

Vanguard[®]

Vanguard LifeStrategy[®] Funds

All-in-one portfolios built from Vanguard's exceptional value index funds

This document is directed at professional investors and should not be distributed to, or relied upon by retail investors. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Vanguard Asset Management, Limited

The funds profiled in this brochure are distributed by Vanguard Asset Management, Limited in the UK. The Vanguard Group Inc is the investment adviser to the funds and the parent company of Vanguard Asset Management, Limited.

The Vanguard Group Inc. launched the world's first retail mutual index fund in the US in 1976 and now manages over \$4.9 trillion (as at 31 December 2017) globally. The Group's experienced and expert index investing teams aim to provide a straightforward, transparent portfolios, tight benchmark tracking and impeccable execution in all market cycles.

Introducing Vanguard LifeStrategy® Funds

A range of static-allocation portfolios built using Vanguard's equity and bond index funds.

Vanguard's LifeStrategy® Funds apply a number of investment best practices to give you portfolios you can use to add real value for your clients. The portfolios include asset allocation, broad diversification and automatic rebalancing, which carefully balances risk, return and cost.

The funds offer a straightforward design, low investment costs and exposure to a mix of equity and fixed income investments to help maximise their usefulness to advisers and their clients.

Based on your 'know your client' process, you select the Vanguard LifeStrategy® Fund that you feel best meets your client's goals and circumstances. We'll take care of the rest, leaving you to focus purely on serving your clients and building your business.

Why use Vanguard LifeStrategy® Funds?

Broad diversification

Maintains investors' exposure across key global asset and sub-asset classes, allowing the investor to participate in the stronger-performing markets and sectors while mitigating the negative impact of weaker-performing ones.

Cost effective

Uses Vanguard's low-cost index funds as building blocks and benefits from Vanguard's economies of scale. This means that these funds deliver a sophisticated all-in-one investment solution at a relatively low cost.

Automatic rebalancing

Removes the risk of drifting from a target asset allocation, which could lead to portfolio risk exposures that are not aligned with your clients' risk and return objectives.

