

Vanguard LifeTarget Model Portfolios

Quarterly update

Q1 2024

Economic background

In the first quarter of 2024, major central banks held rates at record highs as economic activity gained momentum and inflation rates continued to fall.

The United Kingdom (UK) economy slipped into recession (defined as two consecutive quarters of economic contraction) in the final quarter of 2023. Economic growth, measured by the change in value of all the goods and services produced in the economy (also known as gross domestic product, or GDP), contracted by 0.3% in the fourth quarter of 2023, following a previous contraction of 0.1% in the third quarter. The latest data suggest the UK economy grew by 0.1% for the full-year 2023. Surveys of economic activity in the manufacturing and services sectors¹ suggest that momentum picked up slightly in the first quarter of 2024.

Annual headline inflation (which measures the change in prices for goods and services over 12 months) dropped significantly, slowing to 3.4% in February, down from 4.0% in December 2023 and from 6.7% in September 2023, representing the biggest slowdown since September 2021. Core inflation, which excludes volatile energy, food, alcohol and tobacco prices, slowed to 4.5% in February, down from 5.1% in December 2023 and 6.1% in September 2023. However, wage growth remained elevated, posing a key risk to the inflation outlook. The Bank of England kept the Bank Rate unchanged at 5.25% at its February and March meetings.

The euro area economy stagnated in the fourth quarter of 2023, recording a 0% growth rate having contracted by 0.1% in the third quarter. That means the region avoided a recession by its technical definition. Annual headline inflation continued to fall, slowing to 2.4% in the 12 months to March from 2.9% in December and 4.3% in September. Core inflation, which excludes energy, food, alcohol and tobacco prices, fell to 2.9% in

the 12 months to March, down from its 5.7% peak in March 2023. The European Central Bank kept its key interest rate unchanged at 4% at its January and March meetings.

In the United States (US), economic growth slowed to 3.4% in the fourth quarter of 2023 from 4.9% in the third quarter. For full-year 2023, US GDP grew by 2.5%, higher than the 1.9% increase registered in 2022. Inflation continued to show signs of slowing, with annual headline inflation at 3.2% in the 12 months to February, down from 3.4% in December 2023. Core inflation, which excludes food and energy prices, also slowed, dropping to 3.8% in February from 3.9% in December 2023. The US Federal Reserve kept its target interest rate range unchanged at 5.25-5.5% at its January and March meetings.

In China, the economy grew 5.2% in 2023 versus the previous year. However, the country's economy lost momentum in the fourth quarter of 2023, driven primarily by a downturn in the property sector. Inflation, as measured by the Consumer Price Index, rose by 0.7% in the 12 months to February. The People's Bank of China kept monetary policy largely unchanged in the first quarter of 2024.

¹ Source: Composite Purchasing Managers' Index (PMI) for February and March 2024.

LifeTarget commentary

The LifeTarget model portfolios delivered positive performance in the first quarter (Q1) of 2024 across all risk profiles. The portfolios with greater exposure to global equity markets outperformed those with smaller equity allocations, which marked a reversal from the previous quarter when bond markets posted one of the best quarterly performances in recent years¹. The Defensive portfolio returned +0.42%, the Cautious portfolio posted +1.20% and the Moderate portfolio recorded +2.26% for the period².

The positive performance across the LifeTarget range was driven largely by the outperformance of US and UK equity markets. The US equity market was the second-best performing equity market in Q1, after Japan, and US stocks contributed most to returns across each of the portfolios. This was because the US market is the largest equity exposure across the range. US stocks rallied in Q1, driven by market optimism around the potential growth of artificial intelligence (AI). Nvidia and Microsoft were the main beneficiaries given their high-profile ties to the development of AI technology. An overweight exposure to European equity markets also contributed to the range's positive performance.

Fixed income detracted from performance across the LifeTarget range. Government bonds struggled in most regions as markets revised their expectations for interest rate cuts to later in 2024, having previously priced in cuts in the first half of 2024.

Outlook

US equity valuations (the market's view of how much company shares are worth) have rarely been this high. Since 1950, they have only reached this level during the dot-com bubble and the post-Covid reopening. Even before the Q1 rally,

US share prices were about 30% above our estimated range for what is 'fair value'³ for those shares (as of 31 December 2023).

