

Vanguard[®]

Assessment of value report

JANUARY 2021

Table of contents

Introduction	3
Summary of findings	4
Performance	5
General costs of the fund	6
Economies of scale	7
Comparable market rates	8
Comparable services	9
Classes of shares	10
Quality of service	11
Appendix	13

Introduction

The Financial Conduct Authority (FCA), the regulator, requires authorised asset managers to make an annual assessment of the value they provide to investors, to help them make more informed decisions about their investments. This looks not just at costs in isolation but also their level in the context of the performance of their funds and the other benefits provided. In the first such report last year, Vanguard concluded that each of its funds provided good value to UK investors. Our second report covers the year to 30 September 2020.

This assessment of value (AoV) report aligns with Vanguard's core purpose, which is "to take a stand for all investors, to treat them fairly and to give them the best chance for investment success". A focus on the value we provide to investors has always been a core part of what we do, whether through our commitment to lowering fees, our consistent monitoring of the performance of our funds or our emphasis on simple, fair and transparent pricing.

During 2020, our focus on investors' success was particularly evident during the market volatility caused by the Covid-19 pandemic. Vanguard has always been clear about the importance of maintaining a long-term perspective and avoiding market timing, and we continued to provide this perspective to clients during this period of heightened volatility. Our experience in 2020 was that Vanguard investors largely stayed the course despite unprecedented volatility, with 87% of UK Personal Investor platform customers making no changes to their normal investing and trading behaviour between February and September¹.

Moreover, our funds' performance remained strong and liquidity was maintained during the market volatility, with none of our funds having to be closed or restricted in terms of subscriptions or redemptions.

We believe the assessment of value exercise should make it easier for investors to evaluate whether their investment manager is providing them with value for money, so they can make more informed decisions when choosing investment providers. In this second report, we have reconsidered each of the FCA's seven assessment criteria and, as required by the regulation, we formed a fund-by-fund conclusion on the value provided to investors. Among the highlights were that:

- Vanguard's performance assessment sets target measures over and above what might be deemed good value. Using these stretch targets, the performance of 97% of our funds achieved a green rating².
- The ongoing charges figures (OCFs) for our funds were, on average, 75% cheaper than the average OCF of their Morningstar categories³. We achieved this through a disciplined approach to managing costs, by generating economies of scale and through the competitive pricing that we can offer as part of one of the largest asset managers in the world.
- The investors in our UK-domiciled funds benefit from a world-class global infrastructure, well-resourced teams and a depth of experience at a price that represents significant value.
- Simplicity and transparency of pricing have always been an important aspect of Vanguard's share-class structure. We do not offer expensive share classes that have commission built into the pricing and we further simplified our pricing in June 2020.

The table on page 4 provides a fund-by-fund summary of the results of the comprehensive assessment we have undertaken.

This report also provides an update on the areas for improvement that we identified in last year's report, demonstrating the progress that has been made as well as highlighting any areas that require further monitoring.

Furthermore, the Board and I would like to provide the following reassurances to investors in our UK-domiciled funds:

- FCA rules require that economies of scale are passed on to investors, where possible, and we are confident that we have achieved this.
- Our simple and transparent share class structure ensures that investors hold units in the lowest-cost share class available to them.
- We have concluded that the charges for each of the funds are justified in the context of the overall value delivered to investors.

Our overall conclusion is that Vanguard provided good value to the investors in its UK-domiciled funds. However, in the spirit of the AoV process, we recognise that we should not be complacent and we are continually looking for opportunities to improve.



Sean Hagerty,
Managing Director, Europe

¹ Source: Vanguard.

² Source: Vanguard, from 1 October 2019 to 30 September 2020.

³ Comparison of ongoing charges relative to comparable share class of direct peers in their respective Morningstar category. Source: Morningstar as at 30 September 2020.

Summary of findings – fund by fund summary

Vanguard funds	Performance	General costs of the fund	Economies of scale	Comparable market rates	Comparable services	Classes of units	Quality of service	Overall fund rating
Index funds								
FTSE 100 Index Unit Trust	●	●	●	●	●	●	●	●
FTSE Developed Europe ex-U.K. Equity Index	●	●	●	●	●	●	●	●
FTSE Developed World ex-U.K. Equity Index	●	●	●	●	●	●	●	●
FTSE Global All Cap Index	●	●	●	●	●	●	●	●
FTSE U.K. All Share Index Unit Trust	●	●	●	●	●	●	●	●
FTSE U.K. Equity Income Index	●	●	●	●	●	●	●	●
U.K. Inflation-Linked Gilt Index	●	●	●	●	●	●	●	●
U.K. Long Duration Gilt Index	●	●	●	●	●	●	●	●
U.S. Equity Index	●	●	●	●	●	●	●	●
Active funds								
Global Balanced	●	●	●	●	●	●	●	●
Global Emerging Markets	●	●	●	●	●	●	●	●
Global Equity	●	●	●	●	●	●	●	●
Global Equity Income	●	●	●	●	●	●	●	●
Sterling Short-Term Money Market	●	●	●	●	●	●	●	●
Multi-asset funds								
LifeStrategy 20% Equity	●	●	●	●	●	●	●	●
LifeStrategy 40% Equity	●	●	●	●	●	●	●	●
LifeStrategy 60% Equity	●	●	●	●	●	●	●	●
LifeStrategy 80% Equity	●	●	●	●	●	●	●	●
LifeStrategy 100% Equity	●	●	●	●	●	●	●	●
Target Retirement 2015	●	●	●	●	●	●	●	●
Target Retirement 2020	●	●	●	●	●	●	●	●
Target Retirement 2025	●	●	●	●	●	●	●	●
Target Retirement 2030	●	●	●	●	●	●	●	●
Target Retirement 2035	●	●	●	●	●	●	●	●
Target Retirement 2040	●	●	●	●	●	●	●	●
Target Retirement 2045	●	●	●	●	●	●	●	●
Target Retirement 2050	●	●	●	●	●	●	●	●
Target Retirement 2055	●	●	●	●	●	●	●	●
Target Retirement 2060	●	●	●	●	●	●	●	●
Target Retirement 2065	●	●	●	●	●	●	●	●