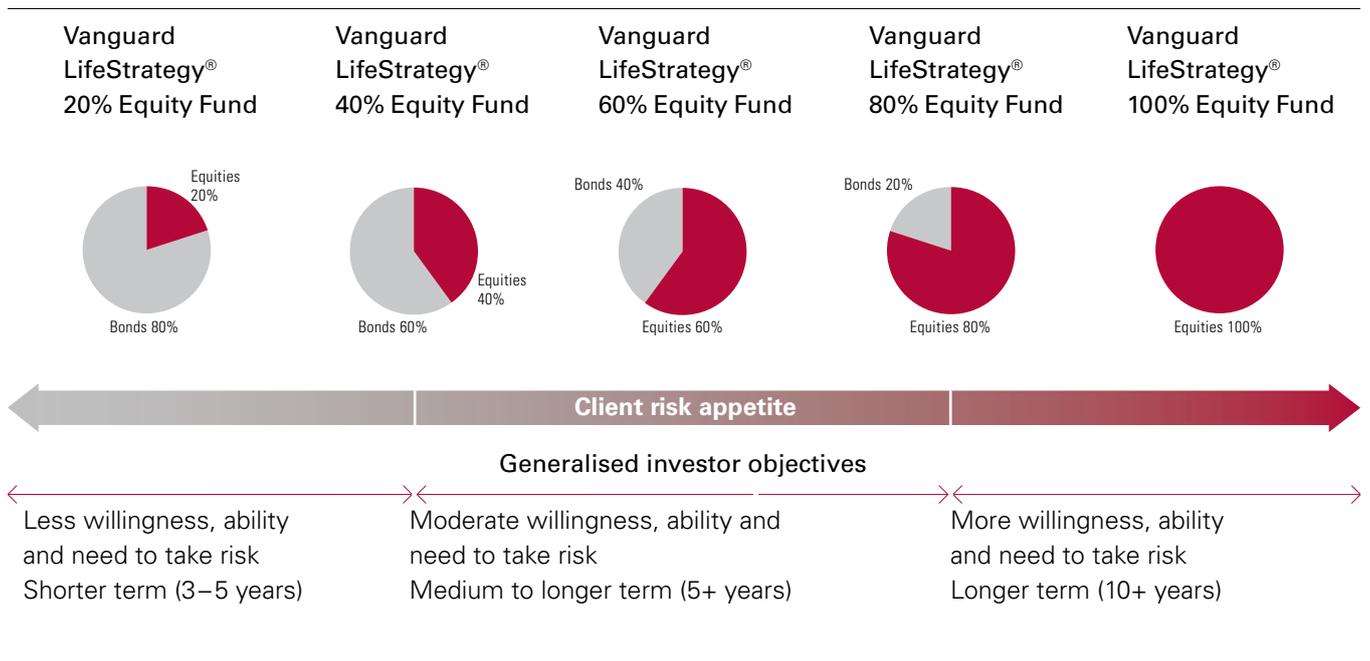
Low maintenance

Provides exposure to a consistent mix of equity and bonds investments. This gives you a low-maintenance investment solution, allowing you to focus on value-added client activities, such as financial planning and asset location.

Vanguard LifeStrategy® Funds at a glance

Vanguard LifeStrategy® Funds are based on stepped exposure to diversified global portfolios of equities and fixed income.

The names refer to the amount of equities the fund aims to hold, with the remainder exposed to bonds. Each is designed to broadly meet a variety of risk-return requirements, providing you with straightforward default portfolios, or a core investment around which to build fine-tuned bespoke portfolios.



Built on Vanguard’s low-cost, exceptional value index fund range

In order to maintain a stable risk profile, we’ve built the Vanguard LifeStrategy® Funds on passive strategies. Although Vanguard recognises that active managers can add value, at least some of the time, our research shows that building portfolios using index funds reduces volatility.

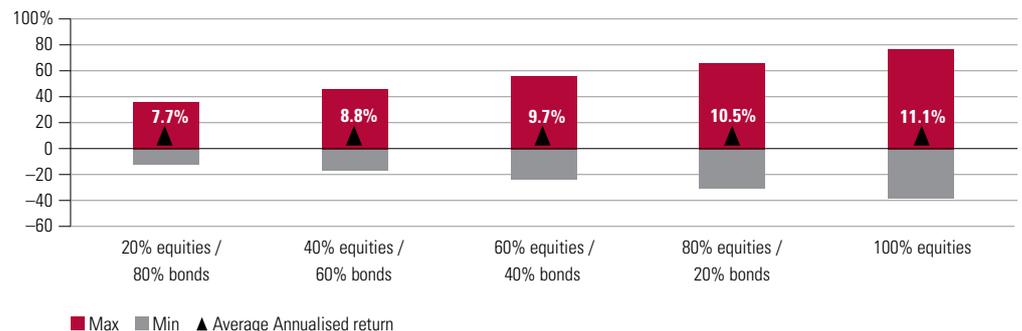
The historical risk-return trade-off in perspective

The graph shows the long-term relationship between risk and return for diversified equity/bond portfolios.

Over the last 35 years, the greater percentage of equities in the portfolio delivered a better return, but with considerable downside risk. Of course, that doesn't necessarily mean that this will happen in the future, since past performance is never a predictor of future returns.

Vanguard LifeStrategy® Funds provide a range of funds designed to allow you to get reasonably close to your clients' risk-return requirements. You can then fine-tune your clients' portfolios with your own client-specific sub-asset allocation programmes.

**Range of returns for various equity/bond allocations:
Rolling 12-month total returns 1926–2017**



Past performance is not a reliable indicator of future results. Please read this guide alongside the five-year performance chart for LifeStrategy. This can be found on the latest version of the LifeStrategy quarterly newsletter. [Click here to view the newsletter.](#)

