Vanguard®

Investing made simple: Vanguard LifeStrategy® Funds

All-in-one portfolios built using Vanguard's low-cost index funds

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 only gives information on products and services and does not give investment advice based on individual circumstances. 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 an independent financial adviser.

Vanguard Asset Management

As part of the Vanguard Group Inc, Vanguard Asset Management Limited draws on over 40 years of investing experience.

We aim to treat investors fairly and to offer exceptional value investments designed to help individual investors achieve their investment goals.

You will find a glossary of key terms at the end of this guide.

Sophisticated portfolios in a straightforward package

Life is risky and complicated enough, so we've tried to make the LifeStrategy® Funds straightforward and easy to understand. It's also why we've built our all-in-one funds using simple index-tracking funds as the underlying components. Our research[1] shows that index funds tend to be less volatile than active funds. The fact that index funds generally operate with lower costs than actively managed funds also means we can offer them at a low cost.

The funds combine The Vanguard Group, Inc.'s 40 plus years of index investing experience with its expertise on constructing portfolios of different investments.

In other words, the funds are investment expertise in a box, all-in-one solutions that benefit from our investment experience, delivered at the low cost level that investors have come to expect from Vanguard. You pick the fund that is right for your circumstances and we'll take care of the rest, leaving you to focus on the things that matter to you.

1 The case for index fund investing for UK investors, Westaway et. al. 2016. This research is not available to personal investors for regulatory reasons.

Investment expertise

It seems that the world keeps getting busier, with more demands on our time every day. Who has the time, knowledge or resources to create or look after a varied portfolio of investments?

Now there's a solution: a range of five straightforward investment portfolios from Vanguard, one of the world's largest and most well-respected investment managers.

Investing made simple

Broad global mix of investments keeps your portfolio diversified

The funds invest internationally for you across several key investment types, allowing you to participate in the stronger-performing assets while helping to offset the impact of weaker-performing ones.

Low cost means you keep more of your investment returns

Using Vanguard's low-cost index funds as building blocks means that the funds deliver a sophisticated all-in-one portfolio at a relatively low cost. When costs are lower, you get to keep more of your investment returns.

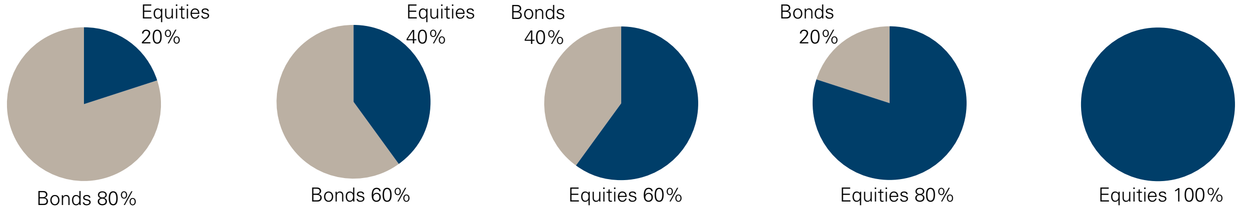
Expert fund managers maintain the portfolios, so you don't have to

Vanguard's investment experts look after the portfolios for you and make sure they don't drift out of line with their target balance of equities and bonds. This means that you always know what is in your portfolio and can rest assured that the balance of equities and bonds is as expected.

The funds at a glance:

Vanguard LifeStrategy® Funds include a family of portfolios with different levels of potential risk and return. Each fund offers a diversified blend of stockmarket equities and bonds, built using Vanguard's underlying cost-efficient index funds. They provide professionally constructed and diversified portfolios designed to help you meet your goals, whatever your attitude to risk.

Vanguard LifeStrategy® 20% Equity Fund	Vanguard LifeStrategy® 40% Equity Fund	Vanguard LifeStrategy® 60% Equity Fund	Vanguard LifeStrategy® 80% Equity Fund	Vanguard LifeStrategy® 100% Equity Fund



For shorter-term investing (3-5 years)* and investors with less tolerance for risk

For medium to longer-term investing (5+ years) and investors with a moderate tolerance for risk

For longer-term investing (10+ years) and investors with a higher tolerance for risk

*Vanguard believes that anything less than a three-year time horizon is saving, not investing. We did not design these funds for investors with less than a three year time horizon.

