An active approach to momentum investing
Momentum investing draws on the phenomenon of equities with recent strong share price performance continuing to appreciate in value. Short-term price increases, typically over six months and up to a year, can be an indicator of future outperformance. Academic studies have shown investing in shares that exhibit this momentum factor could outperform the market over the long term.

Vanguard Global Momentum Factor UCITS ETF is a global equity portfolio that targets shares displaying the strongest momentum characteristics in its investment universe. Its dynamic quantitative approach is designed to ensure the portfolio maintains significant exposure to the momentum factor even in changing market environments. It offers investors a rules-based approach to an active investment strategy.

Momentum investing draws on the phenomenon of equities with recent strong share price performance continuing to appreciate in value. Short-term price increases, typically over six months and up to a year, can be an indicator of future outperformance. Academic studies have shown investing in shares that exhibit this momentum factor could outperform the market over the long term.

Vanguard Global Momentum Factor UCITS ETF is a global equity portfolio that targets shares displaying the strongest momentum characteristics in its investment universe. Its dynamic quantitative approach is designed to ensure the portfolio maintains significant exposure to the momentum factor even in changing market environments. It offers investors a rules-based approach to an active investment strategy.

Momentum is one of the many factors an investor can choose to target. Factors are the underlying exposures that explain and influence an investment’s return.

• The trend is your friend with momentum investing
• The momentum factor means that stocks that have outperformed over the recent past are likely to continue doing so
• The existence of the momentum factor suggests investors are susceptible to several behavioural biases:
  – they over/under react to new information being incorporated into an asset’s price
  – herding behaviour with investors following the same trends
  – confirmation bias in which investors use recent share price activity to justify transaction decisions
• Academic research from the early 1990s identified the momentum factor and the premiums associated with it

How is it different from other momentum factor funds?

We believe the fund’s combination of active investment management, low cost and exposure to global equities sets it apart.

Active
Vanguard Global Momentum Factor UCITS ETF follows an active investment strategy. It does not track an index nor does it use market capitalisation weights to determine a share’s position in the portfolio.

Portfolio managers use quantitative models to assess a share’s suitability and build the portfolio. The models determine an equity’s momentum characteristics and assign a momentum factor score. Only the highest-scoring stocks are included in the portfolio and their weight in the portfolio is determined by their factor score, subject to a given set of risk controls. These controls aim to create a globally diversified portfolio, keep transaction costs low and maintain significant exposure to the momentum factor.

As it doesn’t track an index, the portfolio is not tied to a rebalancing schedule. Portfolio managers are able to adapt the portfolio to changing market conditions. When market movements create opportunities, managers can buy shares with a high momentum factor score and sell shares with low momentum factor scores.
Creating an active portfolio

Vanguard Global Momentum Factor UCITS ETF offers investors a rules-based approach to active momentum investing.

**Low cost**
Simply stated, investing in a low-cost fund means an investor gets to keep more of the fund’s return. The ongoing charges figure for Vanguard Global Momentum Factor UCITS ETF is 0.22%.  

**Global**
Vanguard believes a global mandate offers more potential to lower risk through diversification when compared with country or regional mandates. The performance of different countries and regions isn’t always correlated and at times can be significantly different. A global mandate also offers a wider range of investment opportunities, providing the potential of higher capacity and greater investment flexibility.

**What risks should I consider in evaluating the fund?**
All investing carries risks. The following are some of the risks associated with this fund. Please read the risk factors section in the prospectus for more information.

- **Active management risk**—Returns are likely to be volatile and investors need to maintain a long-term perspective. The fund is expected to have high relative risk/tracking error given its sector, country and size differences in comparison with the global stock market.
- **Stock market risk**—Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The value of the fund’s investments can go down as well as up.
- **Concentration risk**—The fund may be overweight in a particular industry compared with the overall market as a consequence of targeting the momentum factor. Fund performance may then be linked to the performance of that industry and any risks specific to that industry.
- **Currency risk**—The fund invests in stock markets around the world. The value of these investments may rise or fall due to changes in the exchange rate.

---

1 ETFs can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered before investing.
Important information

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

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. 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.

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested. 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 fund 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.

The fund invests in securities which are denominated in different currencies. The value of these investments may fall or rise as a result of change in exchange rates.

The Manager of Vanguard Funds plc is Vanguard Group (Ireland) Limited. Vanguard Asset Management Limited is the distributor of Vanguard Funds plc. Vanguard Funds plc has been authorised by the Central Bank of Ireland as a UCITS. Prospective investors are also urged to consult their own professional advisors on the implications of making an investment in, and holding or disposing of shares of the Funds and the receipt of distributions with respect to such shares under the law of the countries in which they are liable to taxation. For further information on the funds investment policy, please refer to the Key Investor Information Document (KIID). The KIID and the Prospectus for this fund is available in local languages from Vanguard via our website https://global.vanguard.com/.

Issued by Vanguard Asset Management, Limited which is authorised and regulated in the UK by the Financial Conduct Authority.

© 2015 Vanguard Asset Management, Limited. All rights reserved.