DECEMBER 2021

LOW-COST ACTIVE
MULTI-ASSET

Vanguard SustainableLife active funds

Rising to the sustainability challenge and delivering value to investors

The sustainability challenge

Investors around the world are increasingly interested in environmental, social and governance (ESG) issues as they seek to balance personal values and financial goals. We recognise, though, that sustainable investing[1] and the management of ESG risks and opportunities can mean different things to different people.

At Vanguard, we think about ESG from the perspective of how we operate as a company, as an investment provider and as a steward of our investors' assets. We think about ESG risks and opportunities in the context of delivering long-term value to investors and helping them to meet their objectives.

We believe that material ESG risks, if left unchecked, can undermine long-term value in the companies in which we invest. Over time, well-governed companies, including those with sound practices to mitigate material ESG risks, should outperform those that are poorly governed.

Recognising how ESG risks, like climate change, can erode shareholder value over time, Vanguard's active fund managers regularly incorporate financially material ESG considerations into their security selection processes. The external managers of Vanguard's active equity funds, in exercising their fiduciary duty to the Vanguard funds, have implemented stewardship practices designed to help enhance the long-term value of the securities in the funds they manage.

Additionally, each manager has a distinct process for assessing ESG considerations in their research and decision-making. By partnering with Wellington Management Company, which has a long history of actively engaging with the companies it invests in on ESG matters, we believe that our new SustainableLife active funds range can deliver long-term, sustainable value to investors.

1 Investment approaches that select and include investments on the basis of their fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcome(s). Investments are chosen on the basis of their economic activities (what they produce/what services they deliver) and on their business conduct (how they deliver their products and services). Source: The Investment Association. The Responsible Investment Framework, 18 November 2019.

Introducing the range

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. By considering not just the investment potential, but also the key sustainability criteria of each company they hold, the managers of SustainableLife funds aim to meet the expectations of investors who are looking to express both active and/or sustainable investing preferences.

Offering a simple all-in-one, actively managed portfolio of equities and bonds from around the world, SustainableLife funds can provide a core portfolio solution for investors. Because they are actively managed by Wellington Management Company, there is no need for ongoing rebalancing or maintenance. This frees up vital time for advisers so that they can focus on the thing that matters most — building great relationships with their clients.

The Vanguard SustainableLife range of funds are actively managed and do not intend to track or replicate performance of the benchmark. Benchmark data is for reference only.

Why use Vanguard SustainableLife funds?

Vanguard has been offering multi-asset solutions in conjunction with Wellington since 1975 and today manages more than £740bn[2] for multi-asset investors around the world. SustainableLife funds are the latest iteration of this range, designed for investors who prefer active management and want to prioritise sustainability.

Sustainable:
Incorporates sustainability criteria, including a net zero commitment, helping to build a long-term competitive advantage that delivers sustainable returns.

Multi asset:
Provides an all-in-one portfolio of equities and bonds that is highly diversified across geographies, sectors and investment styles.

Proven expertise:
Vanguard and Wellington have a long history in multi-asset investing dating back to 1929. The SustainableLife funds are sister funds to the world's longest running multi-asset fund, the Vanguard Wellington Fund.

Low cost:
The total cost of the Vanguard SustainableLife range is 0.48%, which is significantly below the 1.18% average expense ratio of the category[3], meaning that sustainability doesn't have to cost more.

Our net zero by 2050 commitment

The Vanguard SustainableLife funds have a **2050 net zero emissions target** in alignment with the Paris Agreement to **limit global warming** to well below 2°C. It emphasises:

- Investing 60% of shares and corporate bonds in companies with net zero science-based targets (SBTs) by 2030;
- Increasing this to 90% by 2040; and
- Ultimately investing 100% of the funds' shares or corporate bonds in companies which are net zero by 2050.

2 Source: Vanguard, as at 31 December 2020.

3 Source: Morningstar, as at 31 October 2021.

For investors who want to prioritise sustainability, these funds offer exposure to a mix of equity and fixed income investments to align with their risk and return objectives.

There are three SustainableLife funds to choose from. Each is designed to broadly meet a set risk-return profile, providing advisers with a straightforward default portfolio solution, or a core investment around which to build fine-tuned, bespoke portfolios for their clients. The names refer to the equity exposure that each fund aims to hold, with the remainder exposed to bonds. The equity component will be rebalanced to remain within 5% either side of its target exposure in order to take advantage of any new opportunities presented by changing market conditions.