The table above summarises the outcome of our review of each of Vanguard's UK-domiciled funds⁴ for the year ending 30 September 2020, using the seven assessment criteria set by the FCA.

We have adopted a traffic-light system to show how we rated our funds:

- = Fund provides good value.
- = Fund provides value but merits some action or further monitoring.
- = Fund does not provide good value.

None of our funds received a ● rating.

These ratings are discussed in greater detail on the following pages.

⁴ Two funds, the Vanguard ESG Developed World All Cap Equity Index Fund (launched on 9 June 2020) and the Vanguard Active U.K. Equity Fund (launched on 15 October 2019), have been excluded from the report since annual data is required for the assessment.

Performance

Does the fund provide good performance in relation to its investment objective?

What do we mean by good value?

- Investors in active funds generally seek to do better than some measure of the wider market, which is often known as the fund's "benchmark". We consider we provide value when our active funds consistently perform strongly in comparison to the benchmark, as well as other managers' funds with similar objectives, over a range of time periods. We place greater weight on longer periods as we believe a long-term approach gives clients the best chance of investment success.
- Investors in index funds are generally seeking performance that closely matches the benchmark defined for that particular fund. We provide value when the performance of our funds achieves a close match to the benchmark and also performs well in comparison to other managers' similar funds over a range of time periods.
- Our LifeStrategy and Target Retirement funds are not managed in relation to a benchmark but to an investment objective, such as to increase the value of the investments through exposure to a diversified portfolio. For these types of funds, we provide value when our funds deliver their objective. We also consider how our funds perform compared with similar funds provided by other investment managers when assessing value.

How we measured up: We monitor performance rigorously and regularly at multiple levels, believing this supports our ability to deliver good value. This year, our monitoring incorporated assessments throughout a period of heightened volatility brought about by the Covid-19 pandemic. When assessing the performance of Vanguard's UK-domiciled funds, we use a wide range of metrics, including those outlined above. Using these criteria, we found that 29 out of 30 funds (97%) were rated green, one was amber and none were red. This compares with 86% of funds rated green in last year's report, with four amber and none red. All 30 funds maintained daily liquidity during the market volatility in March and April and no funds were closed or gated for subscriptions or redemptions.

All our index funds were found to be closely matching their defined benchmarks within an acceptable range, over a number of time periods, as shown in the performance tables in our appendix (page 13). Furthermore, 88% outperformed their respective peer-group average over the longest time period available⁵.

Of our active funds, 80% outperformed their respective peer-group average over their longest time period⁵. However, the active fund range was launched relatively recently and we do not yet have five and ten-year performance, which may be fairer periods over which they should be judged. We have provided more information on the one amber-rated fund which warrants further monitoring below.

Of our multi-asset funds (LifeStrategy and Target Retirement Funds), all of our funds met their investment objectives. Furthermore 88% outperformed their peer-group average over their longest time period⁵.

Overall, we concluded that the performance record of the UK fund range provided good value to investors in terms of performance.

How we can improve: In last year's report, we reported that four out of 29 funds were rated amber. Since then, we have closely monitored these funds and note that three of the four funds have improved:

- The **FTSE Developed Europe ex-U.K. Equity Index Fund** and the **FTSE U.K. Equity Income Index Fund** were not matching their benchmarks as closely as we would have liked, partly due to the effect of "swing" pricing. (Swing pricing is used by investment managers to fairly allocate trading costs between new or departing investors and those who remain⁶.) Both funds now follow their benchmark within limits that we consider acceptable and we have therefore moved their ratings to green.
- The actively managed **Global Equity Fund** had failed to keep up with its benchmark over one and three years. This fund is now 7.3 percentage points above its one-year benchmark and 0.7 percentage points above its three-year benchmark (annualised). We have therefore moved the rating to green.
- The actively managed **Global Equity Income Fund** was also failing to keep up with its benchmark over one and three years. This underperformance has continued and it remains rated amber in this year's report. The structural bias to higher-yielding shares, inherent in an income-orientated strategy, has resulted in underperformance relative to the broad market index over shorter-time periods as higher-yielding shares have generally performed worse than broad global equity markets. While we accept that, as an active fund, it may underperform over relatively short periods, such as one and three years, we are evaluating ways in which we can address this underperformance.