Notes: Reflects the maximum and minimum calendar year returns, along with the average annualised return, from 1926-2017, for various stock and bond allocations, rebalanced annually. UK equities are represented by Barclays Equity Gilt Study from 1926 to 1964, Thomson Reuters Datastream UK Market Index 1965 - 1969; MSCI UK thereafter. Global ex-UK equities are represented by S&P 90 Index from January 1926 through March 3, 1957; S&P 500 Index from March 4, 1957, through 1969; MSCI World ex UK from 1970 to 1987; MSCI AC World ex UK from 1988 onward. Bonds are UK as represented by Barclays Equity Gilt Study 1926-1976; FTSE UK Government Index from 1976 to 1999, and Bloomberg Barclays Sterling Aggregate Index thereafter. Global ex-UK bonds are represented by Standard & Poor's High Grade Corporate Index from 1926 through 1968, Citigroup High Grade Index from 1969 through 1972, Lehman Brothers U.S. Long Credit A A Index from 1973 through 1975, Barclays U.S. Aggregate Bond Index from 1976 to 1990, Bloomberg Barclays Global Aggregate Index from 1990 onward. Returns are in sterling, with income reinvested, to 31 December 2017.

Source: Vanguard calculations, based on Barclays UK Equity Gilt study, Thomson Reuters, FTSE, MSCI, Citigroup, Barclays and Bloomberg.

Designed to help you and your clients

Serving as a diversified core investment	Assisting product suitability	Enhancing your role as client coach	Serving a variety of client types
Broadly diversified, low cost, static-allocation portfolios may serve as suitable accumulation components for a broader investment programme.	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.	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.	The range of fixed allocations means that you can find a fund that's appropriate for many different kinds of clients. The low cost and low maintenance of these funds allows you to serve even low-engaged, low-fee investors profitably.

Focusing on clients

Preset investment solutions can free up the time and resources that you might have traditionally spent on activities such as fund selection and oversight. Selecting a suitable Vanguard LifeStrategy® can allow you to spend more time building a sustainable and valuable business, enhancing relationships with your existing clients and finding new ones.

Making promises you can keep

Making promises about future investment performance can hurt your credibility when it inevitably goes wrong. Using static asset-allocation portfolios can help you to shift conversations from the dead-end topic of investment performance to critical financial planning areas such as estate and family planning, areas which entail less market risk. These services can provide a more reliable foundation for an enduring advice practice.

LifeStrategy® Funds and the focus on product design and suitability

Product design

Vanguard's LifeStrategy® Funds apply a number of investment best practices, including the principles of asset allocation, broad diversification, and balancing risk, return and cost. The funds offer a straightforward design, low investment costs and broad exposure to a mix of equity and fixed income investments. Vanguard believes these product features are designed to place client interests first.

Product suitability

The investment best practices underpinning Vanguard's LifeStrategy® Funds should not replace the 'know your client' process. The decision to invest in a static-allocation fund is only as effective as the suitability assessment and 'know your client' process that precedes it.

The benefits of automatic rebalancing

Overcoming the problem of drift

Over time, various asset classes produce different returns. Left untouched, the allocation weights will drift from the investor's target allocation. This drift may subject your client to more (or less) risk than originally intended. To ensure the portfolio aligns with its target risk and return characteristics, it must be periodically rebalanced to its original asset allocation.

Avoiding behavioural pitfalls during market cycles

Historically, significant rebalancing opportunities have come after extreme market events. Your clients might resist you rebalancing their portfolios during or after a period of poor investment performance, especially when markets remain jittery. The thought of selling high-performing asset classes and investing in the worst-performing asset classes seems counterintuitive, despite the proven benefits of this approach.

Guarding against return chasing

Vanguard LifeStrategy® Funds stick to a set asset allocation without having to continuously monitor and manually rebalance the portfolio. This helps keep your client portfolios aligned to their preferred target allocation.

Automatically adhering to a client's predetermined asset allocation, helps to guard against the tendency to chase returns by moving into and out of the best and worst-performing sectors based upon recent past performance. Our analysis of fund flows suggests that this is what most investors, even professional investors, end up doing, much to their detriment.

As an additional investor benefit, through continuous cash flow management, the Vanguard LifeStrategy® Funds rebalance in a low-transaction, cost-efficient way.