A choice of three funds

FUND	Typical exposures: EQUITY	Typical exposures: FIXED INCOME	WHO'S IT FOR?
1 Vanguard SustainableLife 40–50% Equity Fund	45% (+/- 5% flex)	55% (+/- 5% flex)	For investors with a lower tolerance for risk
2 Vanguard SustainableLife 60–70% Equity Fund	65% (+/- 5% flex)	35% (+/- 5% flex)	For investors with a moderate tolerance for risk
3 Vanguard SustainableLife 80–90% Equity Fund	85% (+/- 5% flex)	15% (+/- 5% flex)	For investors with a higher tolerance for risk

"Offering a range of uncomplicated, all-in-one, actively managed portfolios of equities and bonds from around the world, SustainableLife funds can provide a core portfolio solution for investors."

Source: Matthew Piro, Global Head of ESG Product, Vanguard.

Investment approach

Vanguard SustainableLife funds are highly diversified, multi-asset funds comprising a core large-cap equity portfolio of around 80-110 names alongside 50-60%, 30-40% or 10-20% of assets in bonds to reduce the exposure to risk. The funds provide exposure primarily to developed market securities and holdings may be selected from across sectors and industry groups. The funds typically invest in a range of large and mid-size companies chosen on the basis of fundamental company analysis and bottom-up stock picking.

The equity portions of the funds are tilted towards value stocks and are conservatively managed in an effort to outperform the market with lower risk and a quality bias. The fixed income portion comprises investment-grade securities to help dampen the effects of market volatility. Overall, the portfolios are positioned to deliver returns through a combination of capital growth and income.

The investment philosophy

Vanguard SustainableLife funds are managed by Wellington according to a strict investment philosophy designed to deliver sustainable growth for investors. Key tenets of that philosophy are an extended investment horizon combined with ongoing company engagement and the importance of valuation discipline.

Market inefficiencies can be magnified by environmental, social and governance (ESG) factors which can represent long-term risks to a company, and may impact its ability to generate investment returns in the future. Wellington pursues opportunities presented by market inefficiencies across both the fixed income and equity portfolios, delivering a multi-dimensional and dynamic approach to incorporating ESG.

What is ESG?

ESG refers to environmental, social and governance considerations.

Environmental
How a company or industry performs as a steward of the natural environment. For example, through their carbon emissions, energy use or waste management.

Social
How a company manages its relationships. For example, how companies treat their employees, clients, suppliers and communities, and whether they offer equal job opportunities.

Governance
Supporting sound business practices by considering how a company is run. For example, by ensuring executive pay is tied to performance, company boards reflect society and minority shareholders are protected.

"At Vanguard, we think about ESG from the perspective of how we operate as a company, as an investment provider and as a steward of our investors' assets."

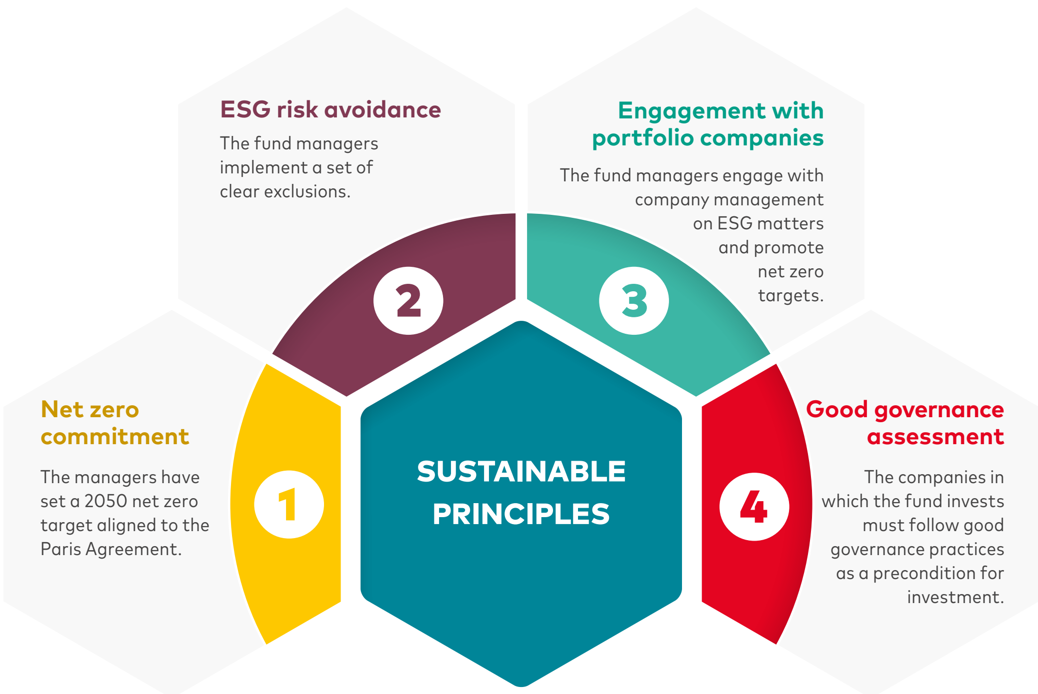
Source: Fong Yee Chan, Head of ESG Strategy, Europe, Vanguard.

