Vanguard

Q3 2021

GLOBAL BALANCED FUND

Quarterly update

LOW-COST ACTIVE EQUITY

Vanguard Global Balanced Fund is an actively managed multi-asset solution that invests in a balance of equities and bonds. The fund is managed by Wellington Management Company LLP and employs a conservative approach, using broad diversification to moderate risk in order to pursue three investment goals: conservation of capital, reasonable current income and profits without undue risk.

Highlights

- Developed equity markets moved higher.
- Growth stocks retained leadership over value stocks.
- High dividend yielding stocks underperformed the broader market.
- Global bonds finished the period in positive territory.
- The Vanguard Global Balanced Fund underperformed its benchmark.

Market overview

Global equity markets had a turbulent third quarter with the FTSE Developed World Index finishing in positive territory while the FTSE Emerging Market Index posted a negative return. Developed equity markets were strong throughout much of the quarter before selling off into quarter-end. Sentiment deteriorated, as the Covid-19 Delta variant continued to spread, high inflation readings in some economies (including the US) began to look as if they might persist for a while, and worries surfaced about contagion from debt issues in the Chinese property sector. Emerging markets were weak throughout the quarter. The US, Japan and the UK contributed the most to the developed equity markets index. China and Brazil detracted from the emerging market equities index. In terms of investment styles, growth stocks outperformed value in the third quarter for developed markets, but value roared back (relative to growth) during the September market sell-off. Value led growth in emerging markets over the course of the review period.

Concerns about inflation and the prospect of central banks scaling back their bond-buying programmes or raising interest rates contributed to an increase in global bond yields near the end of the period. In the euro area, higher energy prices boosted inflation, and the European Central Bank slowed the pace of its asset purchases.

Performance

The Vanguard Global Balanced Fund returned 1.26% (net of fees) over the quarter and underperformed its benchmark composite index (in GBP), which returned 1.42%[1].

The equity portfolio marginally underperformed while the fixed income sleeve marginally outperformed its benchmark in the third quarter.

The equity portfolio's security selection in technology was the largest source of underperformance. This was due to both security selection within the sector and an underweight exposure relative to the benchmark. However, the fund benefitted from very strong security selection in financials.

At the overall portfolio level, in terms of individual stocks, Chubb was the top contributor while United Parcel Service (UPS) was the largest detractor.

1 Source: Vanguard, as at 30 September 2021.

Shares of property and casualty insurance company, Chubb, rose over the period following strong results and a favorable underwriting environment in its core Property & Casualty business. The stock was also boosted by news that Chubb would be one of the insurers participating in Amazon's Insurance Accelerator programme to help third-party sellers secure affordable product liability insurance.

Shares of UPS fell during the period, despite a strong earnings report. Investors reacted cautiously to UPS's continued growth focus on profit over volume and reports by industry peers that sparked fears of rising input cost inflation. Wellington remains confident in its thesis that the new CEO is making positive changes to UPS's strategy. It believes that UPS is leveraging its competitive position in the market to earn a return on capital that is commensurate with the value of the UPS network through more rational pricing and targeted capacity allocation.

The fixed income portfolio's outperformance was driven by security selection within investment grade corporates while security selection in government-related debt detracted. The fund also benefited from its duration and yield curve positioning, which contributed to relative returns due to an underweight duration stance, particularly further out on the yield curve.

Activity

Market volatility presented the equity team with an attractive entry price for new ideas in Asia and the opportunity to increase positions in high conviction holdings.

A new position was initiated in Hong Kong-based multinational insurance and finance company AIA Group. The recent market turmoil in Hong Kong provided a compelling opportunity to add this long-term structural growth stock to the portfolio. While the company is facing some short-term headwinds, Wellington believes it has a strong balance sheet, competitive position, significant free cash flow generation and surplus capital.

Wellington sold its position in ING Groep on recent share-price strength.

The fixed income portfolio's exposure remains focused on high quality corporate and government securities. The fund's exposure to government and government-related securities rose slightly, while the fund's exposure to corporates decreased slightly.