A fall in interest rates could help to close the valuation gap, but we think it's much more likely that the gap would close through falling share prices. At the same time, the higher-for-longer interest rate outlook is a positive development for long-term bond investors. That's why having a mix of assets across global shares and bonds can help smooth returns over time with the better-performing investments helping to offset those that perform less well.

There may yet be further volatility in markets in 2024, given the transition to a higher interest rate environment is not yet complete. But patient multi-asset investors, who maintain discipline with a strategic allocation to global equities and bonds, are likely to be rewarded over the long term. Furthermore, because it is challenging to time financial markets, we believe investors should stay the course and maintain a long-term perspective to have the best chance of investment success.

Key takeaway

What should investors do in response to these developments?

Many investors change their portfolios in a bid to take advantage of the latest news. However, it's very difficult to time these changes effectively.

In practice, shifting a portfolio in response to short-term events may lead to little more than increased trading costs.

At Vanguard, we believe that investors will usually be better served by identifying the appropriate asset allocation to suit their goals, then sticking with it and tuning out short-term noise. See the back page for more on Vanguard's principles for investing success.

¹ Source: Bloomberg. Global bond performance based on the Bloomberg Global Aggregate Float Adjusted and Scaled Index GBP Hedged. Data between 1 October and 31 December 2023.

² Source: Vanguard. Data between 1 January and 31 March 2024.

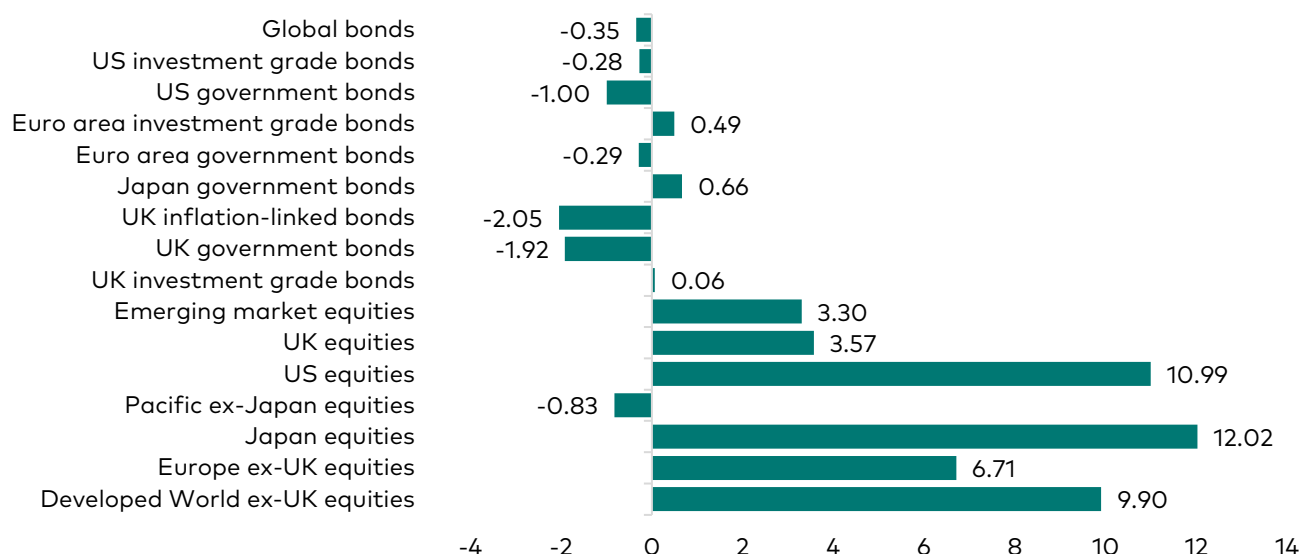
³ What Vanguard thinks of as fair value for shares is based on Vanguard's US fair-value cyclically-adjusted price-earnings (CAPE) ratio. The CAPE ratio, which considers current share prices relative to 10-year inflation-adjusted earnings per share, is a common metric for valuing US shares. Vanguard's statistical model adjusts the CAPE measure for the level of inflation and interest rates. The statistical model includes equity-earnings yields, 10-year trailing inflation and 10-year US Treasury yields estimated from January 1940 to January 2024. Currently, valuations are above our range of fair-value estimates. Sources: Vanguard calculations, based on data from [Robert Shiller's website](#), the U.S. Bureau of Labor Statistics, the Federal Reserve Board, Refinitiv, and Global Financial Data.