About equities and bonds

Equities represent a share of ownership of a listed public company. They trade on a stock exchange and the price can be quite volatile on a daily basis. Bonds, on the other hand, represent a promise by a government or company to pay a certain amount of interest over a given period and to repay the sum borrowed at the end of the period. The chart on page 6 shows how equities and bonds have behaved over the last 20 years, but remember that past performance is never a useful predictor of future returns.

Equities and bonds – what do they do?

No doubt you've heard there's no reward without risk. That's as true of investing as it is of anything else in life. You can't control what happens in the markets, but understanding the historical patterns of equities and bonds can help you handle risk in your own portfolio and to select the right LifeStrategy® Fund for you.

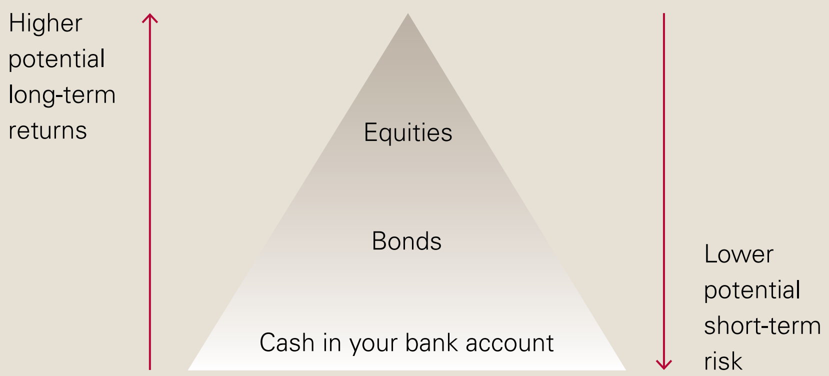
Getting the balance right for you

Achieving long-term financial goals means accepting the trade-off between risk and reward, and appreciating the historical characteristics of different types of investment.

Equities, over the last twenty years, have offered higher long-term returns than bonds, but they've also typically carried more short-term risk (see overleaf). But always remember that historical returns are never a reliable predictor of future results. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

The mix of equities and bonds that you choose will depend on how much risk you're willing to take. And that depends on why you're investing, and when you need your money.

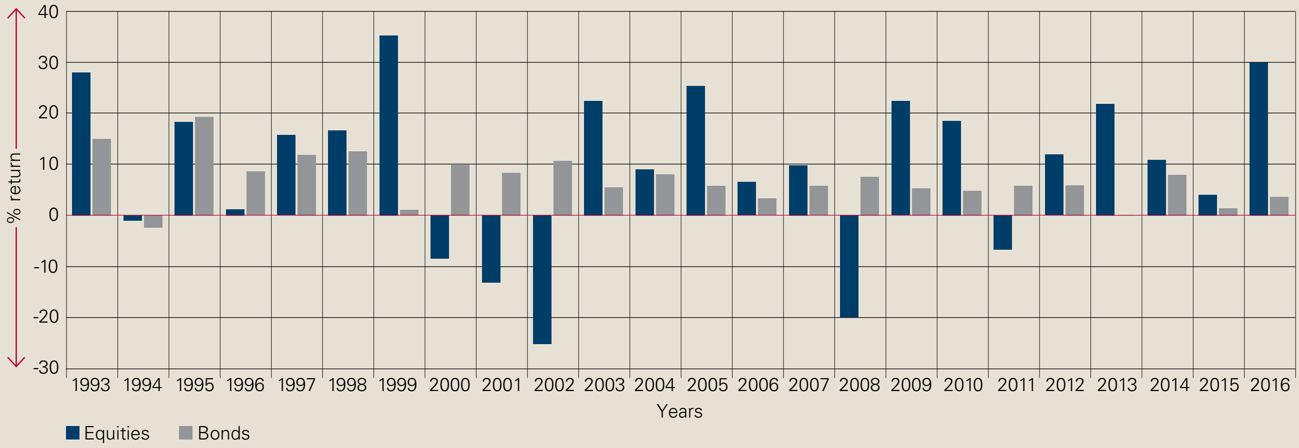
The risk/return hierarchy



Understanding the historical risk/return trade off

The graph below shows the risk/return trade off in action for UK equities and bonds. While equities have had some much bigger gains in many years, they have also suffered much bigger losses. Everyone is different so you need to think about how much investment risk you are willing and able to take and still sleep at night.