⁵ The longest time period is either one year, three years, five years or ten years – for details on individual funds, please see the appendix.

⁶ In detail, swing pricing means that the net asset value (NAV) of the fund—the price at which investors buy and sell the shares—is adjusted up or down to reflect the costs incurred by redemptions and subscriptions in the fund. This passes the costs back to the investors who are trading in and out of the fund, rather than allowing them to be absorbed by existing investors. In July 2019, Vanguard moved from full to partial swing pricing. Partial swing pricing means the manager only swings the price when net flows exceed a pre-agreed threshold, whereas full swing pricing is where the manager swings the price whenever there are any net flows into or out of a fund.

General costs of the fund

Are the charges fair compared with the cost to Vanguard of providing the services I am paying for?

What do we mean by good value?

- ▶ The fees paid by the investor should be reasonable in comparison to the cost of the service they or their fund is receiving. This applies not just to management fees but to any other charges, such as audit fees, legal fees, etc.
- ▶ The charges should be transparent and understandable to the investor, with no hidden costs.

How we measured up: It is a Vanguard principle that we exercise discipline over cost management. We take a number of factors into account when setting charges, but the most important is the cost of running the fund. In this context, where possible, any benefits derived from cost efficiency and from our scale (discussed further in the next section) are passed back to investors. This is most clearly evidenced by the decline in charges for our funds since launch, as reflected in the table below.

As required by the assessment of value rules, we compared the charges made by Vanguard to the funds for the services we provide, with the actual costs incurred in providing those services. We were satisfied that this demonstrated that the charges to the fund were reasonable in relation to the underlying costs. We adopt a simple approach to charges paid by investors: for example, we do not charge performance fees and we do not have entry or exit charges. Vanguard pays the cost of the external services out of the management fee. Based on this assessment, we concluded that the general costs of the funds represent good value to UK investors.

How we can improve: Effective management of costs continues to underpin our core purpose. We will continue to monitor all the criteria we rely on for setting charges and will not hesitate to cut fees paid by investors when we find opportunities to pass on reductions in the costs that we incur, as we did in October 2019⁷.

Fund	Management fee %	
	at launch	Oct-20
Index funds		
FTSE 100 Index Unit Trust	0.12	0.06
FTSE Developed Europe ex-U.K. Equity Index	0.50	0.12
FTSE Developed World ex-U.K. Equity Index	0.30	0.14
FTSE Global All Cap Index	0.24	0.23
FTSE U.K. All Share Index Unit Trust	0.15	0.06
FTSE U.K. Equity Income Index	0.25	0.14
LifeStrategy range	0.29 – 0.33	0.22
U.K. Inflation-Linked Gilt Index	0.15	0.12
U.K. Long Duration Gilt Index	0.15	0.12
U.S. Equity Index	0.20	0.10
Target Retirement Funds	0.24	0.24
Sterling Short-Term Money Market Fund	0.15	0.12
Active funds		
Global Balanced Fund	0.60	0.48
Global Emerging Markets Fund	0.80	0.78
Global Equity Fund	0.60	0.48
Global Equity Income Fund	0.60	0.48

⁷ <https://www.vanguardinvestor.co.uk/articles/latest-thoughts/investing-success/fee-cuts-show-vanguard-commitment>

Economies of scale

Has Vanguard achieved appropriate economies of scale and have these been passed on to investors?

What do we mean by good value?

- ▶ As the business grows, Vanguard should be able to use its increasing size to negotiate good deals with providers of services, such as investor record keeping, fund accounting and investment administration, and to spread the costs across more investors. The resulting economies of scale should mean that, for every £1 invested, the amount paid by investors to receive the services provided goes down as the business grows.
- ▶ Having generated these economies of scale, it is important that they are passed on to investors in the form of fee reductions as our business grows.

How we measured up: Passing on the benefits of our scale is one of the key ways we seek to improve outcomes for investors. As a subsidiary of Vanguard, which had \$7.1 trillion in assets under management as at end of December 2020, the UK business is able to benefit from substantial global relationships with service providers.

In many instances, the fee scales and structures are negotiated based on our global assets under management and are, therefore, significantly lower than the UK business would be able to negotiate on its own. This benefit is

reflected in the lower cost of various services, such as index licensing and custody services. Vanguard pays for these types of expenses out of the management fees received from investors, so the benefits generated from economies of scale are effectively passed on to the investor in the form of lower fees.

Vanguard regularly assesses and renegotiates third-party contracts and fees. We discuss terms with providers and test whether our costs are in line with what others are paying to confirm that we are receiving value for money. As a result, we have seen a steady reduction in costs which, combined with the economies of scale, have been passed back to investors in fee reductions in 2015, 2018 and 2019. While some of the benefits of our scale are retained for investment in future growth, these fee reductions demonstrate that our investors are also sharing directly in the benefits.

The ultimate test of how we pass on these economies of scale is a low management fee, which is discussed more in the next section.