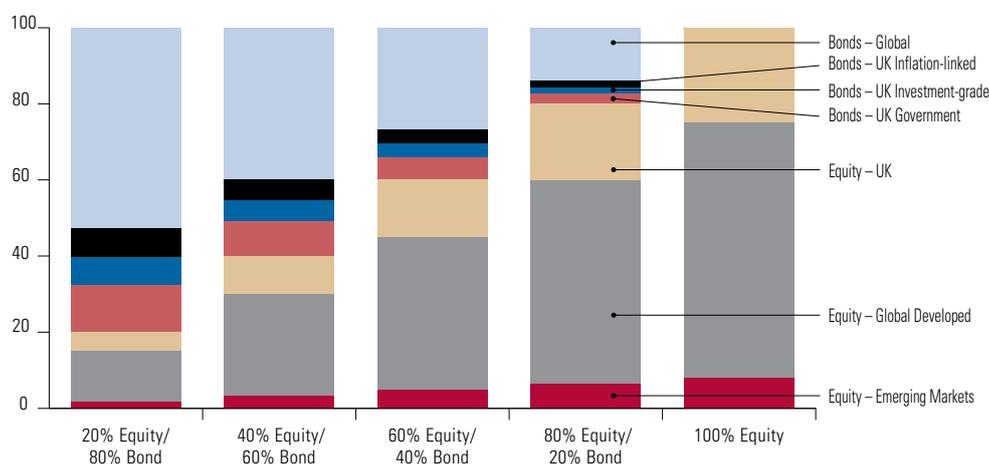
Detailed view of sub-asset allocations

The sub-asset allocation to individual funds within each asset class is based upon an array of quantitative and qualitative methods designed to provide the best possible return in exchange for a given risk appetite.

The equity and bond allocations of the funds are divided into sub-asset classes, designed to meet different risk-return requirements. The sub-asset allocations, with the exception of UK equities and bonds, are intended to be

market capitalisation weighted to help avoid taking a significant bet on any one segment of the market. Such a bet may introduce unsought risk or volatility. The sub-asset allocation each portfolio is adjusted from a pure global market cap weighting to a heavier weighting in broadly diversified UK equities and bonds to reflect investors' desire to hold more domestic assets, as well as to balance diversification requirements and investor costs.

Target sub-asset allocation as at 31 December 2017

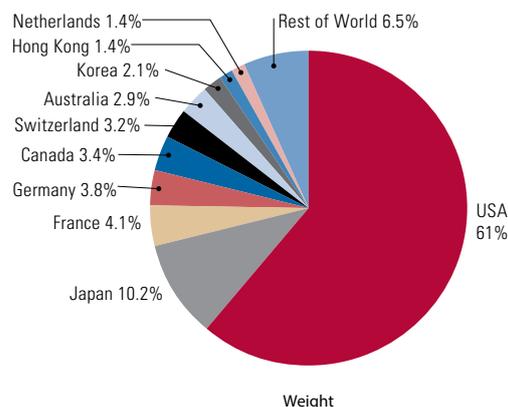


Source: Vanguard Asset Management Ltd

Some of these allocations will shift over time in order to keep them in line with market weightings.

The Developed World ex-UK Equity allocation can be further broken down into its own market-weighted allocations (as at launch), based on the FTSE Developed ex UK Index.

Target breakdown (top ten countries) of Developed World ex-UK Equity allocation (as at 31 December 2017)



Please note that due to rounding, percentages may not exactly equal 100.

Source: Vanguard Asset Management, Limited

Vanguard LifeStrategy® Funds in detail

Exceptional value

The annual management charges (AMC) for these funds represent a weighted composite average of the underlying funds, plus a small amount to cover the cost of administering the individual LifeStrategy® Fund.

A fair and transparent approach to costs

Vanguard focuses on providing investors with exceptional value investments designed to help them meet their investment goals. We also focus on transparency and fairness.

Vanguard LifeStrategy® Fund	AMC/Ongoing Charges Figure as at 31 January 2018
Vanguard LifeStrategy® 20% Equity Fund	0.22%
Vanguard LifeStrategy® 40% Equity Fund	0.22%
Vanguard LifeStrategy® 60% Equity Fund	0.22%
Vanguard LifeStrategy® 80% Equity Fund	0.22%
Vanguard LifeStrategy® 100% Equity Fund	0.22%

Risks

- The value of equities can be affected by daily stock market movements. Other influential factors include political and economic news, company earnings and significant corporate events.
- The fund may not fully track its index due to the implementation strategy. For example, the timing of dividend payments and cash flows are some of the events that could lead to a mismatch in performance.
- 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.
- 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.

