

Vanguard LifeTarget Model Portfolios

Quarterly update

Q4 2023

Economic background

In the fourth quarter of 2023, global growth and inflation slowed as major central banks kept interest rates at record highs.

In the United Kingdom, after modest growth in the first half of the year, the economy contracted in the last six months of 2023. Economic growth, measured by the change in value of gross domestic product (GDP), contracted by 0.1% in the third quarter. Surveys of economic activity in the manufacturing and services sectors¹ suggest further weakness in the fourth quarter. Annual headline inflation (which measures the change in prices for goods and services over 12 months) dropped significantly, slowing to 3.9% in November, down from 4.6% in October and 6.7% in September. Core inflation, which excludes volatile energy, food, alcohol and tobacco prices, slowed to 5.1% in November, down from 5.7% in October and 6.1% in September. However, wage growth remained elevated, with regular pay growing at an annualised pace of above 7%, posing a key risk to the inflation outlook. The Bank of England kept the Bank Rate unchanged at 5.25% at its November and December meetings.

The euro area economy continued to weaken in the fourth quarter of 2023, with surveys of the manufacturing and services sectors suggesting activity slowed as the impact of higher interest rates and tighter fiscal policy began to take effect. Annual headline inflation continued to fall, slowing to 2.4% in the 12 months to November before rising to 2.9% in the 12 months to December – still a significant decline from a peak of 10.6% in October 2022. Core inflation, which excludes

energy, food, alcohol and tobacco prices, fell to 3.6% in the 12 months to November 2023, down from its 5.7% peak in March earlier this year. The European Central Bank kept its interest rate unchanged at 4% at its October and December meetings.

In the United States, the economy showed resilience throughout 2023 with annualised quarterly economic growth rates of 2.2% in the first quarter, 2.1% in the second quarter and 4.9% in the third quarter of the year. Growth figures for the fourth quarter are expected to be lower but remain positive heading into 2024. Inflation continued to show signs of slowing with annual headline inflation falling to 3.1% in the 12 months to November, down from a high of 9.1% in June 2022. Core inflation, which excludes food and energy prices, also slowed, dropping to 4.0% in November. The US Federal Reserve kept its interest rate unchanged at 5.25-5.5% at its November and December meetings.

In China, the economy grew by 1.3% quarter-on-quarter in the third quarter, up from 0.8% in the second quarter. The latest data suggest economic activity was subdued in the fourth quarter amid ongoing challenges in the property market, a sluggish labour market recovery and lingering softness in domestic demand. In contrast to most major economies, where inflation has been above central banks' target levels, inflation in China has been below target. China's consumer price index fell to -0.5% in the 12 months to November, down from 2.1% in the 12 months to January 2023. The People's Bank of China kept monetary policy largely unchanged in the fourth quarter.

¹ Source: Composite Purchasing Managers' Index (PMI) for November and December 2023.

LifeTarget commentary

The LifeTarget model portfolios ended the year strongly with all three portfolios posting positive returns in the fourth quarter (Q4) of 2023. The Defensive portfolio returned +6.50%¹, the Cautious portfolio returned +6.19%² and the Moderate portfolio +5.82%³. In contrast to the previous quarter, Q4 2023 saw the lower-risk, lower-equity allocation portfolios outperform the higher-risk, higher-equity allocation portfolios. This was driven by the strong performance of fixed income markets.

The positive performance of LifeTarget portfolios was mainly driven by exposures to UK and global bonds on the fixed income side, while US stock market exposures led equity market returns. The LifeTarget portfolios benefitted from an overweight position in UK investment-grade bonds, which was the largest contributor to returns across fixed income exposures, followed by exposure to global bonds. The fourth quarter of 2023 was one of the best quarters for

bond market performance in recent years⁴, fuelled by falling inflation and the market's anticipation of interest rate cuts in the first half of 2024.

On the equity side, US equity exposures contributed the most to LifeTarget portfolio returns owing to the US stock market's strong performance and the portfolios' larger allocation to US stocks relative to other equity markets. The strong performance of US equities was driven in part by expectations of interest rate cuts in the first half of 2024. Despite contributing positively to LifeTarget returns, Japan equity exposures delivered the smallest positive contribution to the portfolios' equity returns in the quarter.

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.