How we can improve: While we remain confident that our history of passing on fee reductions to investors allows them to share in the benefits of our scale, we are always looking for opportunities to hand back further savings to investors. So we continue to conduct regular exercises to compare our fees with organisations of similar scale and level of activity.

Comparable market rates

Do the charges I pay provide value compared with similar funds on the market?

What do we mean by good value?

Investors who pay more for essentially similar services may be disadvantaged if they are not being offered something extra for the additional fees they are paying:

- Every £1 charged represents £1 less in returns to the investor. Over the long term, these charges can have a significant impact on returns.
- Other things being equal, funds with low ongoing charges offer better value than those with higher fees.

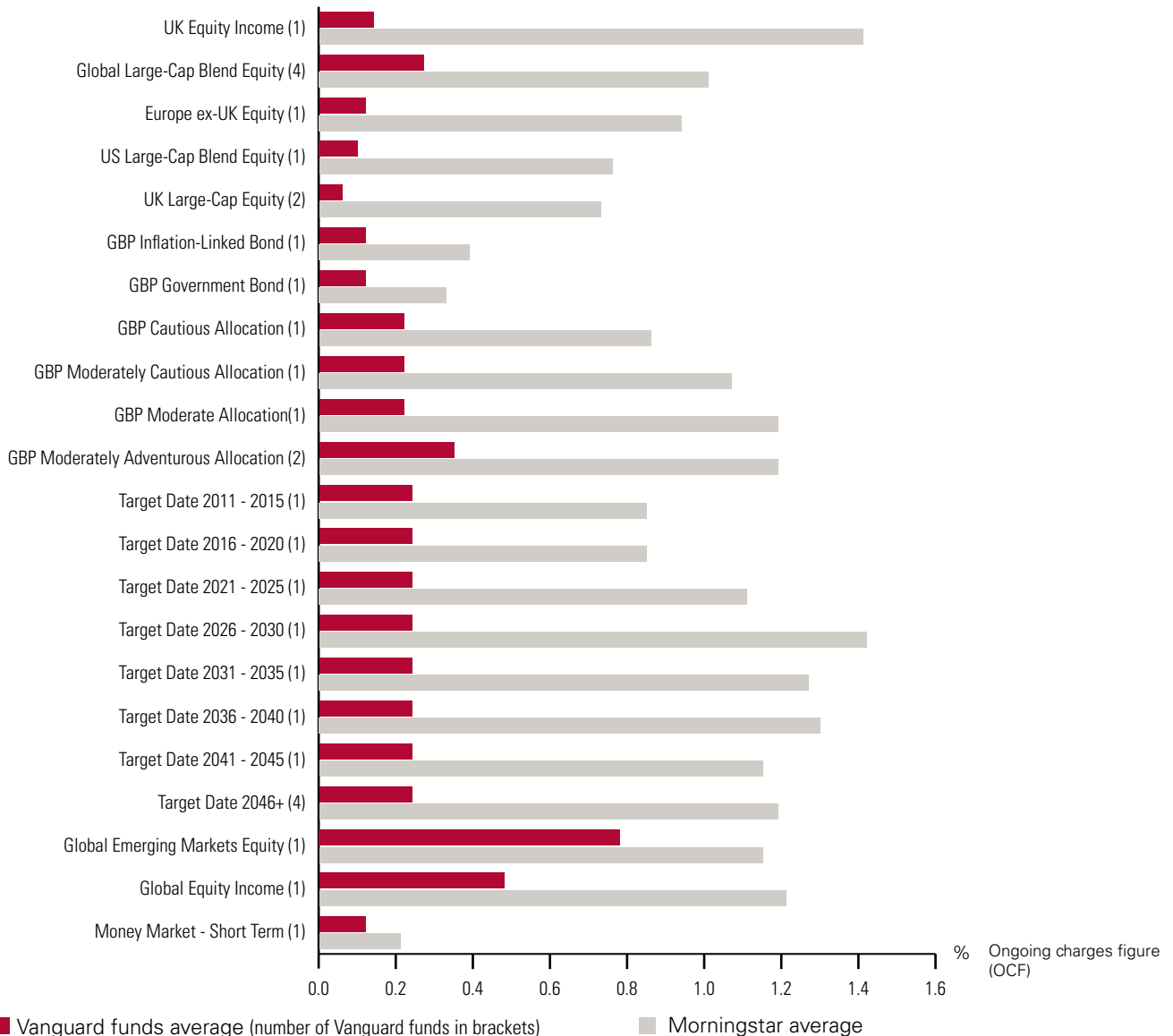
How we measured up: The only charge that Vanguard makes to investors is the management fee of the fund. No

other fees or charges are levied. We have demonstrated a history of regularly cutting our fees to investors since we entered the UK market in 2009.

As discussed in the previous section, we regularly compare our fees with those levied by similar funds offered by other investment managers. Our most recent assessment shows that the ongoing charge figures (OCFs) for our funds were, on average, 75% cheaper than the average OCF of their Morningstar category⁸. This means that our costs are amongst the lowest in the market and, therefore, offer good value to investors in terms of comparable market rates.

How we can improve: We continue to monitor our fees regularly to ensure that Vanguard maintains its position as one of the lowest-cost, good-value providers in the market.