The performance of different investments from 1993 – 2016



Always remember that historical returns are never a reliable predictor of future results. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Sources: Thomson Reuters Datastream, Barclays Live. Indices used: Equities: MSCI World in pounds sterling; Bonds: Bloomberg Barclays Global Aggregate in pounds sterling.

Diversification: a broad mix can reduce risk

In order to reduce your risk, you need to diversify – that is, spread your portfolio across a broad mix of assets. Diversifying your portfolio can help smooth out market ups and downs: so returns from better performing assets help to offset those that aren't performing so well.

Investment markets move in different cycles, reflecting the underlying strength of the economy, industry trends and investor sentiment. Individual assets also move differently according to external factors. So for example, during hard economic times many people will stop buying luxury items and companies that make them might experience a fall in sales, but makers of essential items, like food, may not.

The LifeStrategy® diversification advantage

The role of index funds

Vanguard LifeStrategy® Funds are built using our range of low-cost index funds, which hold all, or a broad sample of, the securities in the market index they track. This automatically ensures the risk of a single security is minimised within the portfolio.

Ensuring a broad mix

The equity portion of each of the funds includes a diverse array of securities from across the globe, helping to offset any potential weakness in a single region or country. The bond portions include a careful mix of global bonds, UK inflation-linked bonds, UK government bonds and UK investment grade bonds. Together these blends provide a high level of diversification, one that would be very difficult and costly to achieve by individual investors buying single index funds.

Keeping portfolios on track

Overcoming the problem of drift

Over time, different assets perform differently. This means that investments that perform well will grow as a percentage of the portfolio, while those that perform poorly will shrink. Left uncorrected, this drift may mean that you end up with 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 target.

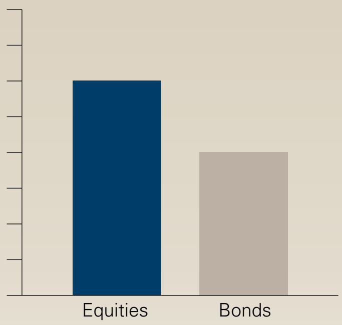
Vanguard LifeStrategy® Funds help you by sticking to the target blend of equities and bonds without having to continuously monitor and manually rebalance the portfolio. This helps keep your portfolio on track.

Guarding against return chasing

Sticking to the predetermined target also 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.

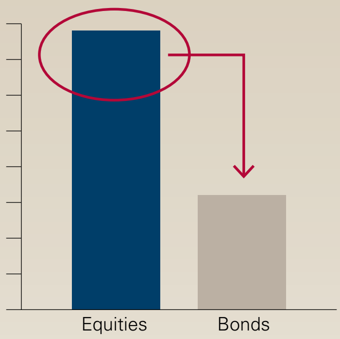
1

A portfolio has a target blend of 60% equities and 40% bonds.



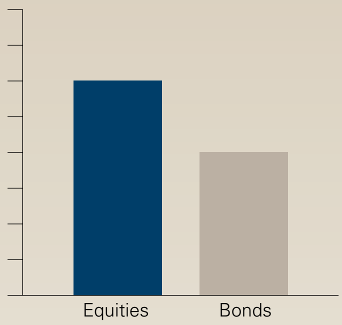
2

Equities perform well over a given period, which means that the portfolio is out of balance with a lot more equities than the investor is comfortable with. The fund manager sells some equities and buys some bonds.



3

The portfolio returns to its target allocation that matches the investor's desired risk/return profile.

