

**SUSTAINABLELIFE 60-70% EQUITY FUND** LOW-COST ACTIVE

Quarterly update

MULTI-ASSET

**Vanguard's SustainableLife funds are designed for investors who want to generate long-term growth from their investments, alongside the incorporation of sustainable investment criteria. The names refer to the equity exposure that each fund aims to hold, with the remainder invested in fixed income securities.**

**Highlights**

- Developed equity markets moved lower.
- Value stocks largely outperformed growth.
- High dividend yielding stocks outperformed the broader market.
- Global bonds finished lower.
- The Vanguard SustainableLife 60-70% Equity Fund outperformed its benchmark.

**Market overview**

Volatility surged as Russia's invasion of Ukraine and rising inflationary pressures dominated global equity markets in the first quarter of 2022. In January, rising prices and the prospect of less accommodative monetary policy were already weighing on market sentiment. By the end of February, Russia's invasion of Ukraine had injected substantial uncertainty into global equity markets. Energy prices soared, helping to push consumer prices to multi-decade highs across much of the world. Some central banks, including those in the US and UK, raised short-term interest rates. The European Central Bank (ECB) continued to reduce its bond purchases and financial markets expected the ECB to raise interest rates later this year. Stocks regained some ground in March but finished the quarter in negative territory, with European and emerging-market stocks among the laggards. The rising interest rate environment helped value stocks to largely outperform growth stocks.

Global fixed income sectors experienced one of their worst declines ever during the first quarter of 2022 as government bond yields rose sharply following more aggressive

monetary policy tightening in response to persistent inflation pressures. Most fixed income spread sectors underperformed government bonds amid the expected slowdown in economic activity brought on by tighter financial conditions, exacerbated by uncertainty arising from the Russian invasion of Ukraine.

**Performance**

The Vanguard SustainableLife 60-70% Equity Fund returned -1.29% (net of fees) over the quarter and outperformed its benchmark, the SustainableLife 60-70% Equity Composite Index (in GBP)<sup>1</sup>, which returned -3.86%<sup>2</sup>.

Both the equity and fixed income sleeves outperformed their respective benchmarks.

The equity sleeve's outperformance was driven by security selection led by industrials and health care, while the selection in consumer discretionary and materials detracted.

Pioneer Natural Resources and Sempra Energy were the top-held individual contributors. Both energy firms have established sustainability targets and a path towards net zero emissions.

<sup>1</sup> Composite index comprises: 65% FTSE Developed Net Tax Index, 28% Bloomberg Global Aggregate Credit Index, 3.5% Bloomberg Global Aggregate treasury Index and 3.5% Bloomberg Global Aggregate Securitised Index (together, the "Composite Index").

<sup>2</sup> Source: Vanguard as at 31 March 2022.

Shares of Pioneer Natural Resources, a US firm engaged in hydrocarbon exploration, rose over the period as energy prices surged amid sanctions placed on Russia by the US and the EU. The oil and gas exploration and production company also reported better-than-expected fourth-quarter earnings because of higher oil-equivalent production volumes and commodity prices.

The share price of Sempra Energy, a US energy infrastructure company, advanced largely as a result of rising interest rates in the first quarter, following a period of broad sector underperformance by US utilities in 2021. The sector is now undergoing revaluation due to renewed recognition of US regulated utility business models and the portfolio managers have reported more productive engagement with utilities on net-zero emissions by 2050. Rising natural gas prices are also a positive for Sempra and the company should benefit from additional demand for US liquefied natural gas.

Autoliv and TJX were the largest detractors.

The share price of Autoliv, the Swedish-US automotive safety supplier, fell during the period along with broad underperformance in consumer discretionary stocks as markets factored in a recessionary scenario. The company's 2022 profit guidance was negatively influenced by rising raw materials prices.

Similar to Autoliv, as a consumer discretionary stock, the share price of US retailer TJX Companies also fell in line with the broader sector. Higher input costs and margin pressure caused some uncertainty over TJX's earnings growth in the coming year.