A sustainable investment process

Wellington and its fund managers have a long history of actively engaging with the companies they invest in on environmental, social and corporate governance matters. Additionally, they use portfolio screening techniques to avoid companies that may have a negative impact on society or the environment, and they integrate ESG considerations into their research to ensure they allocate capital wisely.

The Vanguard SustainableLife funds have a 2050 net zero target aligned to the Paris Agreement to help drive sustainability. This means investing 60% of corporate exposure (measured on a combined basis of equity and fixed income corporate-only exposure) in companies with net zero science-based targets (SBTs)[4] by 2030, rising to 90% by 2040 and reaching 100% by 2050.

Vanguard SustainableLife funds: the four pillars of sustainability



4 Science-Based Targets (SBT) are science-based emissions reduction targets set by companies and verified by the Science Based Targets initiative. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

> "Among the ESG considerations that are important to us are governance and the impact it has on capital allocation; environmental practices and the impact they have on energy transition and operational risks of the enterprise; and social practices and the impact they have on advancing diversity and inclusion in how companies operate, and the effect businesses have on local communities."

Source: Nataliya Kofman, Fund Manager, Quality Equity Team, Wellington.

Engaging with the companies they own

As long-term investors, Wellington takes its role as 'owners' very seriously. As such, the fund managers engage with company management to discuss material ESG issues. A central philosophy in Wellington's stewardship approach is that engagement with management teams and boards of directors can provide differentiated insights and impact company behaviour. Wellington assesses a range of environmental, social and governance issues in engagements with companies.

Avoiding controversial companies

Wellington also has a strong view on the types of companies that it wants to invest in and excludes businesses perceived as having negative effects on society or the environment beyond a certain threshold.

Allocating capital wisely

Within the equity sleeve, the objective is to identify high-quality companies with high, sustainable and growing dividend yields, which the fund manager believes are priced below their intrinsic value. By applying social and environmental criteria, the fund manager aims to provide a balanced mix of companies with a high relative return on capital and lower cost of capital.

The fixed income sleeve integrates ESG into decisions at both the sector and issuer level, with the aim of generating positive performance over the long term as the market rewards progress and penalises laggards.

EXCLUDED ACTIVITY[5]

Any involvement with nuclear weapons	**Revenue from oil sands extraction >= 5%**
Any involvement with controversial weapons	**Any involvement in tobacco production**
Revenue from thermal coal extraction >= 10%	**Revenue from tobacco related activities (e.g. distribution, retail or supply) >= 25%**
Revenue from thermal coal power generation >= 30%	

5 A link to the full exclusions policy can be found in the Prospectus.

ESG integration

- Fund managers work closely with dedicated ESG analysts, as well as credit and equity analysts, on ESG considerations. ESG analysts provide a quantitative rating on more than 8,500 companies on E, S and G factors, as well as providing an additional fundamental rating for many of these, which often reflects differentiated perspectives on a company.

- By analysing the ESG rating distribution for individual companies, the fund managers are able to identify those that warrant further ESG research to determine the possible impact on an investment thesis and whether they are being compensated for the ESG risks.

- Fund managers can invest in securities which have ESG momentum behind them encompassing both companies with low ESG risks, as well as companies which have the potential to improve their ESG credentials.

- The research process can help fund managers identify sources of alpha given that companies which are improving in terms of their ESG practices have the potential to be re-rated by the market and may enjoy favourable financial performance in the longer term.