Average charges to retail investors for Vanguard funds relative to Morningstar category average



Source: Morningstar. For a full table, please see the appendix, page 13.

⁸ Comparison of ongoing charges relative to comparable share class of direct peers in their respective Morningstar category. Morningstar categories include both index and active funds. Source: Morningstar as at 30/09/2020.

Comparable services

How do the charges I pay compare with those paid by other investors in the same fund?

What do we mean by good value?

- What the investor pays for shares (sometimes called “units”) in a fund with a particular investment objective should be comparable to what other investors of a similar size pay for shares in the same fund, or other funds with a similar investment objective.
- Investors of different sizes may pay different charges, given that the relative administration costs are higher for small investments than for larger ones. For example, say Vanguard received £1 million of new assets from 1,000 investors each with £1,000, or the same amount as a single investment from one client. In the first situation, we would need to process 1,000 applications and in the second case, only one. Even though the two scenarios generate the same level of new assets, the cost of processing the second scenario is lower. In setting prices, our guiding principle is that the outcome should be fair to all types of investor, irrespective of the size of their investment.
- Similarly, there may be different charges for share classes in funds with different investment objectives. It is more expensive to invest in some markets than others, like emerging markets or smaller companies. However, the difference in charges should be fair in relation to the cost of investing in those markets.
- A simple, competitive and cost-effective range of share classes reduces the likelihood that investors will inadvertently pay too much by being in the wrong share class.

How we measured up: Vanguard seeks to provide simple, fair and transparent pricing to our investors. Further supporting this approach, in June 2020 we made a number of changes to our fund and share-class structure to simplify the choice for investors and provide more uniform access to our range of products. There are now only two classes of shares for the two different broad categories of investors:

- a General share class, aimed at all investors, with common pricing for income-paying and accumulating options;
- a Plus share class, aimed at selected professional and institutional investors, with common pricing for income-paying and accumulating options.

A key part of these changes was the introduction of the General share class to serve the needs of a broad base of investors and be available at a single competitive price. General share classes are now used consistently for funds on the third-party retail investor platforms that offer Vanguard products, on Vanguard’s own personal investor platform and for the small number of retail investors with more than £100,000 to invest who maintain a direct relationship with us outside the personal investor platform.

In some cases our funds have a single share class open to both retail and institutional investors at the same price. Eight funds managed in the UK also have a Plus share class. These incur a reduced management fee for those larger clients that cost us less to serve. In all cases, when pricing shares for institutional clients, a comparison is made with retail share classes to ensure a fair and competitive difference is maintained. As a result, we have concluded that we provide good value in terms of the charges paid for different classes of share.

How we can improve: We remain alert to the needs of both retail and institutional investors and will continue to assess whether those needs are best served by the current range of share classes.

Classes of shares

Is it appropriate for share or unit holders to hold classes subject to higher charges?

What do we mean by good value?

The UK investment industry had a legacy of share classes with higher fees, largely relating to share classes that existed before the changes instituted by the Retail Distribution Review (RDR)⁹ in 2012. A goal of the FCA's assessment of value exercise was to encourage the industry to move investors holding these expensive share classes to cheaper options, and there has already been considerable progress in this area across the industry. Vanguard has no legacy share classes with higher fees and we believe providing value under this heading means:

- The investor is in the most suitable share class, given their investment objective.
- There is no other share class with the same rights but lower charges.

How we measured up: As discussed in the previous section, the only share classes we provide are General shares for retail investors and Plus shares for institutional investors with large sums to invest. Vanguard has never paid commissions and there are, therefore, no share classes priced to reflect commissions paid to middlemen before the introduction of the RDR. As a result, the suggested tests to gauge whether investors are being over-charged in pre-RDR funds do not apply. We have therefore rated all our funds as green on this assessment criterion.

How we can improve: Given our simple share structure and policy of never paying commission, we believe we continue to provide good value in terms of the classes of shares we provide. As discussed in the last section, we regularly review our range of share classes to ensure they continue to fit the needs of our various investors.

⁹ The Retail Distribution Review introduced new rules to make financial products more transparent and financial advice subject to fewer conflicts of interest, including banning commission paid to advisers for the sale of particular products.

Quality of service

Have the range and quality of the services I have received represented good value?

What does good value mean?

Quality of service in managing client investments depends on a very wide range of factors:

- An investor should be clear about what they are buying and what they are paying for. Effective, good-quality communications and, in particular, the range of documents that accompany financial products are therefore crucial to the service provided.
- The quality of the manager's global structures and systems are also vital to ensuring a high quality of service, including the processes used to manage the fund's investments.
- Good service also depends on the quality of the practical infrastructure of the funds, such as the regular reports to clients and how outside service providers deal with record keeping, accounting and other services.

How we measured up: Investors in our UK funds benefit significantly from Vanguard's global infrastructure, well-resourced teams and high-quality investment processes. As previously noted, investors access these global resources at very competitive prices. As a result, we concluded that, overall, Vanguard provides good value in terms of quality of service.