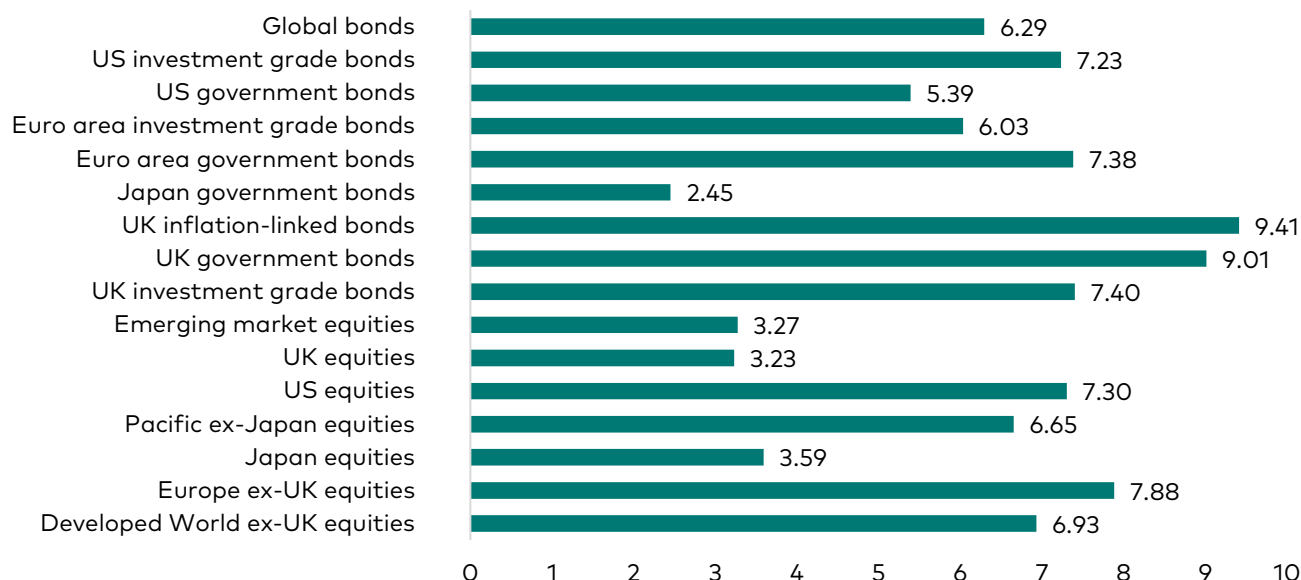
At Vanguard, we believe that investors will usually be better served by identifying the appropriate asset allocation to suit their goals, then sticking with it and tuning out short-term noise. See the back page for more on Vanguard's principles for investing success.

^{1, 2, 3} Source: Vanguard. Data between 1 October and 31 December 2023.

⁴ 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.

Asset class performance

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

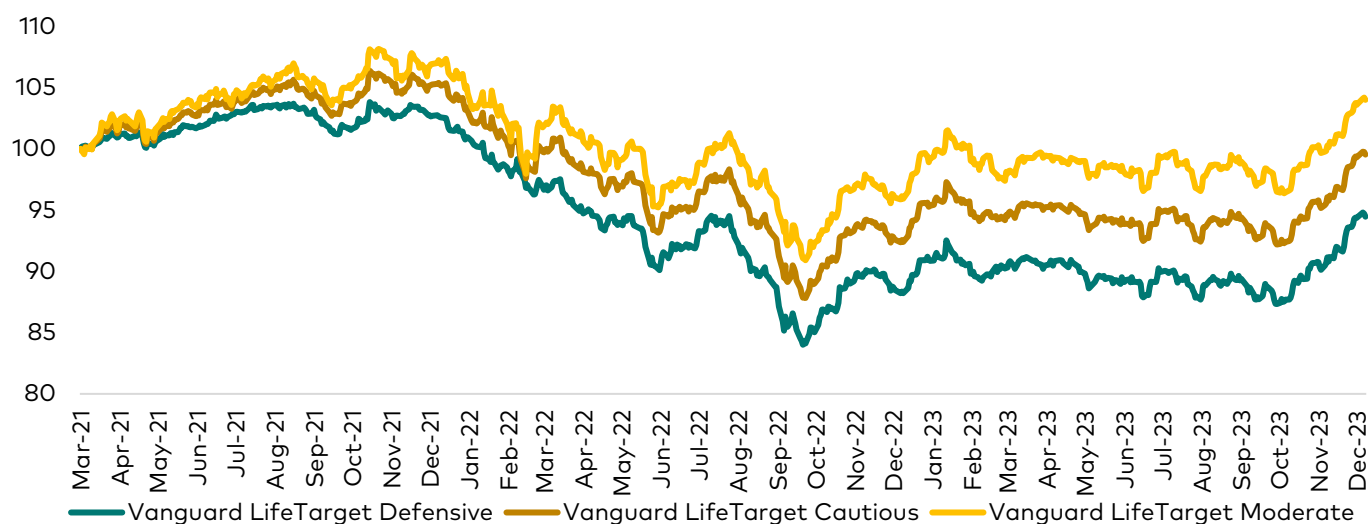


Past performance is not a reliable indicator of future results.