Vanguard LifeStrategy® 20% Equity Fund

Investment objective

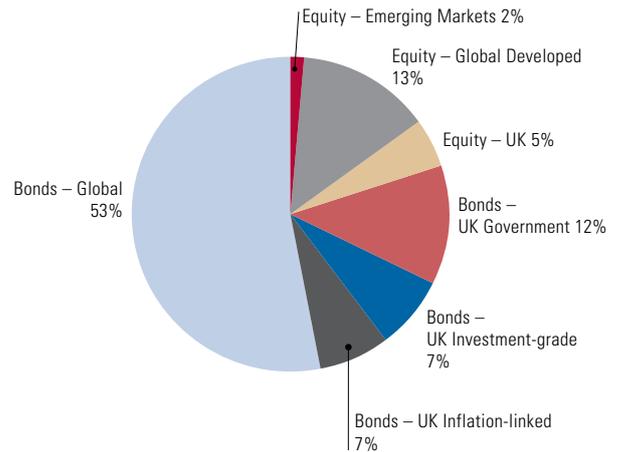
To gain exposure to a diversified portfolio comprised of approximately:

- 20% equities, by value.
- 80% fixed income securities, by value.

The Fund will seek to achieve this predominantly through investing in passive, index-tracking funds managed or operated mainly by Vanguard. While the fund will attempt to stay as close as possible to these percentages, they may fluctuate by small amounts over time, depending on the volatility of the underlying funds and indices.

The Fund may sometimes use derivatives to ensure it remains fully invested, or to reduce transaction costs, but not for purposes of taking investment risk in the hope of increasing returns.

Target sub-asset allocation as at 31 December 2017



Source: Vanguard Asset Management, Limited



General investor profile

- Generally prefer knowing that their capital is safe rather than seeking high returns.
- Not comfortable with the thought of investing in the stockmarket and would rather keep their money in the bank.
- Very limited knowledge of financial matters.
- Unlikely to have much experience with investment products beyond bank accounts.
- Can take a relatively long time to make up their mind on financial matters.
- Will usually suffer from severe regret if their decisions turn out badly.

Note: These profile descriptions are only illustrative and are not a substitute for a thorough 'Know Your Client' process. Every individual is different and a full risk profile comprises both their need to take risk in order to achieve a desired return, as well as their financial ability to take risk. For more information on investor risk profiling, please see our guide *Investment risk and financial advice*, available in the *Support for advisers* section of our website: vanguard.co.uk.

Vanguard LifeStrategy® 40% Equity Fund

Investment objective

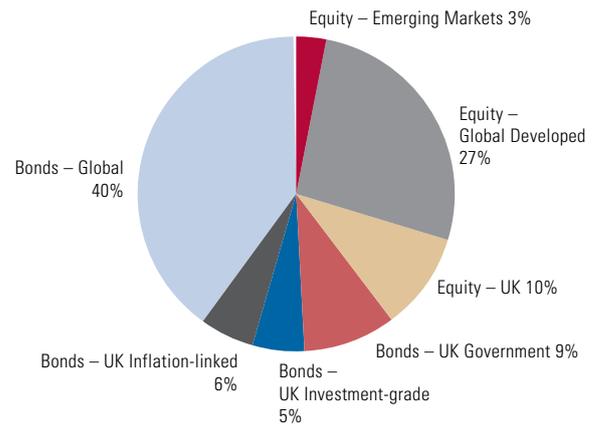
To gain exposure to a diversified portfolio comprised of approximately:

- 40% equities, by value.
- 60% fixed income securities, by value.

The Fund will seek to achieve this predominantly through investing in passive, index-tracking funds managed or operated mainly by Vanguard. While the fund will attempt to stay as close as possible to these percentages, they may fluctuate by small amounts over time, depending on the volatility of the underlying funds and indices.

The Fund may sometimes use derivatives to ensure it remains fully invested, or to reduce transaction costs, but not for purposes of taking investment risk in the hope of increasing returns.