During the period of assessment, we considered various aspects of our services, which we review below:

- **Communications:** As discussed in last year's report and in line with FCA requirements, a process was undertaken to further clarify the investment objectives and policy language for the UK funds, together with relevant performance benchmarks. This process was undertaken and completed.
- **Covid-19 response:** Vanguard has a long history of taking a stand for investors, including providing useful and timely information and education about investing. We aim to communicate in a straightforward way about the rewards of investing and the accompanying risks and costs. During the Covid-19 pandemic, we continued to provide our clients with timely reassurance during a period of heightened volatility.

- **Ancillary fund services:** These include activities contracted to third parties, such as our transfer agency, fund accounting and administration, and fund reporting. In last year's report, we highlighted some instances when service providers were not meeting the standards we expected. While we experienced some improvements, there remain opportunities for further progress. We remain focused on this area to ensure that standards are maintained and improved where necessary.
- **Distribution of funds:** The quality of the Vanguard Personal Investor investment platform, which is one of the ways we distribute our funds, is recognised by *Which?* The consumer organisation named us a "*Which?* Recommended Provider for Investment Platforms" for two years running. We came top of the *Which?* table for value for money and, once again, achieved the highest overall customer score. Our score this year was the highest ever received by a platform in a *Which?* survey.
- **Other services:** There are numerous other services we consider when assessing value, including our global investment infrastructure, our investment stewardship programme and our employees. Vanguard's global investment stewardship programme, for example, engages with the boards of companies owned by our funds. During the proxy year that ended 30 June 2020, the investment stewardship team engaged with 793 companies across 27 markets¹⁰.
- Finally, Vanguard received high satisfaction ratings from internal staff surveys last year, which again confirmed that one of the attractions of Vanguard for high-calibre workers is the close alignment of principles and practices at the firm. Our focus on the development and growth of employees has contributed to Vanguard's strong and inclusive culture.

How we can improve: We constantly monitor both the services we provide and those provided by third parties. Where we have not met our own high standards or those we expect of others, we are strengthening processes, updating communications and working with our suppliers to improve the quality of service received by investors.

¹⁰ Please refer to our stewardship report.

Overall conclusion

Our philosophy has always been to take a stand for investors and we are committed to ensuring that we provide them with good value. We believe that we have lived up to this philosophy as reported in our second UK assessment of value report, which concludes that we provided good value to investors in our UK-domiciled funds in the year to 30 September 2020. However, this does not mean that we are standing still or that we assume we can maintain these standards without constant vigilance. We will continue to monitor our performance and processes regularly, always recognising that there is room for improvement as we strive to give investors the best chance of investment success.

Appendix

Performance of UK-domiciled funds relative to peer group

Morningstar category ¹² /Vanguard fund	01/10/2019 30/09/2020 1 year			01/10/2017 30/09/2020 3 years			01/10/2015 30/09/2020 5 years			01/10/2010 30/09/2020 10 years		
	Return (annualised) %	Benchmark return (annualised) %	Peer group average return %	Return (annualised) %	Benchmark return (annualised) %	Peer group average return %	Return (annualised) %	Benchmark return (annualised) %	Peer group average return %	Return (annualised) %	Benchmark return (annualised) %	Peer group average return %
Index funds												
UK Equity Income												
Vanguard FTSE U.K. Equity Income Index	-21.09	-20.87	-17.37	-6.43	-6.33	-5.20	-0.02	0.12	0.82	4.10	4.33	4.87
Global Large-Cap Blend Equity												
Vanguard FTSE Developed World ex-U.K. Equity Index	6.82	6.93	3.48	9.74	9.90	5.73	14.89	15.03	11.22	12.05	12.26	8.73
Vanguard LifeStrategy 100% Equity ¹¹	-0.17	-	3.48	5.71	-	5.73	11.56	-	11.22	-	-	-
Vanguard FTSE Global All Cap Index	4.38	4.73	3.48	7.80	8.13	5.73	-	-	-	-	-	-
Europe ex-UK Equity												
Vanguard FTSE Developed Europe-ex U.K. Equity Index	0.27	0.34	2.64	2.63	2.77	2.32	9.82	9.92	9.21	7.49	7.64	7.95
US Large-Cap Blend Equity												
Vanguard U.S. Equity Index	9.00	9.10	8.34	12.51	12.60	11.17	16.84	16.93	15.17	15.21	15.35	13.18
UK Large-Cap Equity												
Vanguard FTSE U.K. All Share Index Unit Trust	-16.72	-16.59	-15.95	-3.20	-3.21	-3.56	3.43	3.47	2.72	5.00	5.06	4.85
Vanguard FTSE 100 Index Unit Trust	-18.03	-18.10	-15.95	-3.44	-3.59	-3.56	-	-	-	-	-	-
GBP Inflation-Linked Bond												
Vanguard U.K. Inflation-Linked Gilt Index	0.06	0.23	1.27	6.42	6.59	6.25	7.61	7.75	7.42	-	-	-
GBP Government Bond												
Vanguard U.K. Long Duration Gilt Index	5.36	5.36	4.07	9.50	9.62	6.09	8.54	8.79	5.16	-	-	-
GBP Cautious Allocation												
Vanguard LifeStrategy 20% Equity ¹¹	3.13	-	0.56	5.01	-	2.45	5.73	-	3.77	-	-	-
GBP Moderately Cautious Allocation												
Vanguard LifeStrategy 40% Equity ¹¹	2.51	-	-0.05	5.17	-	2.00	7.20	-	3.84	-	-	-
GBP Moderate Allocation												
Vanguard LifeStrategy 60% Equity ¹¹	1.78	-	-0.90	5.44	-	1.89	8.71	-	4.79	-	-	-
GBP Moderately Adventurous Allocation												
Vanguard LifeStrategy 80% Equity ¹¹	0.87	-	-0.53	5.60	-	2.69	10.14	-	6.48	-	-	-
Target Date 2011 – 2015¹¹												
Vanguard Target Retirement 2015 ¹¹	2.01	-	0.91	4.51	-	2.87	-	-	-	-	-	-
Target Date 2016 – 2020¹¹												
Vanguard Target Retirement 2020 ¹¹	1.85	-	0.91	5.03	-	2.87	-	-	-	-	-	-
Target Date 2021 – 2025¹¹												
Vanguard Target Retirement 2025 ¹¹	1.76	-	2.16	5.37	-	3.72	-	-	-	-	-	-
Target Date 2026 – 2030¹¹												
Vanguard Target Retirement 2030 ¹¹	1.55	-	1.66	5.44	-	4.03	-	-	-	-	-	-
Target Date 2031 – 2035¹¹												
Vanguard Target Retirement 2035 ¹¹	1.35	-	1.48	5.51	-	4.16	-	-	-	-	-	-
Target Date 2036 – 2040¹¹												
Vanguard Target Retirement 2040 ¹¹	1.07	-	0.84	5.52	-	3.85	-	-	-	-	-	-
Target Date 2041 – 2045¹¹												
Vanguard Target Retirement 2045 ¹¹	0.93	-	0.92	5.56	-	3.92	-	-	-	-	-	-
Target Date 2046+¹¹												
Vanguard Target Retirement 2050 ¹¹	0.97	-	1.63	5.57	-	4.12	-	-	-	-	-	-
Vanguard Target Retirement 2055 ¹¹	0.91	-	1.63	5.56	-	4.12	-	-	-	-	-	-
Vanguard Target Retirement 2065 ¹¹	0.93	-	1.63	-	-	-	-	-	-	-	-	-
Vanguard Target Retirement 2060 ¹¹	1.00	-	1.63	-	-	-	-	-	-	-	-	-