Source: Vanguard as at 31 December 2023. 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 December 2023



*Inception date: 22 March 2021

All-in Costs

All-in costs including 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.

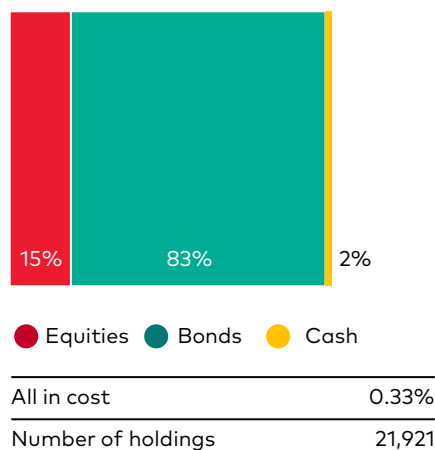
Source: Vanguard as at 31 December 2023.

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LifeTarget Model Portfolios

Defensive

Target weighting



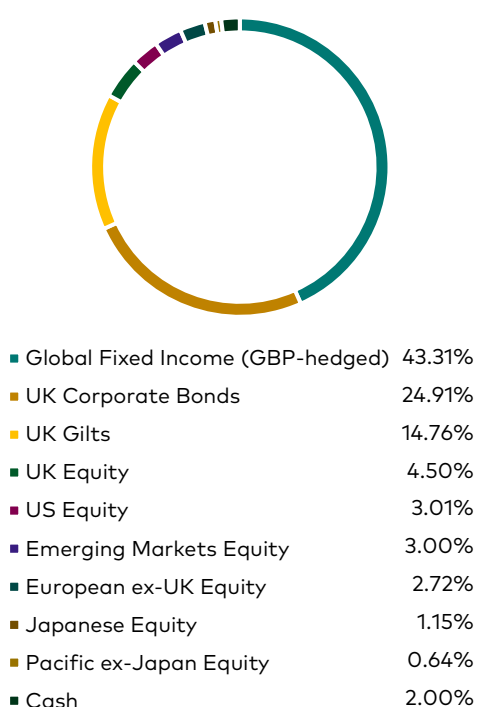
Underlying funds

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%

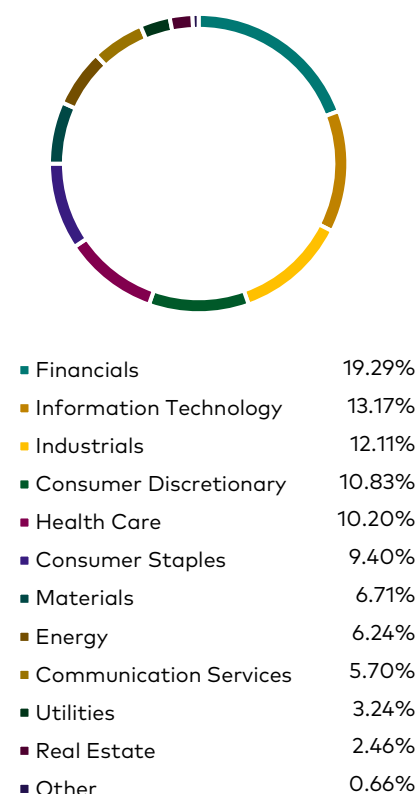
Credit rating breakdown bonds (%)

AAA	18.47%
AA	40.85%
A	19.70%
BBB	20.06%
Less than BBB	0.00%
Not rated	0.93%

Underlying asset classes



Sector breakdown (equities)



Past performance as at 31 December 2023

1-Jan-19 to 31-Dec-19	1-Jan-20 to 31-Dec-20	1-Jan-21 to 31-Dec-21	1-Jan-22 to 31-Dec-22	1-Jan-23 to 31-Dec-23	YTD	Since inception* (cumulative)
--	--	--	-13.74%	7.07%	7.07%	-5.54%

*Inception date: 22 March 2021.

