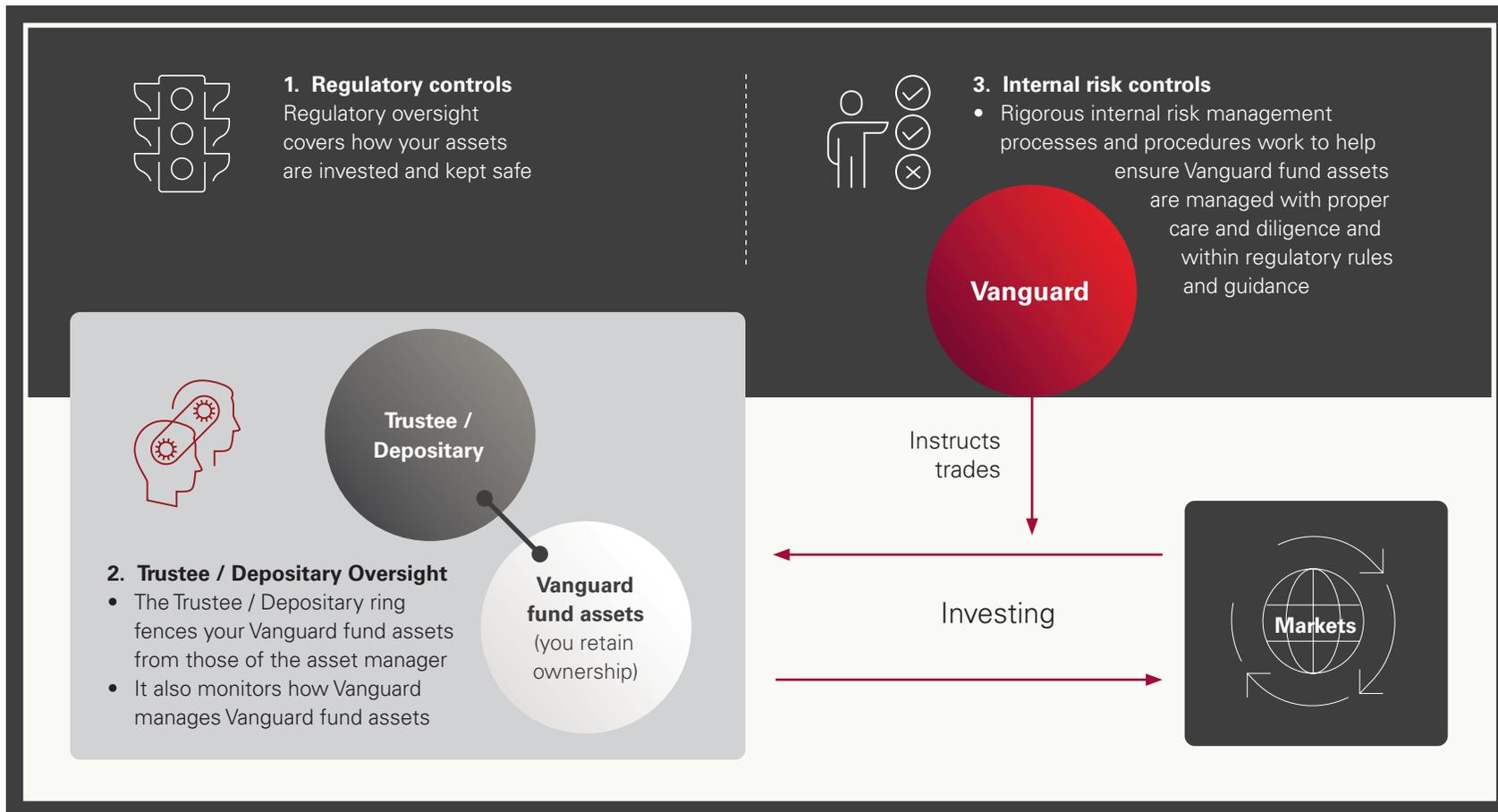


Investor protection: Keeping your assets safe

Rigorous regulatory oversight encompasses all aspects of how the industry operates and how your assets are protected and ring fenced. All your Vanguard fund assets are securely held and overseen by an independent third-party depositary, whether you invest in a UK or Ireland-domiciled fund. In addition, our internal controls and risk management systems work together to help keep your Vanguard fund assets safe.