Past performance is not a reliable indicator of future results.

Notes: Peer group is defined as the Morningstar category, including UK, Luxembourg and Ireland-dominated multi-factor (MF) funds and exchange-traded funds (ETFs) (all share classes). Does not include funds that were launched after 30 September 2019.

¹¹ Please note that this fund does not have a relevant benchmark.

¹² Source: Morningstar.

	01/10/2019 30/09/2020 1 year				01/10/2017 30/09/2020 3 years			
	Return (annualised) %	Benchmark return (annualised) %	Net excess return %	Peer group average return %	Return (annualised) %	Benchmark return (annualised) %	Net excess return %	Peer group average return %
Morningstar category¹²/Vanguard fund								
Active funds								
GBP Moderately Adventurous Allocation								
Vanguard Global Balanced	-1.86	5.38	-7.24	-0.53	5.13	7.51	-2.38	2.69
Global Emerging Markets Equity								
Vanguard Global Emerging Markets	-0.84	4.42	-5.26	3.45	3.33	4.30	-0.96	2.50
Global Large-Cap Blend Equity								
Vanguard Global Equity	12.68	5.42	7.26	3.48	9.36	8.63	0.73	5.73
Global Equity Income								
Vanguard Global Equity Income	-9.05	5.56	-14.60	-4.23	0.30	9.15	-8.84	3.14
GBP Money Market – Short Term								
Vanguard Sterling Short-Term Money Market	0.47	0.22	0.26	0.39	-	-	-	-

Past performance is not a reliable indicator of future results.

Notes: Peer group is defined as the Morningstar category, including UK, Luxembourg and Ireland-dominated multi-factor (MF) funds and exchange-traded funds (ETFs) (all share classes). Does not include funds that were launched in 2020.