Outlook

The equity team's overall positioning of the portfolio remains steady as the likelihood of rising interest rates and sustained economic activity, with acceleration outside the US, remains the equity team's base case. Companies held in the portfolio are selected based on improving franchise quality and resilience, dividend characteristics, valuation opportunity and assessment of ESG considerations. In the rising interest-rate and inflationary environment, the portfolio companies lean into pricing power to grow revenues and preserve margins.

The fixed income team believes credit fundamentals have improved dramatically throughout the course of 2021, but further improvement from here is likely to be limited. The main risks to corporate fundamentals are debt funded share repurchases and inflationary pressures on operating margins. M&A also poses a risk, although several recent actions from the current US administration seem to limit the potential for large scale transactions. The technical environment for credit remains strong. From a sector perspective, Wellington prefers financials over industrials broadly. Within financials, it favours well capitalised global banks that are limited by regulators in their ability to impair their balance sheets to reward shareholders.

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Key fund facts (as at 30 September 2021)

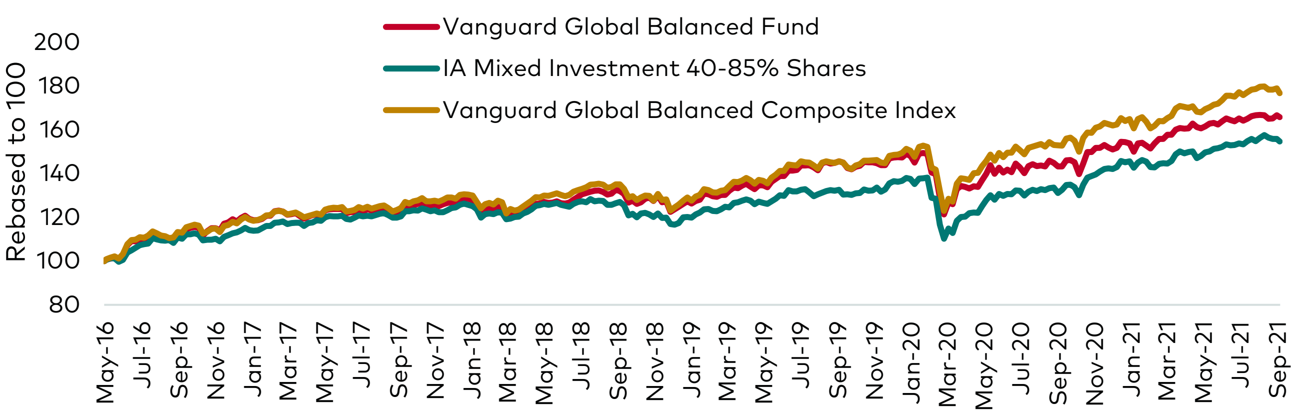
Investment manager: Wellington Management Company LLP
Target weighting: Equities 65%; Bonds 35%
Domicile: United Kingdom
Benchmark: Vanguard Global Balanced Composite Index

Inception date: 25 May 2016
Ongoing charges figure[1]: 0.48%
Fund AUM: GBP 215m
ISIN: GB00BZ830054

Top 10 fund holdings (% exposure, as at 30 September 2021)

Company	%
AstraZeneca plc	1.9
Microsoft Corp.	1.8
Johnson & Johnson	1.7
Bank of America Corp.	1.7
Cisco Systems Inc.	1.6
United Parcel Service Inc.	1.6
Comcast Corp.	1.4
Taiwan Semiconductor Manufacturing Co. Ltd.	1.3
Novartis AG	1.3
Northrop Grumman Corp.	1.3

Fund performance since inception (as at 30 September 2021)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	9.34	1.26	15.83	7.90	8.17	9.92
Peer group	7.52	1.27	16.08	6.39	6.66	8.24
Benchmark	8.69	1.42	15.20	9.58	9.47	11.32

Year on year (%)	1 Oct 2016 - 30 Sep 2017	1 Oct 2017 - 30 Sep 2018	1 Oct 2018 - 30 Sep 2019	1 Oct 2019 - 30 Sep 2020	1 Oct 2020 - 30 Sep 2021
Fund	10.05	7.14	10.50	-1.86	15.83
Peer group	9.39	5.08	4.04	0.02	16.08
Benchmark	9.81	8.80	8.40	5.38	15.20

Past performance is not a reliable indicator of future results.
Peer group is Investment Association Mixed Investment 40-85% Shares. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance is NAV to NAV. Basis of index performance is total return. All performance is calculated in GBP, net of fees.
Source: Vanguard and Morningstar, as at 30 September 2021.