Wellington used the weakness in both names to increase the size of the fund's holdings.

The fixed income portfolio's outperformance was driven by the portfolio's credit spread duration positioning and security selection within government-related debt. Security selection within investment-grade corporates detracted over the quarter, within industrials and financials in particular.

## Activity

The equity team decreased the sleeve's exposure to consumer staples and added to real estate and utilities. The equity sleeve's overweight exposure to Europe increased and its underweight position in the US increased.

At the individual stock level, Wellington added to its positions in Nokia Oyj, a Finnish multinational telecommunication equipment and services provider, on weakness in European-listed equities driven by Russia's invasion of Ukraine. The company announced the re-instatement of the dividend, a welcome development Wellington had been anticipating since the initial purchase of the shares.

Wellington sold its position in Diageo, a UK-based spirit producer to fund more attractive opportunities elsewhere.

## Outlook

The Wellington equity team believes the US economy will see growth decelerate as a result of the US Federal Reserve (Fed)'s tightening in response to rising inflation. However, the team's base case of economic re-opening in Asia and in Europe is unchanged and the portfolio remains overweight global equities (ex-US). The team has positioned the portfolio for an inflationary and lower growth environment and continues to see attractive risk/reward opportunities outside of the US where dividend prospects are more attractive.

The fixed income team maintains a modestly defensive stance in the portfolio. It believes that credit fundamentals have peaked. Spreads have widened from the bottom decile to more reasonable levels, however valuations still look tight relative to headwinds from technicals and fundamentals. It holds a slight underweight duration stance as the Fed is expected to raise interest rates a number of times this year depending on the path of inflation.

## Key fund facts (as at 31 March 2022)

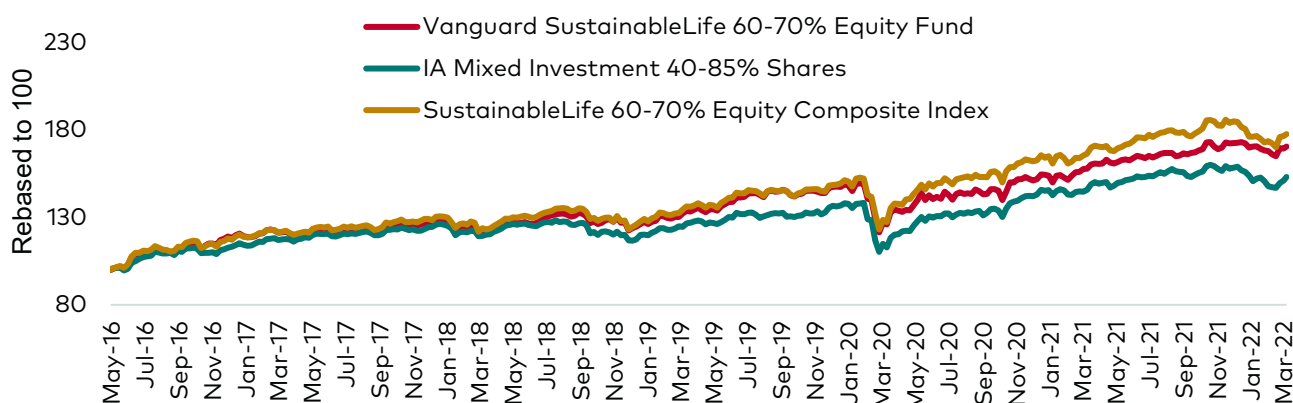
**Investment manager:** Wellington Management Company LLP  
**Target weighting:** Equities 65%; Bonds 35%  
**Domicile:** United Kingdom  
**Benchmark:** SustainableLife 60-70% Equity Composite Index

**Inception date:** 25 May 2016  
**Ongoing charges figure<sup>1</sup>:** 0.48%  
**Fund AUM:** GBP 293m  
**ISIN:** GB00BZ830054

