

# Risk Rating

Vanguard SustainableLife funds

April 2022



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# Executive summary

## Accumulation Risk Ratings

### Summary

We conclude the following Risk Ratings for the Vanguard SustainableLife funds:

Vanguard SustainableLife 40-50% Equity Fund	4
Vanguard SustainableLife 60-70% Equity Fund	6
Vanguard SustainableLife 80-90% Equity Fund	8

### Assessment

The Defaqto methodology involves using both quantitative and qualitative inputs in order to risk rate a fund:

1. Input 1 - Historic volatility of the fund
2. Input 2 - Forecast the fund's future volatility
3. Input 3 - Discussion with the fund manager

Our methodology requires us to take the highest of the relevant historic and stochastic volatilities.

Since our profiles are overlapping and not contiguous, we have some discretion as to whether a fund is rated in the upper or the lower profile of the highest data point.

Our assessment has been considered by our Investment Committee, and has taken into account some of Vanguard's suggestions when arriving at our risk ratings.

### Investment Committee Summary

#### Historic Volatility

Historic volatilities of up to 5 years have been used.

#### Stochastic (future) volatility

Our analysis has been based on holdings data provided by Vanguard.

# Vanguard SustainableLife 40-50% Equity Fund

Risk rated on 28 April 2022

## Mandate

The Fund seeks to provide an increase in the value of investments over the long-term (more than 5 years) together with some money paid out from those investments as income.

The Fund seeks to achieve its investment objective by investing in a combination of shares of companies (between 40-50% of the portfolio, with an expected allocation of 45%) and bonds (between 50-60% of the portfolio, with an expected allocation of 55%) selected in accordance with the Sustainability Policy set out below.

The Fund is an active fund.

The Fund typically invests in a diverse range of large and mid-size companies chosen mainly on the basis of an investment approach that focuses on analysing individual shares rather than stock markets, producing a mix of investments in companies whose earnings are expected to grow faster than their peers in the market (known as 'growth stocks') and those that are considered to have been undervalued by the market (known as 'value stocks').

The Manager excludes investments that fall within an exclusions policy (which excludes companies involved in and/or deriving revenue (above certain thresholds) from tobacco, thermal coal, oil sands, nuclear / controversial weapons), and then considers each company's alignment to the Fund's net zero emissions targets and conducts an assessment of good governance standards.

## Investment Committee Notes

We used fund holdings supplied by Vanguard to calculate all stochastic measures. This fund could be risk rated as a 4 or a 5. Through discussion with Vanguard in which the Defaqto methodology and their approach were considered, both

Defaqto and Vanguard believe that this fund is most appropriately risk rated as a 4.

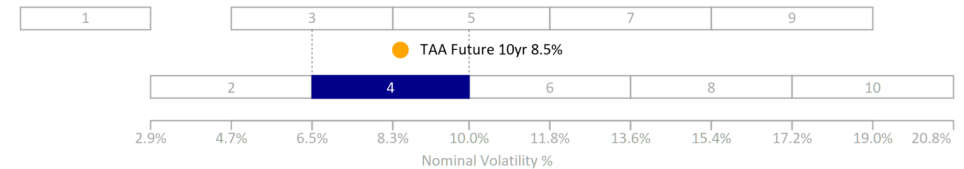
## Conclusion/Risk Rating



## Next review

July 2022

## Defaqto Risk Ruler



# Vanguard SustainableLife 60-70% Equity Fund

Risk rated on 28 April 2022

## Mandate

The Fund seeks to provide an increase in the value of investments over the long-term (more than 5 years) together with some money paid out from those investments as income.

The Fund seeks to achieve its investment objective by investing in a combination of shares of companies (between 60-70% of the portfolio, with an expected allocation of 65%) and bonds (between 30-40% of the portfolio, with an expected allocation of 35%) selected in accordance with the Sustainability Policy set out below.

The Fund is an active fund.

The Fund typically invests in a diverse range of large and mid-size companies chosen mainly on the basis of an investment approach that focuses on analysing individual shares rather than stock markets, producing a mix of investments in companies whose earnings are expected to grow faster than their peers in the market (known as 'growth stocks') and those that are considered to have been undervalued by the market (known as 'value stocks').

The Manager excludes investments that fall within an exclusions policy (which excludes companies involved in and/or deriving revenue (above certain thresholds) from tobacco, thermal coal, oil sands, nuclear / controversial weapons), and then considers each company's alignment to the Fund's net zero emissions targets and conducts an assessment of good governance standards.

## Investment Committee Notes

We used fund holdings supplied by Vanguard to calculate all stochastic measures. This fund could be risk rated as a 5 or a 6. Through discussion with Vanguard in which the Defaqto methodology and their approach were considered, both

Defaqto and Vanguard believe that this fund is most appropriately risk rated as a 6.

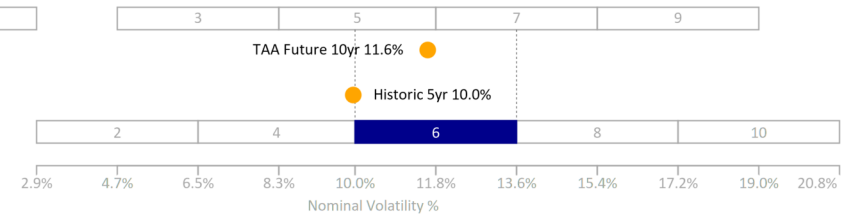
## Conclusion/Risk Rating



## Next review

July 2022

## Defaqto Risk Ruler



# Vanguard SustainableLife 80-90% Equity Fund

Risk rated on 28 April 2022

## Mandate

The Fund seeks to provide an increase in the value of investments over the long-term (more than 5 years) together with some money paid out from those investments as income.

The Fund seeks to achieve its investment objective by investing in a combination of shares of companies (between 80-90% of the portfolio, with an expected allocation of 85%) and bonds (between 10-20% of the portfolio, with an expected allocation of 15%) selected in accordance with the Sustainability Policy set out below.

The Fund is an active fund.

The Fund typically invests in a diverse range of large and mid-size companies chosen mainly on the basis of an investment approach that focuses on analysing individual shares rather than stock markets, producing a mix of investments in companies whose earnings are expected to grow faster than their peers in the market (known as 'growth stocks') and those that are considered to have been undervalued by the market (known as 'value stocks').

The Manager excludes investments that fall within an exclusions policy (which excludes companies involved in and/or deriving revenue (above certain thresholds) from tobacco, thermal coal, oil sands, nuclear / controversial weapons), and then considers each company's alignment to the Fund's net zero emissions targets and conducts an assessment of good governance standards.

## Investment Committee Notes

We used fund holdings supplied by Vanguard to calculate all stochastic measures. This fund could be risk rated as a 7 or an 8. Through discussion with Vanguard in which the Defaqto methodology and their approach were considered, both

Defaqto and Vanguard believe that this fund is most appropriately risk rated as a 8.

## Conclusion/Risk Rating



## Next review

July 2022

## Defaqto Risk Ruler