Target sub-asset allocation as at 31 December 2017



Source: Vanguard Asset Management, Limited



General investor profile

- Generally prefer not to take any risk with their investments, but they can be persuaded to do so to a limited extent.
- Prefer to keep their money in the bank, but may realise that other types of investments may be better for the longer term.
- Low-to-moderate levels of knowledge about financial matters.
- May have some limited experience with investment products, but will be more familiar with bank accounts than other types of investments.
- Can take a relatively long time to make up their mind on financial matters.
- Can often suffer from regret when decisions turn out badly.

Note: These profile descriptions are only illustrative and are not a substitute for a thorough 'Know Your Client' process. Every individual is different and a full risk profile comprises both their need to take risk in order to achieve a desired return, as well as their financial ability to take risk. For more information on investor risk profiling, please see our guide *Investment risk and financial advice*, available in the *Support for advisers* section of our website: vanguard.co.uk.

Vanguard LifeStrategy® 60% Equity Fund

Investment objective

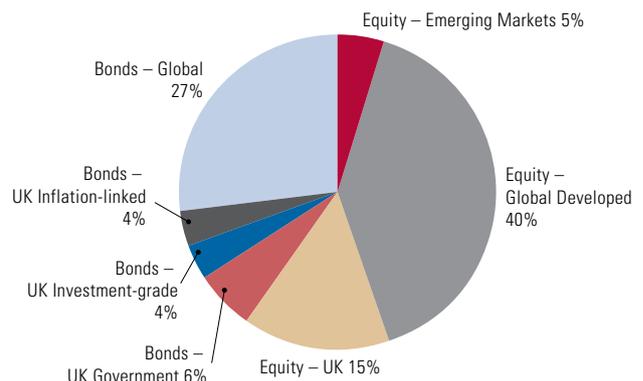
To gain exposure to a diversified portfolio comprised of approximately:

- 60% equities, by value.
- 40% fixed income securities, by value.

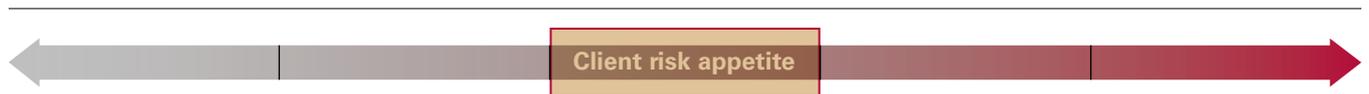
The Fund will seek to achieve this predominantly through investing in passive, index-tracking funds managed or operated mainly by Vanguard. While the fund will attempt to stay as close as possible to these percentages, they may fluctuate by small amounts over time, depending on the volatility of the underlying funds and indices.

The Fund may sometimes use derivatives to ensure it remains fully invested, or to reduce transaction costs, but not for purposes of taking investment risk in the hope of increasing returns.

Target sub-asset allocation as at 31 December 2017



Source: Vanguard Asset Management, Limited



General investor profile

- Generally understand that they have to take investment risk in order to be able to meet their long-term goals.
- May be willing to take risks with at least part of their available assets.
- Moderate levels of knowledge about financial matters.
- May have some experience with investment products, including investing in products containing higher risk assets such as equities and bonds.
- Usually able to make up their minds on financial matters relatively quickly.
- Suffer from some feelings of regret when their decisions turn out badly.

Note: These profile descriptions are only illustrative and are not a substitute for a thorough 'Know Your Client' process. Every individual is different and a full risk profile comprises both their need to take risk in order to achieve a desired return, as well as their financial ability to take risk. For more information on investor risk profiling, please see our guide *Investment risk and financial advice*, available in the *Support for advisers* section of our website: vanguard.co.uk.