## Top 10 fund holdings (% exposure, as at 31 March 2022)

Company	%
Johnson & Johnson	2.0
Microsoft Corp.	1.8
United Parcel Service Inc.	1.7
AstraZeneca plc	1.7
Cisco Systems Inc.	1.4
Novartis AG	1.4
Chubb Ltd.	1.3
Comcast Corp.	1.3
TJX Cos. Inc.	1.3
Sempra Energy	1.2

## Fund performance (as at 31 March 2022)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	-1.29	-1.29	8.47	8.85	7.02	9.55
Peer Group	-3.90	-3.90	4.58	6.61	5.01	7.28
Benchmark	-3.86	-3.86	7.47	9.87	7.98	10.40

Year on year (%)	1 Apr 2017 - 31 Mar 2018	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020	1 Apr 2020 - 31 Mar 2021	1 Apr 2021 - 31 Mar 2022
Fund	0.28	8.54	-3.27	22.90	8.47
Peer Group	1.61	3.84	-8.09	26.45	4.58
Benchmark	1.82	8.71	-2.60	26.71	7.47

### 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.

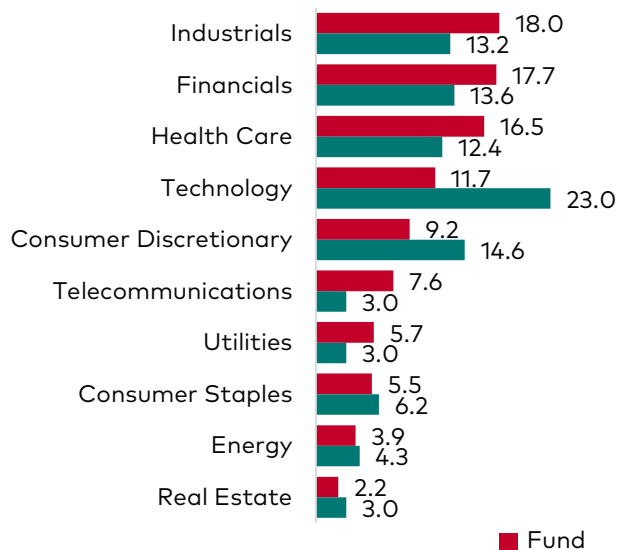
Source: Vanguard and Morningstar, as at 31 March 2022.

<sup>1</sup>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.

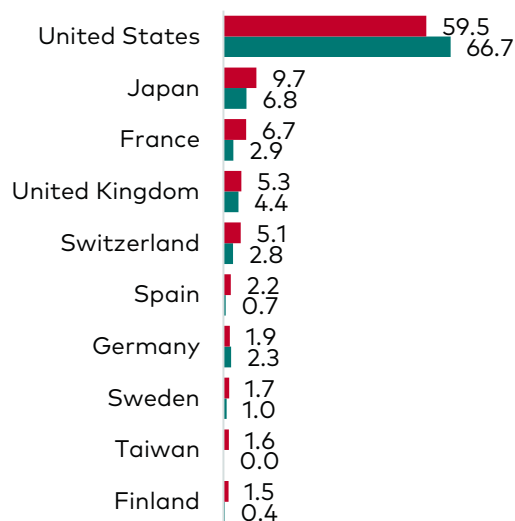
## Equity portfolio (as at 31 March 2022)

Characteristics	Fund	Benchmark
Number of stocks	80	2,223
Median market cap	£78.6B	£74.7B
PE ratio	16.4X	18.2X
Equity yield (dividend)	2.2%	1.8%