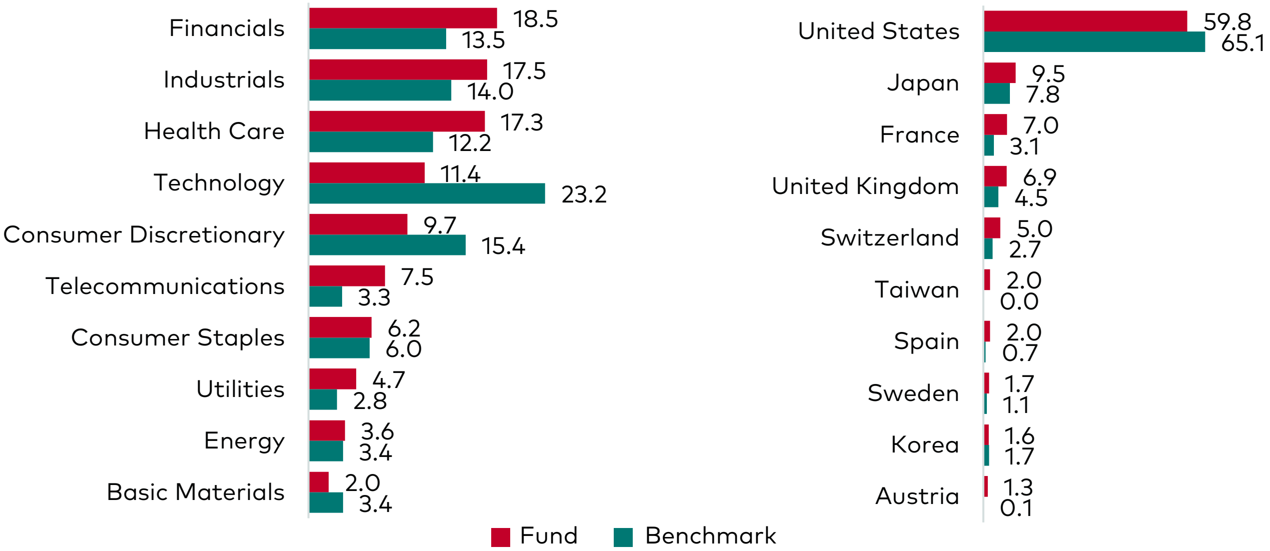
[1]The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

Equity portfolio (as at 30 September 2021)

Characteristics	Fund	Benchmark
Number of stocks	88	2,208
Median market cap	£74.3B	£70.1B
PE ratio	18.1X	20.7X
Equity yield (dividend)	2.3%	1.7%

Sector exposure (%)

Region exposure (%)



Fixed income portfolio (as at 30 September 2021)

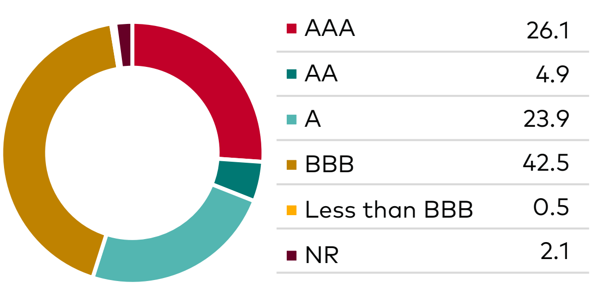
Average coupon: 2.2%
Average maturity: 8.8 years
Average quality: A

Average duration: 6.9 years
Turnover rate: 119.1%

Distribution by issuer (% of bonds)

Characteristics	Fund %
Industrial	28.5
Financial institutions	24.2
Treasury	20.5
Mortgage Backed Security Pass-through	6.3
Utility	5.4
Sovereign	4.4
Other	3.3
Local authority	3.0
Supranational	2.5
Agency	1.2
Asset-backed security	0.7
Commercial mortgage-backed security	0.2

Distribution by credit quality (% of bonds)



Credit quality ratings for each issue are obtained from Barclays using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poor's. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Source: Vanguard, as at 30 September 2021.

Investment 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.

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.

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.

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

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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/

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