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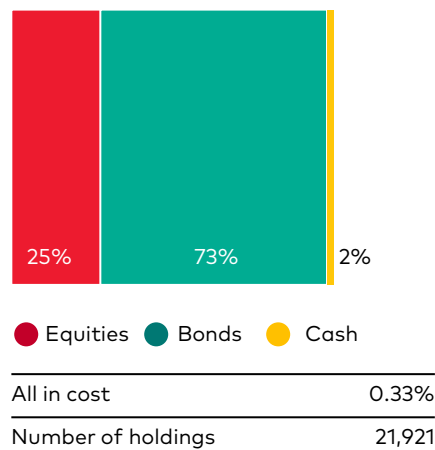
Source: Vanguard as at 31 December 2023. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account 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



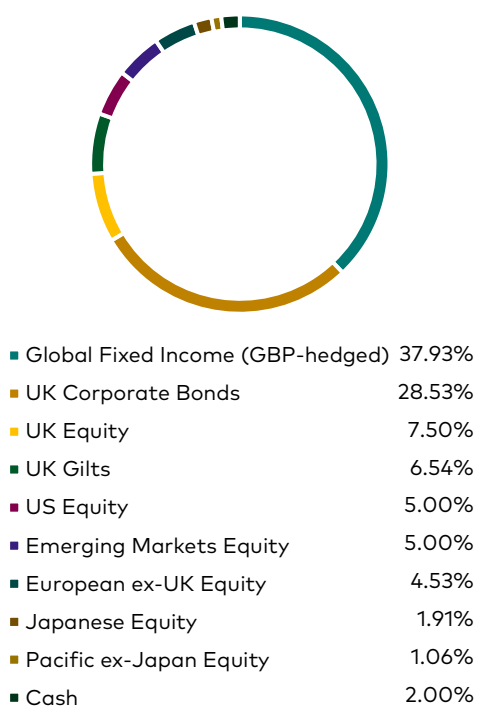
Underlying funds

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%

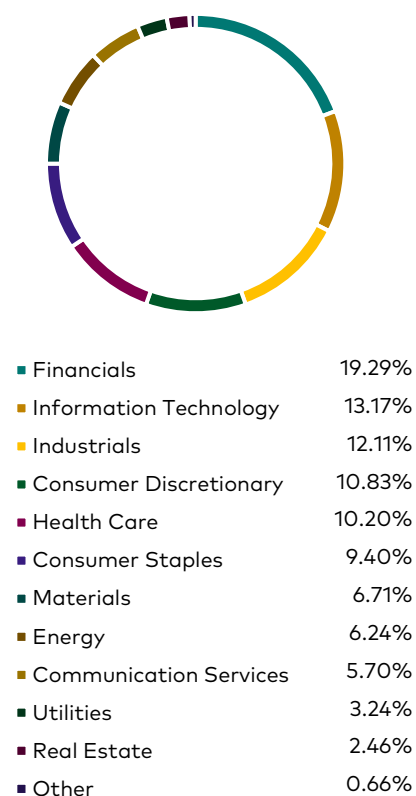
Credit rating breakdown bonds (%)

AAA	20.40%
AA	33.04%
A	22.29%
BBB	23.39%
Less than BBB	0.00%
Not rated	0.88%

Underlying asset classes



Sector breakdown (equities)



Past performance as at 31 December 2023

1-Jan-19 to 31-Dec-19	1-Jan-20 to 31-Dec-20	1-Jan-21 to 31-Dec-21	1-Jan-22 to 31-Dec-22	1-Jan-23 to 31-Dec-23	YTD	Since inception* (cumulative)
--	--	--	-11.89%	7.71%	7.71%	-0.48%

*Inception date: 22 March 2021.

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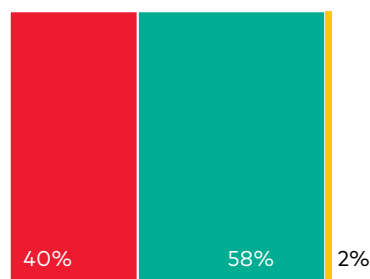
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LifeTarget Model Portfolios

Moderate

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.33%
Number of holdings	21,921

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	22.19%
AA	25.85%
A	24.67%
BBB	26.44%
Less than BBB	0.00%
Not rated	0.85%

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	19.31%
Information Technology	13.16%
Industrials	12.10%
Consumer Discretionary	10.82%
Health Care	10.19%
Consumer Staples	9.39%
Materials	6.72%
Energy	6.24%
Communication Services	5.70%
Utilities	3.24%
Real Estate	2.47%
Other	0.66%

Past performance as at 31 December 2023

1-Jan-19 to 31-Dec-19	1-Jan-20 to 31-Dec-20	1-Jan-21 to 31-Dec-21	1-Jan-22 to 31-Dec-22	1-Jan-23 to 31-Dec-23	YTD	Since inception* (cumulative)
--	--	--	-10.00%	8.41%	8.41%	4.00%

*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 believe 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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The Manager of the Ireland domiciled funds may determine to terminate any arrangements made for marketing the shares in one or more jurisdictions in accordance with the UCITS Directive, as may be amended from time-to-time.

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.

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