- Strength of fundamental research capabilities gives fund managers an analytical edge without the need to rely on inconsistent, backwards-looking or static ESG scores and ratings. A forward-looking assessment of risks and opportunities enables the fund managers to spot the ratings discrepancies in their search for alpha.

- Consistent engagement with portfolio companies provides the best opportunity for long-term investors to deeply understand the ESG considerations that impact the industries and regions the fund is exposed to. This has the greatest potential to positively impact behaviour, and therefore investment returns, over time.

Examples of ESG risks and opportunities

Active engagement

General Motors:
The US multinational automotive manufacturer is an investment with improving capital allocation. This is a result of better governance, and it is emerging as an industry leader in reducing carbon emissions through the introduction of electric vehicles. Over the past year, it made significant commitments to realise an all-electric and zero-emissions future. It recently increased targets to allocate $35bn in capital and engineering resources to electric vehicles and autonomous vehicle programmes between 2020 and 2025, up from the previous target of $27bn in November 2020.

It's looking to improve the carbon footprint of its own operations, and while the company has faced some shortcomings regarding its labour management practices, remedial actions have been implemented with the involvement of the board and CEO.

There have also been notable improvements in the quality of the board through the appointment of directors with backgrounds in technology, cybersecurity and advanced engineering. It also has a strong and growing representation of women in leadership positions including a female CEO with women comprising 32% of top management.

Isuzu:
This Japanese vehicle manufacturer is a high-quality franchise with industry leading powertrain technology and leading market share in Japan and Thailand. However, Wellington had believed that mis-aligned management incentives and insufficient board independence contributed to disappointing past returns. Over years of holding the stock, Wellington engaged with management and the board on topics of independence and lower than expected returns. Given a lack of progress, Wellington wrote to the board in 2020, encouraging them to increase board independence, among other topics.

Wellington also encouraged improvements in board diversity. While the company made some progress since 2020, it was still lacking and Wellington engaged with the board again earlier this year to reiterate its stance on independence and diversity, among other topics. Its engagement efforts are beginning to yield results.

Why Vanguard?

The rapidly evolving landscape of sustainable investing is having a profound impact on how advisers are thinking about ESG investing for clients. No longer the preoccupation of a committed few, the momentum behind sustainable investing has been building in recent years.

Vanguard takes a sub-advised approach to the active management of our equity funds and partners with leading fund managers from around the world. The importance of actively managing risks and opportunities related to ESG factors is embedded in our approach to active investing. Vanguard invests considerable time, resources, and energy to ensure that our actively managed funds are in the hands of talented, world-class fund managers capable of producing consistently competitive investment performance over the long term.

The role of our Oversight & Manager Search team is to engage with current and prospective fund managers to assess their ESG practices and to understand how ESG issues inform their investment processes.

In 2019, Vanguard granted full proxy voting responsibilities to each external adviser for the portions of the funds they manage. This enables advisers to integrate their proxy voting activities and company engagement into their investment strategies. Although each external adviser follows its own policies and guidelines that govern proxy voting decisions, Vanguard has carefully selected managers whose principles and processes align with the objectives of the funds they manage.

A leader in active

When the Vanguard Group, Inc., parent company of Vanguard Asset Management, Limited, started operations in the US in 1975, our entire line-up comprised 11 active funds. As a sub-adviser, attributes including stability, experience and a focus on long-term, low-cost investing have played a consistent role in our long history of active investing.

As one of the largest active investors in the world, we are pleased to have some of the industry's most respected and forward-thinking investment teams applying their unique perspectives to the portfolios they manage for Vanguard. We evaluate fund managers so advisers can spend more time on behavioural coaching and building stronger client relationships.

We do this by taking into consideration fund managers that promote the Vanguard way of investing, including the importance of low costs and a long-term perspective. We have access to a vast talent pool, and fund manager skill is critical, as is the breadth and strength of resources.

A commitment to change

Vanguard is a member of, or signatory to, a number of collaborative initiatives focused on governance, long-term value creation and climate. These include, but are not limited to, the following:

- Signatory to the **Principles for Responsible Investment** (PRI), a voluntary set of principles that commit signatories to incorporating ESG issues into investment analysis and decision-making.
- Member of the **30% Club**, a global organisation that advocates for greater representation of women in boardrooms and in leadership roles.
- Supporter of the **Task Force on Climate-related Financial Disclosures** (TCFD). Vanguard encourages companies to disclose climate-related risks in line with the TCFD framework.
- Signatory to the **Net Zero Asset Managers** (NZAM) initiative, a commitment by global asset managers to support the goal of net-zero greenhouse gas emissions, and to support investing aligned with net-zero emissions, by 2050 or sooner.
- Signatory to the **UK Stewardship Code 2020.**

Why do we partner with Wellington Management?

