

Diversified Index ETFs



Vanguard Diversified Index Exchange Traded Funds provide low-cost, broad diversification across multiple asset classes through a transparent and tax-efficient portfolio.

All four Diversified Index ETFs harness the diversification benefits of Vanguard's index funds to offer exposure to over 12,000 securities in each ETF. As a separate share class of a \$10 billion pool of assets, each ETF has the same asset class exposures as their respective wholesale Diversified Funds.

Low fees can be one of the most effective ways to help investors grow their portfolios. Vanguard Diversified Index ETFs have a management expense ratio of 0.27% p.a. which means investors may pay as little as \$2.70 a year for every \$1000 they invest.

Vanguard Diversified Index ETF options

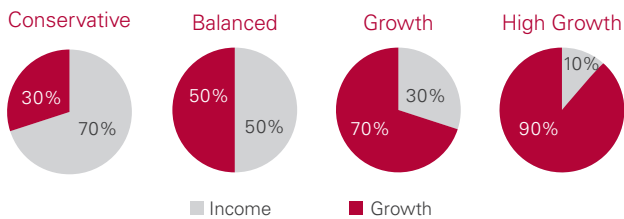


Table 1. Diversified funds strategic asset allocation

	Asset Allocation (%)			
	Conservative ASX: VDCO	Balance ASX: VDBA	Growth ASX: VDGR	High Growth ASX: VDHG
Cash	10.00	0.00	0.00	0.00
Australian Fixed Interest	18.00	15.00	9.00	3.00
International Fixed Interest (Hedged)	42.00	35.00	21.00	7.00
Total Income	70.00	50.00	30.00	10.00
Australian Shares	12.00	20.00	28.00	36.00
International Shares	8.50	14.50	20.50	26.50
International Shares (Hedged)	5.50	9.00	12.50	16.00
International Small Companies	2.00	3.50	5.00	6.50
Emerging Markets	2.00	3.00	4.00	5.00
Total Growth	30.00	50.00	70.00	90.00

Note: Exposure to listed property is captured through domestic and international shares.

Costs matter

Cost remains one of the most important factors in successful investing, in any market cycle.

Vanguard is structured to lower costs consistently over time as funds under management grow. Our goal is to ensure investors benefit directly when economies of scale bring down the costs of running our portfolios sustainably.

Table 2. Vanguard management expense ratio (p.a.)

Vanguard Diversified Conservative Index ETF (VDCO)	0.27%
Vanguard Diversified Balanced Index ETF (VDBA)	0.27%
Vanguard Diversified Growth Index ETF (VDGR)	0.27%
Vanguard Diversified High Growth Index ETF (VDHG)	0.27%

A focus on product design and suitability

The strategic asset allocation (SAA) for the ETFs is shown in Table 1 below. The SAA leverages the expertise of Vanguard's Investment Strategy Group that uses a global investment methodology.

Key benefits

Portfolio diversification: Fund holdings are broadly diversified within and across multiple asset classes, which helps mitigate exposure to performance fluctuations of individual securities. For example, the Balanced Diversified Index Fund invests in seven underlying sector funds, which provides exposure to over 12,000 securities across fixed income and shares.

Low cost: Each fund offers low management fees. Index funds have low ongoing fees as it costs less to manage and operate an index fund.

Tax efficiency: Vanguard's index management approach minimises portfolio turnover which means investors get the advantage of available capital gains tax concessions. The compounding effect of having more money invested rather than paid out as income is a distinct advantage over the long-term.

Risk controlled management: Vanguard diligently manages each fund to ensure allocations remain close to target portfolio weights.

Transparency: You can view all the underlying securities held.

Competitive long-term performance

Vanguard's Diversified Index ETFs are a separate share class in the same pool of assets as their respective managed funds — Vanguard Wholesale Diversified Funds.

About Vanguard

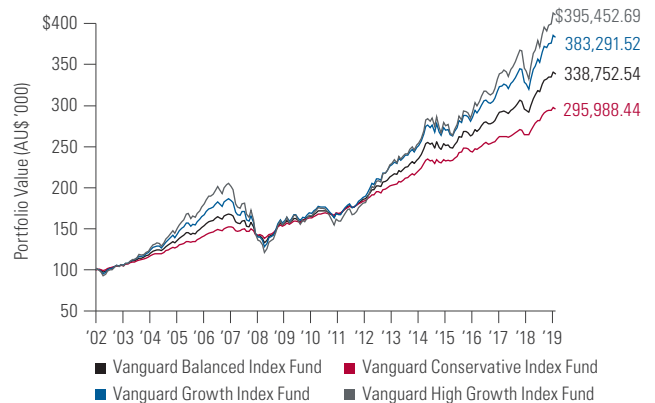
With more than AUD \$8.7 trillion in global assets under management as of 31 December 2019, including more than AUD \$1.7 trillion in ETFs, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard serves institutions, financial advisers and individual investors. Located throughout Australia, our adviser services team consists of over 20 representatives and is dedicated to providing advisers with the help and support they need when doing business with Vanguard.

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Figure 3. Performance of a \$100,000 investment

20 November 2001–31 December 2019



Source: Vanguard Investments Australia Ltd.
Returns are net of fees. Assumes 100% reinvestment of distributions.
Note: Past performance is not an indication of future performance.

Table 4. Quartile rank within Morningstar category peer group

This table compares Vanguard diversified funds to other funds within the Morningstar peer group category. The rank shows how well our funds have performed compared to other funds in its peer group after fees.

Vanguard Wholesale Diversified Funds as at 31 December 2019

	Conservative	Balanced	Growth	High Growth
1 year	● 1 st (4/58)	● 1 st (6/67)	● 1 st (8/87)	● 1 st (8/74)
3 years	● Top (3/57)	● Top (4/62)	● 1 st (8/84)	● 1 st (12/70)
5 years	● Top (4/51)	● Top (4/55)	● 1 st (8/78)	● 1 st (9/61)
7 years	● Top (3/50)	● Top (4/51)	● 1 st (6/75)	● 1 st (11/58)
10 years	● Top (3/46)	● Top (2/39)	● Top (3/65)	● Top (3/49)

X (Y/Z) X=Quartile rankings Y=Ranking versus peer group Z=Total peer group

Quartile Ranking Guide	● Top 5%	● 1 st Quartile	● 2 nd Quartile	● 3 rd Quartile	● 4 th Quartile
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Sources: Vanguard calculations using data from Morningstar Inc.
Past performance is not an indication of future performance. All returns are net of fees and assume reinvestment of income distributions. There has been no adjustment for survivorship bias.

Table 5. Research house ratings

	Conservative	Balanced	Growth	High Growth
Lonsec	Recommended January 2019	Recommended January 2019	Recommended January 2019	Recommended January 2019
Morningstar	Gold June 2018	Gold June 2018	Gold June 2018	Gold June 2018

Note: Ratings are for Vanguard Diversified Index ETFs.