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Asset class performance

Equity and bond market total returns: last 3 months (%)

The market returns displayed here are not reflective of the underlying building blocks that make up LifeTarget funds and are intended to provide a high-level overview of market performance (in GBP).

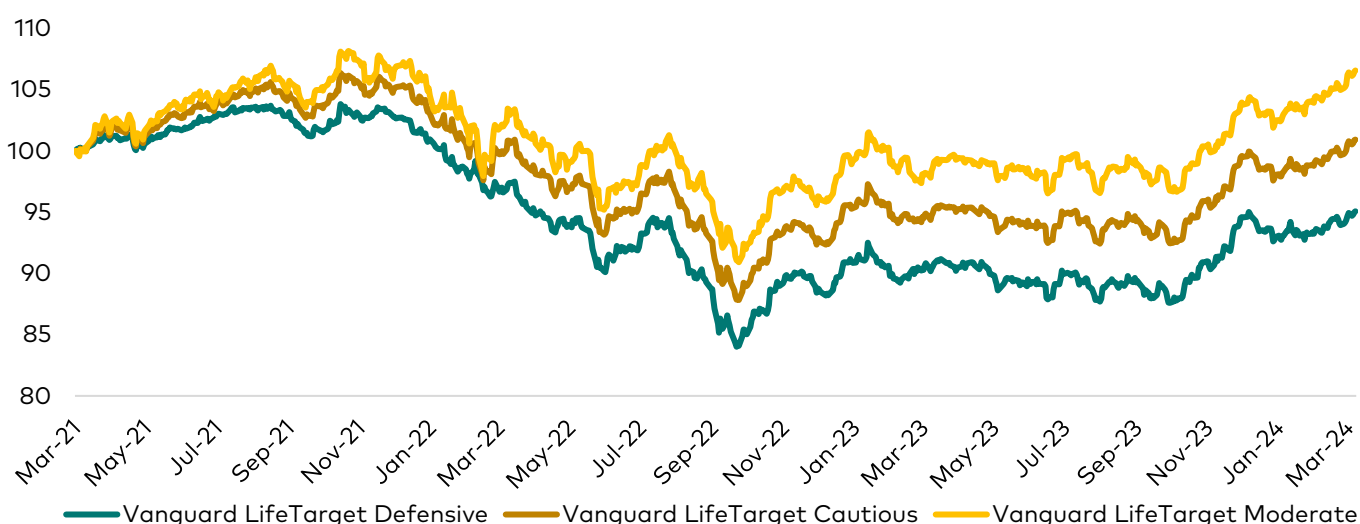


Past performance is not a reliable indicator of future results.

Source: Vanguard as at 31 March 2024. Total returns in GBP. Indices used: Bloomberg EUR Government Float Adjusted Bond Index Hedged; Bloomberg EUR Non Government Float Adjusted Bond Index Hedged; Bloomberg Global Aggregate Float Adjusted and Scaled Index Hedged; Bloomberg Global Aggregate USD Credit Float Adjusted Bond Index Hedged; Bloomberg GBP Non Government Float Adjusted Bond Index; Bloomberg Japan Government Float Adjusted Bond Index Hedged; Bloomberg U.K. Government Float Adjusted Bond Index; Bloomberg U.K. Government Inflation Linked Float Adjusted Bond Index; Bloomberg U.S. Government Float Adjusted Bond Index Hedged; FTSE All Share Index; FTSE Developed Europe ex U.K. Index; FTSE Developed ex U.K. Index; MSCI Emerging Markets Index; MSCI Japan Index; MSCI Pacific ex Japan Index; S&P Total Market Index Net TR.

Model portfolio performance (net of all-in costs)

Cumulative growth of GBP 100, since inception* to 31 March 2024



*Inception date: 22 March 2021

All-in Costs

All-in costs include Ongoing Charges Figures (OCF) and an annual portfolio management fee that covers the discretionary management of the managed portfolio service, ongoing oversight, and regular rebalancing of the portfolios. The portfolio management fee is exclusive of VAT and any adviser, platform, or dealing charges.