For decades, Wellington has been a **world-class leader** in integrating ESG considerations into its investment process. With more than **80 analysts** covering either fundamental research, or sustainable investing, and involved in more than **15,000 company meetings a year**, the strength of its research capabilities gives Wellington fund managers a **clear analytical edge**.

Through its partnership with the Woodwell Climate Research Center, its commitment as a founding member of the Net Zero Asset Managers initiative, and measures such as matching its US employees' office and home electricity use with renewable energy, Wellington is a leader in climate investing.

Wellington works in partnership with organisations at the forefront of sustainability. They work with experts, from climate scientists to academics, on a range of topics with the intention of deepening sustainability insights when assessing investment risks and opportunities.

Wellington is a strong supporter of industry initiatives such as a signatory to:

- The Principles for Responsible Investment (PRI) since 2012.
- The PRI Statement on ESG in credit ratings.
- The Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD).
- The Transition Pathway Initiative.
- Regional and global governance codes, including the UK Stewardship Code.

Leader in climate investing:

- Wellington entered into a collaborative initiative in 2018 with the Woodwell Climate Research Center — the world's leading independent climate research institute — to integrate climate science and asset management. The alliance focuses on creating quantitative models to help analyse and better understand how and where climate change may impact global capital markets.

  The result has been the development of a new investing tool which builds a geospatial map that layers climate-science data on top of capital market data. This work has helped Wellington with a number of climate-related research projects.

- Wellington joined the Net Zero Asset Managers initiative as a founding member in December 2020. Through this initiative, Wellington has committed to work in partnership with clients on their decarbonisation goals and set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050.

  This commitment is grounded in the belief — forged by extensive research — that climate change poses material risks for companies, economies and society, and therefore, clients' investment portfolios.

- In a groundbreaking initiative, Wellington has partnered with Enel Green Power North America to match its US employees' office and home electricity use with renewable energy. It's a first-of-its-kind virtual power purchase agreement.

  The deal represents an innovative model for corporate renewable energy buyers by enabling them to address the new, more decentralised, nature of post-Covid operations as many workers shift from office to remote work. The agreement also underscores how Wellington Management continues to move towards its goal of deploying 100% renewable energy for its corporate operations where possible by 2022.

Helping you deliver more value to investors

Vanguard believes in the importance of advice, and the essential role that advisers play in helping investors achieve their life goals through expert planning, coaching and investing.

Our range of multi-asset 'Life' solutions are designed to help make that process easier by offering advisers the tools you need to cater for the differing risk profiles, preferences and objectives of your clients.

Using an all-in-one multi-asset solution like SustainableLife funds can free up valuable time and resources that advisers otherwise spend on activities such as fund selection and oversight. This means more time back to build a sustainable and valuable business, enhance relationships with existing clients or find new ones.

Serving as a diversified core investment

Broadly diversified, low-cost, active portfolios may serve as suitable accumulation components for a broader investment portfolio.

Assisting product suitability

Well-constructed and implemented portfolios may give you more time and resources to focus on your clients and to ensure portfolios align closely to their financial situation, return objectives and risk tolerance.

Enhancing your role as client coach

Simple, packaged portfolios may help you to help your clients avoid common behaviours that tend to reduce investor returns or increase investor risk, such as market timing and chasing top-performing funds.

Serving a variety of client types

The range of fixed allocations means that you can find a fund that's appropriate for many different kinds of clients.

Reasons to choose SustainableLife funds

1	**Value to advisers**	Multi-asset solutions free up advisers from the time-consuming task of selecting and maintaining funds in a portfolio, allowing you to focus on what really matters – your clients.
2	**Focused on sustainability**	By applying social and environmental criteria, the fund managers aim to provide a balanced mix of companies with a high relative return on capital and lower cost of capital.
3	**Fully active, bottom-up approach**	The objective is to identify high-quality companies with high, sustainable and growing dividend yields, which the fund managers believe are priced below their intrinsic value.
4	**Proven expertise**	Sister funds to the world's longest running multi-asset fund, the Vanguard Wellington Fund.
5	**Choice of blended portfolios**	Target allocation of 40-50%, 60-70% or 80-90% equities (with the scope to flex within a 10% range) means they can suit the needs of a variety of investor profiles.
6	**Multi asset**	Large-cap core equity portfolio of 80-110 names alongside a fixed income allocation provides a diversified exposure across geographies, sectors and investment styles.
7	**Low cost**	Total cost of 0.48% is significantly below the 1.18% average expense ratio of the Investment Association peer group[6], meaning that sustainability doesn't have to cost more.
8	**Clear principles**	Each fund is built on the same four principles for investment success – goals, cost, balance, discipline.