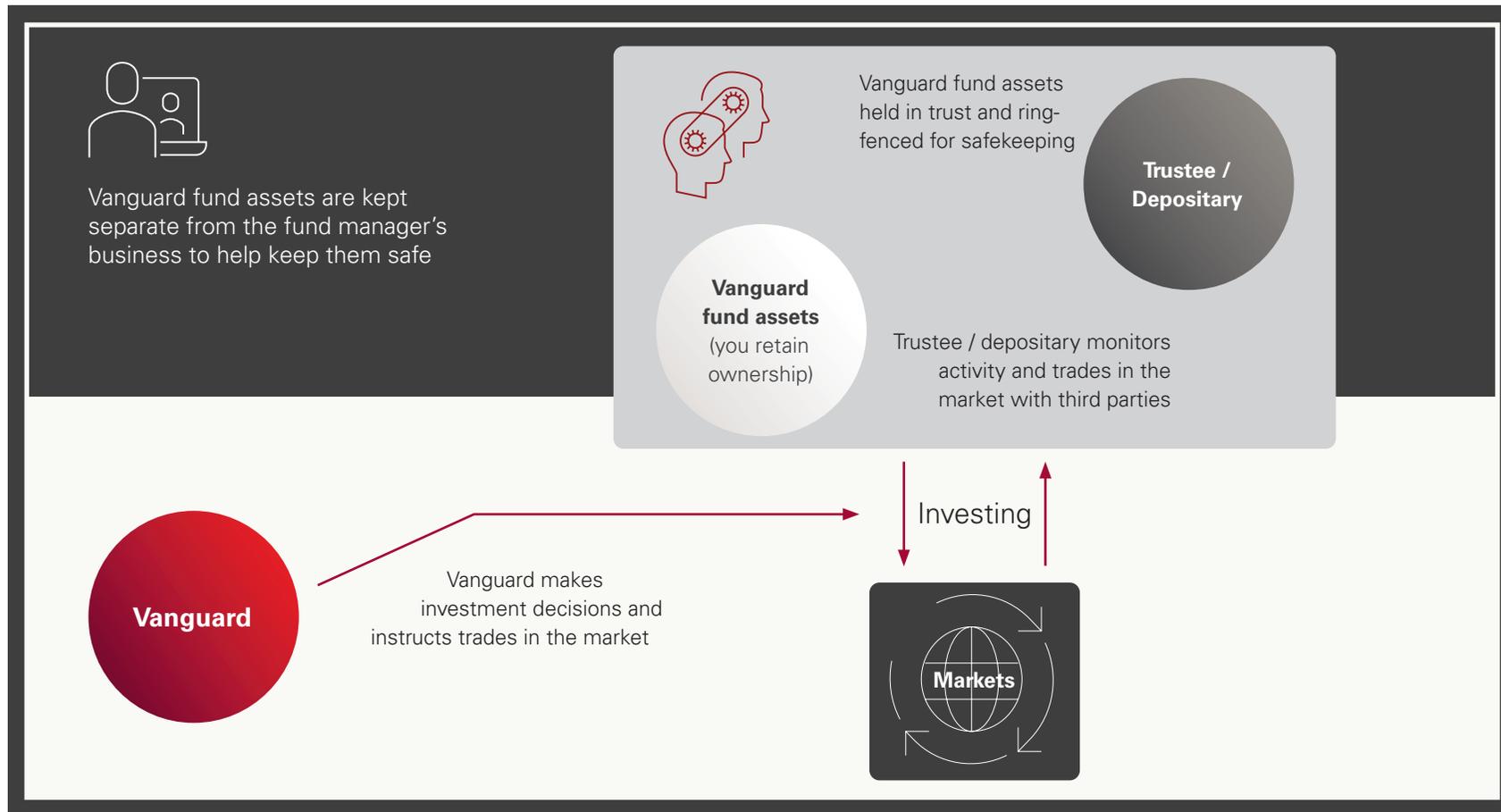


'Ring-fencing' Vanguard fund assets – the role of the trustee / depositary

When you invest your money in an authorised fund domiciled in the UK, or Ireland your assets are kept separate from the fund provider. As a result, your investments are insulated from any financial difficulties that may arise within the fund provider. Please note that Vanguard Fund ranges are domiciled in the UK and Ireland.