### Sector exposure (%)



### Region exposure (%)



## Fixed income portfolio (as at 31 March 2022)

**Average coupon:** 2.1%

**Average maturity:** 8.8 years

**Average quality:** A+

**Average duration:** 6.7 years

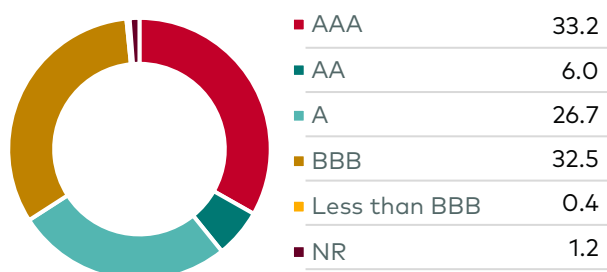
**Turnover rate:** 163.2%

**Number of bonds:** 536

### Distribution by issuer (% of bonds)

Characteristics	Fund %
Industrial	26.5
Financial institutions	26.1
Treasury	24.6
Mortgage Backed Security Pass-through	7.0
Utility	4.5
Local authority	2.9
Other	2.8
Supranational	1.9
Agency	1.4
Sovereign	1.4
Asset-backed security	0.5
Commercial mortgage-backed security	0.5

### 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 31 March 2022.

## Equity performance analysis

### Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Sempra Energy	1.8	0.1	31.7	0.5
AstraZeneca PLC	2.5	0.0	19.1	0.5
Pioneer Natural Resources Company	1.5	0.1	43.7	0.5
Meta Platforms Inc.	0.0	0.9	-32.0	0.4
Chubb Limited	2.0	0.2	14.3	0.3

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Autoliv Inc.	1.5	0.0	-23.3	-0.30
General Motors Company	1.3	0.1	-23.3	-0.30
TJX Companies Inc.	1.9	0.1	-17.6	-0.30
Berkshire Hathaway Inc.	0.0	1.1	21.2	-0.20
Erste Group Bank AG	1.1	0.0	-19.5	-0.20

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
AstraZeneca PLC	2.5	0.0	43.2	0.60
Walt Disney Company	0.0	0.4	-22.1	0.20
Netflix Inc.	0.0	0.3	-24.8	0.20
Diageo plc	0.0	0.2	21.0	0.10
Mitsubishi UFJ Financial Group Inc.	0.9	0.1	27.4	0.10

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Prudential plc	0.5	0.1	-23.3	-0.30
Iberdrola SA	1.0	0.1	-7.4	-0.20
JPMorgan Chase & Co.	1.6	0.7	-3.9	-0.10
BNP Paribas S.A.	0.7	0.1	4.1	-0.10
Arkema SA	1.1	0.0	6.8	-0.10

#### Past performance is not a reliable indicator of future results.

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information.

Source: FactSet, as at 31 March 2022. FactSet is a holdings-based attribution tool. Portfolio transactions are valued at closing price, which may cause some slight deviations with the fund return (based on NAV).

## 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.

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.

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

**This document is directed at professional investors and should not be distributed to, or relied upon by retail investors.**

For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions. The KIID for this fund is available, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>

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.

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

For investors in UK domiciled funds, a summary of investor rights can be obtained via <https://global.vanguard.com/portal/site/portal/ucits-investing-with-us> and is available in English.

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.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL") (collectively, "Bloomberg"), or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices.

The products are not sponsored, endorsed, issued, sold or promoted by "Bloomberg." Bloomberg makes no representation or warranty, express or implied, to the owners or purchasers of the products or any member of the public regarding the advisability of investing in securities generally or in the products particularly or the ability of the Bloomberg Indices to track general bond market performance. Bloomberg shall not pass on the legality or suitability of the products with respect to any person or entity. Bloomberg's only relationship to Vanguard and the products are the licensing of the Bloomberg Indices which are determined, composed and calculated by BISL without regard to Vanguard or the products or any owners or purchasers of the products. Bloomberg has no obligation to take the needs of the products or the owners of the products into consideration in determining, composing or calculating the Bloomberg Indices. Bloomberg shall not be responsible for and has not participated in the determination of the timing of, prices at, or quantities of the products to be issued. Bloomberg shall not have any obligation or liability in connection with the administration, marketing or trading of the products.

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

© 2022 Vanguard Asset Management Limited. All rights reserved.