6 Source: Morningstar, as at 31 October 2021.

Meet the managers

Nataliya Kofman

The equity portion of the portfolio is run by Nataliya Kofman, a portfolio manager in Global Equity Portfolio Management within Wellington's Quality Equity Team based in Boston. Nataliya manages global equity assets on behalf of her clients, drawing on research from Wellington Management's global industry analysts, equity portfolio managers and team analysts. She also provides research to her team on the healthcare, industrial, insurance, semiconductor and automotive sectors globally. Prior to joining the firm in 2006, Nataliya worked as a summer investment associate at Neuberger Berman, covering the medical device industry (2005). Before that, she served as an engineering team leader of the cross-functional powertrain design team at Ford Motor Company (1998 – 2004), responsible for the product launch of Ford's flagship F150 product. Nataliya started her career at Ford as engine design engineer, progressing through multiple global assignments in the engine and vehicle system design functions bringing products from concept to mass production. Nataliya earned her MBA from Harvard Business School (2006) and her MS (1997) and BS (1996), magna cum laude, in mechanical engineering from the University of Michigan. She is fluent in Russian.

Loren Moran

The fixed income mandate is managed by Loren Moran. Loren joined Wellington in 2014, and has over 19 years of industry experience. She is responsible for managing multi-sector fixed income portfolios. In addition to deep credit expertise, she draws on the perspectives of Wellington Management's global industry and credit analysts, specialist portfolio managers, and global macro strategists to develop investment strategy within the global fixed income markets. Prior to joining Wellington, Loren was a corporate bond portfolio manager and investment-grade corporate trader at Goldman Sachs Asset Management (2010 – 2014). She previously worked as a portfolio manager and research analyst at Progressive Capital Management (2006 – 2010). Loren began her career in interest-rate sales at Lehman Brothers (2001 – 2006). Loren received her BS in foreign languages with a major in Mandarin Chinese from Georgetown University (2001). Additionally, she holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society Boston.

Wellington's depth of research

Source: Wellington, as at 30 September 2021.

The Vanguard SustainableLife range of funds' performance may be compared against the Composite Index*. The Authorised Corporate Director considers that the combination of the indices within the Composite Index provide a benchmark that best reflects the investment strategy of the funds as a means to assess the performance of the funds.

Vanguard SustainableLife 40-50% Equity Fund

*Composite Index comprised of: 45% FTSE Developed Net Tax Index, 44% Bloomberg Global Aggregate Credit Index, 5.5% Bloomberg Global Aggregate Treasury Index; and 5.5% Bloomberg Global Aggregate Securitized Index (together, the "Composite Index").

Vanguard SustainableLife 60-70% Equity Fund

*Composite Index comprised of: 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 Securitized Index (together, the "Composite Index").

Vanguard SustainableLife 80-90% Equity Fund

*Composite Index comprised of: 85% FTSE Developed Net Tax Index, 12% Bloomberg Global Aggregate Credit Index, 1.5% Bloomberg Global Aggregate Treasury Index; and 1.5% Bloomberg Global Aggregate Securitized Index (together, the "Composite Index").

Key investment risks

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events. Movements in currency exchange rates can adversely affect the return of your investment.

Counterparty risk. The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Sustainability risk. The Fund may not make possible investments if they do not meet the Fund's Sustainability Policy. This may affect the Fund's exposure to certain issuers and cause the Fund to forego certain investment opportunities.

Liquidity risk. Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.

Credit risk. The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Inflation risk. The value of your investments may not be worth as much in the future due to changes in purchasing power resulting from inflation.

Use of derivatives. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value.

Please also read the risk factors section in the prospectus and the Key Investor Information Document, both of which are available on the Vanguard website.

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.

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

For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIIDs"). The KIIDs for these funds are available, alongside the prospectus via Vanguard's website https://global.vanguard.com.

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