Each share class of a fund has an Ongoing Charges Figure which is based on projected expenses for a given period. We review these projections regularly to make sure they are appropriate. The OCF covers administration, audit, depositary, legal, registration and regulatory expenses incurred in respect of the Funds. The Funds' Authorised Corporate Director will usually pay those fees out of its periodic annual management charge (AMC), which means that the OCF will normally equal the AMC. There may, however, be certain extraordinary expenses which cause the OCF to exceed the AMC. The OCF does not include portfolio transaction costs incurred by a Fund or the cost of subscribing for, or redeeming, shares or units in a Fund. For a full disclosure of all costs and charges, please visit our website: global.vanguard.com/portal/site/portal/ucits-mifidprii

Past performance is not a reliable indicator of future results.

Performance shown is cumulative and includes 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 NAV to NAV with gross income reinvested. All performance is calculated in GBP, net of all-in costs.

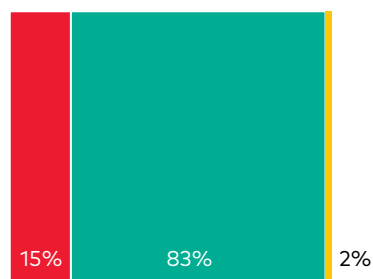
Source: Vanguard as at 31 March 2024.

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LifeTarget Model Portfolios

Defensive

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.13%
Number of holdings	22,095

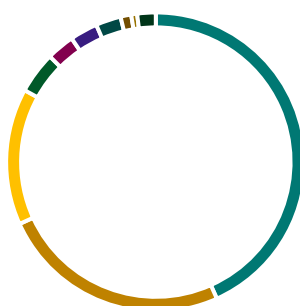
Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	43.31%
Vanguard U.K. Investment Grade Bond Index Fund	24.91%
Vanguard U.K. Government Bond Index Fund	14.76%
Vanguard FTSE U.K. All Share Index Unit Trust	4.50%
Vanguard U.S. Equity Index Fund	3.01%
Vanguard Emerging Markets Stock Index Fund	3.00%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	2.72%
Vanguard Japan Stock Index Fund	1.15%
Vanguard Pacific ex-Japan Stock Index Fund	0.64%
Cash	2.00%

Credit rating breakdown bonds (%)

AAA	13.75%
AA	45.22%
A	19.59%
BBB	20.46%
Less than BBB	0.00%
Not rated	0.98%

Underlying asset classes



Global Fixed Income (GBP-hedged)	43.31%
UK Corporate Bonds	24.91%
UK Gilts	14.76%
UK Equity	4.50%
US Equity	3.01%
Emerging Markets Equity	3.00%
European ex-UK Equity	2.72%
Japanese Equity	1.15%
Pacific ex-Japan Equity	0.64%
Cash	2.00%

Sector breakdown (equities)



Financials	19.57%
Information Technology	13.82%
Industrials	12.79%
Consumer Discretionary	11.07%
Health Care	10.11%
Consumer Staples	8.92%
Materials	6.22%
Energy	5.87%
Communication Services	5.51%
Utilities	3.03%
Real Estate	2.38%
Other	0.70%

Past performance as at 31 March 2024

1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	YTD	Since inception* (cumulative)
--	--	-2.58%	-6.61%	4.40%	0.42%	-4.93%

*Inception date: 22 March 2021.

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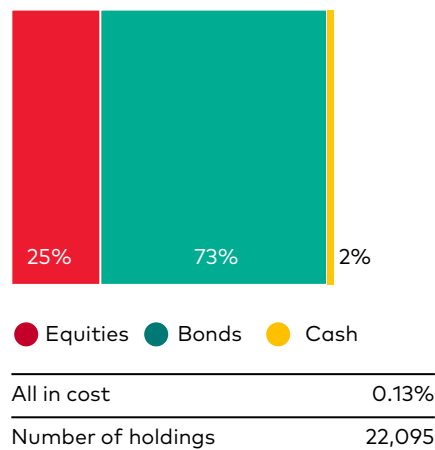
Source: Vanguard as at 31 March 2024. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV with gross income reinvested. All performance is calculated in GBP, net of all-in costs. Numbers relating to rating, asset class or sector exposure may not add up to 100% due to rounding.