Average charges for Vanguard funds relative to Morningstar category average

Fund	Vanguard ongoing charge figure (OCF) %	Average category ongoing charge figure (OCF) %	Vanguard discount %
UK Equity Income			
Vanguard FTSE U.K. Equity Income Index	0.14	1.41	0.90
Global Large-Cap Blend Equity			
Vanguard FTSE Developed World ex-U.K. Equity Index	0.14	1.01	0.86
Vanguard LifeStrategy 100% Equity	0.22	1.01	0.78
Vanguard Global Equity	0.48	1.01	0.53
Vanguard FTSE Global All Cap Index	0.23	1.01	0.77
Europe ex-UK Equity			
Vanguard FTSE Developed Europe ex-U.K. Equity Index	0.12	0.94	0.87
US Large-Cap Blend Equity			
Vanguard U.S. Equity Index	0.10	0.76	0.87
UK Large-Cap Equity			
Vanguard FTSE 100 Index Unit Trust	0.06	0.73	0.92
Vanguard FTSE U.K. All Share Index	0.06	0.73	0.92
GBP Inflation-Linked Bond			
Vanguard U.K. Inflation-Linked Gilt Index	0.12	0.39	0.69
GBP Government Bond			
Vanguard U.K. Long Duration Gilt Index	0.12	0.33	0.64
GBP Cautious Allocation			
Vanguard LifeStrategy 20% Equity	0.22	0.86	0.74
GBP Moderately Cautious Allocation			
Vanguard LifeStrategy 40% Equity	0.22	1.07	0.80
GBP Moderate Allocation			
Vanguard LifeStrategy 60% Equity	0.22	1.19	0.82
GBP Moderately Adventurous Allocation			
Vanguard LifeStrategy 80% Equity	0.22	1.19	0.82
Vanguard Global Balanced	0.48	1.19	0.60
Target Date 2011 – 2015			
Vanguard Target Retirement 2015	0.24	0.85	0.72
Target Date 2016 – 2020			
Vanguard Target Retirement 2020	0.24	0.85	0.72
Target Date 2021 – 2025			
Vanguard Target Retirement 2025	0.24	1.11	0.78
Target Date 2026 – 2030			
Vanguard Target Retirement 2030	0.24	1.42	0.83
Target Date 2031 – 2035			
Vanguard Target Retirement 2035	0.24	1.27	0.81
Target Date 2036 – 2040			
Vanguard Target Retirement 2040	0.24	1.30	0.81
Target Date 2041 – 2045			
Vanguard Target Retirement 2045	0.24	1.15	0.79
Target Date 2046+			
Vanguard Target Retirement 2050	0.24	1.19	0.80
Vanguard Target Retirement 2055	0.24	1.19	0.80
Vanguard Target Retirement 2060	0.24	1.19	0.80
Vanguard Target Retirement 2065	0.24	1.19	0.80
Global Emerging Markets Equity			
Vanguard Global Emerging Markets	0.78	1.15	0.32
Fund Global Equity Income			
Vanguard Global Equity Income	0.48	1.21	0.60
Money Market – Short Term			
Sterling Short-Term Money Market Fund	0.12	0.21	0.42
Average			0.75

Important risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only.

The Vanguard Target Retirement Funds may invest in Exchange Traded Fund (ETF) shares.

The Vanguard LifeStrategy® Funds may invest in Exchange Traded Fund (ETF) shares. ETF shares can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered fully before investing.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

Important information

Vanguard Asset Management, Limited only gives information on products and services and does not give investment advice based on individual circumstances. If you have any questions related to your investment decision or the suitability or appropriateness for you of the product[s] described in this document, please contact your financial adviser.

This document is designed for use by, and is directed only at persons resident in the UK. The information contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares and /or units of, and the receipt of distribution from any investment.

Vanguard Investment Series plc has been authorised by the Central Bank of Ireland as a UCITS and has been registered for public distribution in certain EEA countries and the UK. Prospective investors are referred to the Funds' prospectus for further information. Prospective investors are also urged to consult their own professional advisers on the implications of making an investment in, and holding or disposing shares of the Funds and the receipt of distributions with respect to such shares under the law of the countries in which they are liable to taxation.

The Manager of Vanguard Investment Series plc is Vanguard Group (Ireland) Limited. Vanguard Asset Management, Limited is a distributor of Vanguard Investment Series plc.

The Authorised Corporate Director for Vanguard LifeStrategy Funds ICVC is Vanguard Investments UK, Limited. Vanguard Asset Management, Limited is a distributor of Vanguard LifeStrategy Funds ICVC.

The Manager of Vanguard FTSE U.K. All Share Index Unit Trust ('Trust') is Vanguard Investments UK, Limited. Vanguard Asset Management, Limited is a distributor of Vanguard FTSE U.K. All Share Index Unit Trust.

The Manager of Vanguard FTSE 100 Index Unit Trust ('Trust') is Vanguard Investments UK, Limited. Vanguard Asset Management, Limited is a distributor of Vanguard FTSE 100 Index Unit Trust.

For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIID"). The KIID and the Prospectus for the fund(s) is available from Vanguard via our website <https://global.vanguard.com/>

London Stock Exchange Group companies include FTSE International Limited ("FTSE"), Frank Russell Company ("Russell"), MTS Next Limited ("MTS"), and FTSE TMX Global Debt Capital Markets Inc. ("FTSE TMX"). All rights reserved. "FTSE®", "Russell®", "MTS®", "FTSE TMX®" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies and are used by FTSE, MTS, FTSE TMX and Russell under licence. All information is provided for information purposes only. No responsibility or liability can be accepted by the London Stock Exchange Group companies nor its licensors for any errors or for any loss from use of this publication. Neither the London Stock Exchange Group companies nor any of its licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE or Russell indexes or the fitness or suitability of the indexes for any particular purpose to which they might be put.

Issued by Vanguard Asset Management Limited, which is authorised and regulated in the UK by the Financial Conduct Authority.

© 2021 Vanguard Asset Management Limited. All rights reserved. 01/21_637