A separate institution called a depositary or a trustee safeguards Vanguard fund assets and looks out for your interests.

They also oversee the fund provider and make sure Vanguard fund assets operate properly and in line with regulatory safeguards. For Undertakings for Collective Investment in Transferable Securities (UCITS) authorised funds, the depositary is required to be in a separate company from the fund provider, which ensures that the oversight of the provider is fully independent.



Compensation – The Financial Services Compensation Scheme

Financial Services Compensation Scheme (FSCS) is the statutory fund of last resort that can pay compensation to consumers if a financial services firm is unable, or likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA).

Funds that are domiciled in the UK are covered by this scheme, while Ireland domiciled funds are not covered by an equivalent Ireland scheme. In practice, for all UK and EU authorised funds, the underlying investments must be held separately from the fund manager by an independent trustee or depositary. With both Ireland and UK authorised funds, in the event that a fund provider defaults, the underlying investments will remain intact.

Oversight – the role of regulation

The UK regulator sets out the rules that determine the way authorised fund providers conduct business. It also maintains oversight of using a risk-based approach. Ultimately, one of the regulator's objectives is to look after your interests.

In addition, the Financial Ombudsman Service (FOS) is there to investigate any complaints you may have about any financial services provider and can award redress to investors. Different award limits apply depending on when the complaint action occurred but also when it's referred to the FOS. As limits vary, please refer to the FOS website 'Understanding Compensation' at www.financial-ombudsman.org.uk.

Administration costs - in the event of insolvency

In certain circumstances following the insolvency of Vanguard Asset Management, Limited, an appointed insolvency administrator may be entitled to utilise both your assets and/or your client money to cover the costs of the insolvency. You may be entitled to compensation from the FSCS up to the prescribed limits in the event that there is a shortfall in either your assets or your client money resulting from such action.

Risk management – our internal controls

As a global operation Vanguard has clear standards for the identification, assessment and monitoring of risks and controls across the organisation.

We take our duty of care for our clients' interests very seriously. We do our best to exceed, not simply meet, the rules and guidance set by the regulator on the way we look after your Vanguard fund assets and manage any risks that may affect them.

We have very robust oversight measures in place designed to manage risk. These encompass people, process and system risk. The Head of Risk within Vanguard's UK based European operation sits independently to the local business, overseeing risk management within Europe.

In addition, the fund management function includes the Risk Management Group who carefully monitor all aspects of investment risk as well as enforcing regulatory and trading limits.

Key terms

UCITS – Undertakings for Collective Investment in Transferable Securities. A description of a fund (collective investment) that meets the operating requirements of European Union Directives such that they are deemed appropriate to be allowed to operate freely throughout the EU on the basis of a single authorisation from one member state.

Fund (collective investment) – Also known as a pooled fund. A vehicle in which a number of investors pool their assets so they can be managed on a collective basis. Shares in a pooled fund are denominated in units that are valued regularly to reflect changes in the underlying assets. This allows investors to value their holdings and provides a basis upon which transactions in units can take place.

Fund provider or fund management company – A person or firm responsible for making investment decisions related to a portfolio and based on that portfolio's investment objectives and guidelines.

Please be aware that Vanguard Asset Management, Limited only gives information on our products. We cannot give advice based on individual circumstances. This is where the advice of a qualified financial adviser can be crucial. If you have any questions related to your investment decision or the suitability or appropriateness for you of the products or services described in this brochure, please contact your financial adviser.

Important information

This guide is designed only for use by, and is directed only at persons resident in the UK. The information on this document does not constitute legal, tax, or investment advice. You must not, therefore, rely on the content of this document when making any investment decisions.

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