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LifeTarget Model Portfolios

Cautious

Target weighting



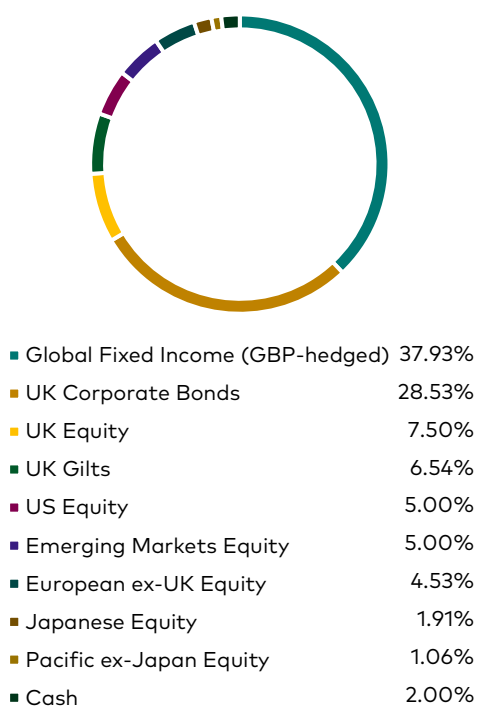
Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	37.93%
Vanguard U.K. Investment Grade Bond Index Fund	28.53%
Vanguard FTSE U.K. All Share Index Unit Trust	7.50%
Vanguard U.K. Government Bond Index Fund	6.54%
Vanguard U.S. Equity Index Fund	5.00%
Vanguard Emerging Markets Stock Index Fund	5.00%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	4.53%
Vanguard Japan Stock Index Fund	1.91%
Vanguard Pacific ex-Japan Stock Index Fund	1.06%
Cash	2.00%

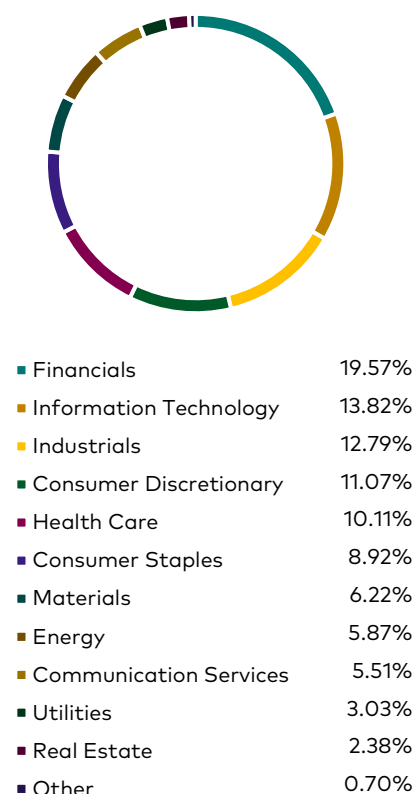
Credit rating breakdown bonds (%)

AAA	15.69%
AA	37.30%
A	22.17%
BBB	23.85%
Less than BBB	0.00%
Not rated	0.99%

Underlying asset classes



Sector breakdown (equities)



Past performance as at 31 March 2024

1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	YTD	Since inception* (cumulative)
--	--	0.72%	-5.14%	5.65%	1.20%	0.93%

*Inception date: 22 March 2021.

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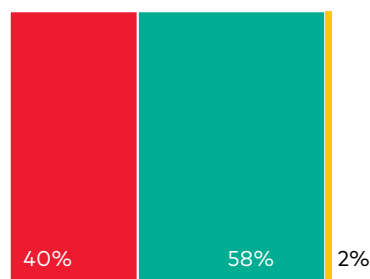
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LifeTarget Model Portfolios

Moderate

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.13%
Number of holdings	22,095

Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	30.10%
Vanguard U.K. Investment Grade Bond Index Fund	27.43%
Vanguard FTSE U.K. All Share Index Unit Trust	12.00%
Vanguard U.S. Equity Index Fund	8.00%
Vanguard Emerging Markets Stock Index Fund	8.00%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	7.25%
Vanguard Japan Stock Index Fund	3.06%
Vanguard Pacific ex-Japan Stock Index Fund	1.70%
Vanguard U.K. Government Bond Index Fund	0.46%
Cash	2.00%

Credit rating breakdown bonds (%)