Vanguard LifeStrategy® 80% Equity Fund

Investment objective

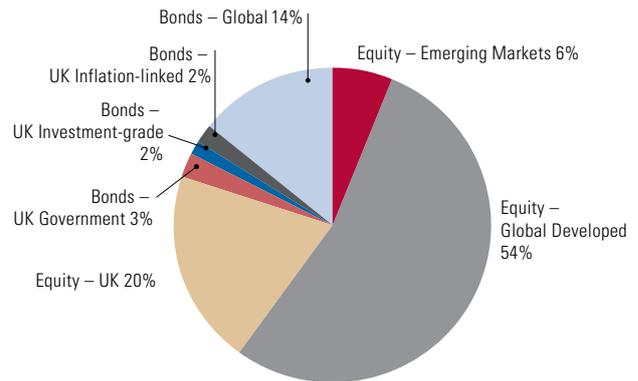
To gain exposure to a diversified portfolio comprised of approximately:

- 80% equities, by value.
- 20% fixed income securities, by value.

The Fund will seek to achieve this predominantly through investing in passive, index-tracking funds managed or operated mainly by Vanguard. While the fund will attempt to stay as close as possible to these percentages, they may fluctuate by small amounts over time, depending on the volatility of the underlying funds and indices.

The Fund may sometimes use derivatives to ensure it remains fully invested, or to reduce transaction costs, but not for purposes of taking investment risk in the hope of increasing returns.

Target sub-asset allocation as at 31 December 2017



Source: Vanguard Asset Management, Limited



General investor profile

- Generally happy to take on investment risk and understand that this is crucial in terms of generating long-term return.
- Willing to take risk with most of their available assets.
- Moderate-to-high levels of financial knowledge.
- Usually experienced investors, who have used a range of investment products in the past.
- Usually able to make up their minds on financial matters quite quickly.
- They can suffer from regret when their decisions turn out badly, but accept that occasional poor outcomes are a necessary part of long-term investment.

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Vanguard LifeStrategy® 100% Equity Fund

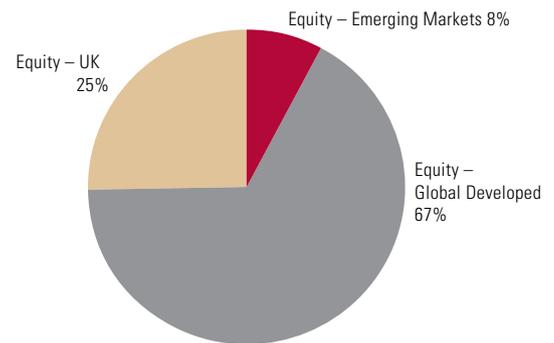
Investment objective

To gain exposure to a diversified portfolio comprised of approximately 100% equities.

The Fund will seek to achieve this predominantly through investing in passive, index-tracking funds managed or operated mainly by Vanguard. While the fund will attempt to stay as close as possible to these percentages, they may fluctuate by small amounts over time, depending on the volatility of the underlying funds and indices.

The Fund may sometimes use derivatives to ensure it remains fully invested, or to reduce transaction costs, but not for purposes of taking investment risk in the hope of increasing returns.

Target sub-asset allocation as at 31 December 2017



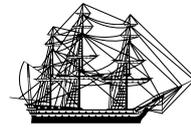
Source: Vanguard Asset Management, Limited



General investor profile

- Generally looking for the highest possible return and are willing to take considerable amounts of risk to achieve this.
- Usually willing to take risk with all of their available assets.
- High levels of financial knowledge.
- Substantial investment experience and sometimes active in managing their own investments.
- Able to make up their minds on financial matters quickly.
- Normally do not suffer from regret to any great extent and can accept occasional poor outcomes without much difficulty in pursuit of their investment goals.

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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. 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.

ETF shares can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered fully before investing. The Vanguard LifeStrategy® Funds may invest in Exchange Traded Fund (ETF) shares.

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 invest in financial derivative instruments that could increase or reduce exposure to underlying assets and result in greater fluctuations of the fund's Net Asset Value. Some derivatives give rise to increased potential for loss where the fund's counterparty defaults in meeting its payment obligations.

Please also read the risk factors section in the prospectus which is available on the Vanguard website.

Important Information

This document is directed at professional investors and should not be distributed to, or relied upon by retail investors.

This document is designed for use by, and is directed only at persons resident in the UK.

The material contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so.

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

For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIID"). The KIID and the Prospectus for this fund is available from Vanguard via our website <https://global.vanguard.com/>.

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