers 98% of the world's total investable market capitalization and includes a broad range of traditional and alternative asset class indexes such as multinationals, style, socially responsible investment, real estate and hedge funds. Custom indexes are designed and created regularly to meet a wide variety of investment strategies for clients. FTSE also manages and calculates non-market capitalization weighted indexes, which offer investors an alternative way to benchmark performance.

FTSE has partnered with notable financial industry leaders in key regions to create unique and innovative products for the investment community, including NASDAQ, Dow Jones Indexes, NAREIT, and Research Affiliates (RAFI) in the US; Xinhua Financial Network of China, Nikkei of Japan (Nihon Keizai Shimbun, Inc), and the ASEAN stock exchanges in Asia; and Euronext, the London Stock Exchange, EPRA, and Global Wealth Associates in Europe. Partnerships with the Athens, Cyprus, Johannesburg, Luxembourg and Madrid stock exchanges round out FTSE's global coverage of markets worldwide. Real-time FTSE indexes are calculated on systems managed by Reuters. Prices and FX rates used are supplied by Reuters.

**About Vanguard**

The Vanguard Group, headquartered in Valley Forge, Pennsylvania, is the nation's second-largest mutual fund firm and a leading provider of index investment vehicles. Vanguard manages more than \$1 trillion in U.S. mutual fund assets, of which more than \$435 million is invested in indexed portfolios. Vanguard offers more than 130 mutual funds to U.S. investors, including 60 indexed fund and annuity portfolios, and more than 40 additional funds in foreign markets.