AAA	17.48%
AA	30.04%
A	24.54%
BBB	26.94%
Less than BBB	0.00%
Not rated	1.01%

Underlying asset classes



Global Fixed Income (GBP-hedged)	30.10%
UK Corporate Bonds	27.43%
UK Equity	12.00%
US Equity	8.00%
Emerging Markets Equity	8.00%
European ex-UK Equity	7.25%
Japanese Equity	3.06%
Pacific ex-Japan Equity	1.70%
UK Gilts	0.46%
Cash	2.00%

Sector breakdown (equities)



Financials	19.59%
Information Technology	13.81%
Industrials	12.78%
Consumer Discretionary	11.07%
Health Care	10.11%
Consumer Staples	8.92%
Materials	6.23%
Energy	5.87%
Communication Services	5.51%
Utilities	3.03%
Real Estate	2.39%
Other	0.70%

Past performance as at 31 March 2024

1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	YTD	Since inception* (cumulative)
--	--	3.08%	-3.56%	7.22%	2.26%	6.56%

*Inception date: 22 March 2021.

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Vanguard's principles for investing success

It's easy to be swayed by the latest developments in the markets or the economy, manager ratings or the performance of an individual security or strategy. However, instead of getting caught up in investment noise, we believe that investors stand a better chance of success if they remain focused on the things they can control. We believe there are four fundamental principles that can help investors stay on track. Vanguard's LifeTarget Model Portfolios embody these principles and have been carefully constructed to give investors of all risk appetites the best chance of investment success.

Goals

Create clear, appropriate investment goals

An appropriate investment goal should be measurable and attainable. Success should not depend upon outsized investment returns, nor upon impractical saving or spending requirements.

Balance

Develop a suitable asset allocation using broadly diversified funds

A sound investment strategy starts with an asset allocation suitable for the portfolio's objective. The allocation should be built upon reasonable expectations for risk and returns and should use diversified investments to avoid exposure to unnecessary risks.

Costs

Minimise cost

You can't control the markets, but you can control the bite of costs and taxes. The lower your costs, the greater your share of an investment's return. In addition, Vanguard research suggests that lower-cost investments have tended to outperform higher cost alternatives.

Discipline

Maintain perspective and long term discipline

Investing can provoke strong emotions. In the face of market turmoil, some investors may find themselves making impulsive decisions or, conversely, becoming paralysed, unable to implement an investment strategy or to rebalance a portfolio as needed. Discipline and perspective can help investors remain committed to their long-term plans.

This quarterly newsletter is designed to give Vanguard LifeTarget Model Portfolio investors an insight into how the portfolios are constructed, how they have performed over the last quarter and to provide an overview of current market and economic conditions.



The Vanguard LifeTarget Model Portfolios are managed portfolio solutions designed to help investors achieve their retirement goals. The portfolios take a long-term approach to asset allocation based on research and forecasts for return, risk, income and correlation, both within and between asset classes. Each of the three portfolios (defensive, cautious and moderate) has a different weighting of equities and bonds, with the aim of maximising their risk-adjusted return to deliver a minimum return target for investors.



The LifeTarget range utilises a "time-varying" approach to asset allocation, which means that as market conditions change, and with them, the long-term forecasts for bonds and equities, the portfolio allocation can be adjusted to take advantage of the new market conditions.



This involves recalibrating the portfolios at least annually, or after major market events, in order to ensure that the asset allocation remains on track with a view to giving investors the best chance of maximising their risk-adjusted return and achieving their minimum return target. The range is also rebalanced quarterly back to the equity/bond mix at the start of each 12-month period to ensure portfolios do not drift over time.

Vanguard believes that a minimum long-term return, alongside appropriate asset allocation and broad diversification across sub-asset classes, allows advisers to more confidently help investors navigate their financial plan and assess if they are on track to meet their long-term portfolio objectives.

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.

The model portfolio aims to achieve at least the minimum target return on an annualized basis over a rolling 5-year period. Achieving the minimum target return is not guaranteed and is subject to the performance of the underlying bonds and equities in which the model portfolio invests. In any given year the performance of the model portfolio may be higher, or lower than the minimum target return and an investor may not get back the full amount 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.

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 relating to the underlying funds please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

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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.

For investors in Ireland 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, German, French, Spanish, Dutch and Italian.

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