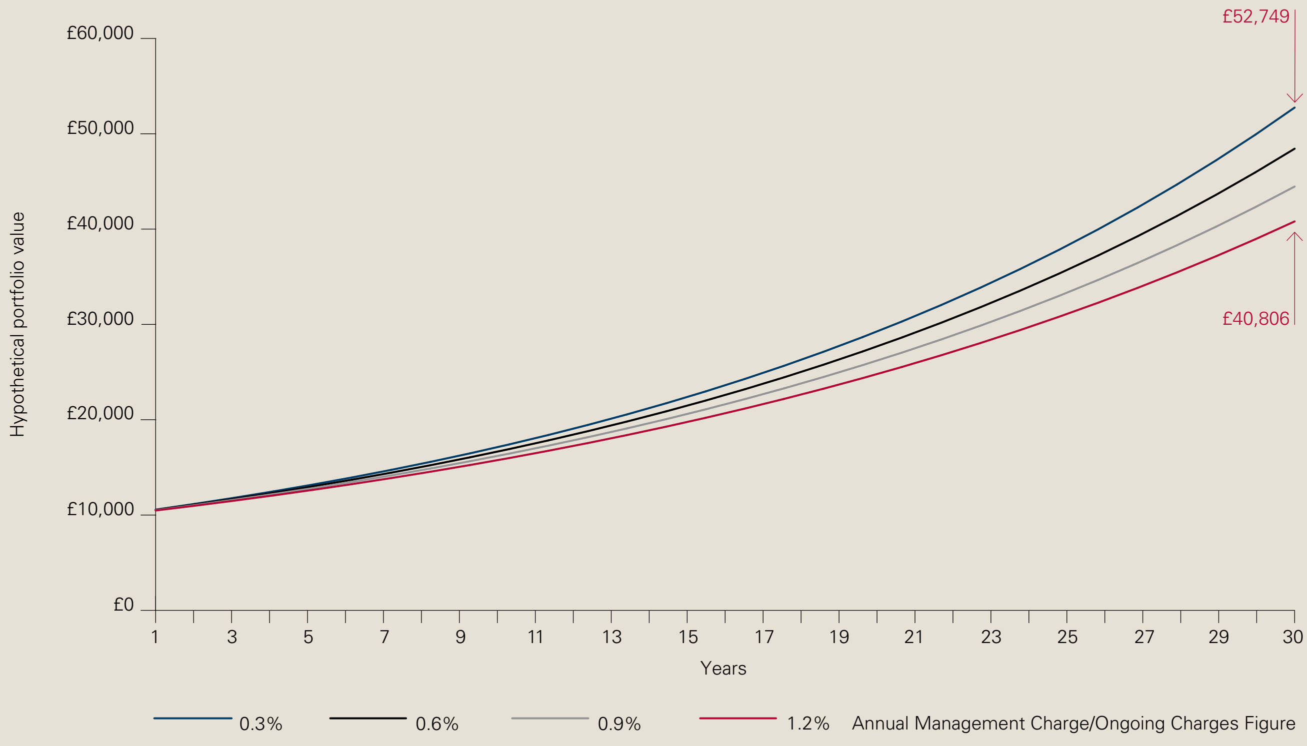


The importance of costs

Costs matter in investing because every penny you pay in charges comes out of your investment. The lower the charges the more of the investment return you keep. Low costs mean you either end up with more, or get to your goal faster, than you would with higher costs.

Using a hypothetical example (which does not represent any particular investment), the graph illustrates the potential impact of costs on an initial investment of £10,000 over a 30-year period. This graph assumes 6% average growth per annum which is compounded year on year. As this shows, an Annual Management Charge (AMC) or Ongoing Charges Figure (OCF) of 0.3% compared to an AMC or OCF of 1.2% could potentially lead to savings of £11,943 over a 30-year period.

Growth of a £10,000 initial investment over a 30 year period, assuming 6% growth per annum



This hypothetical example assumes an investment of £10,000 over 30 years. Annual compounding is used for both the assumption of 6% average growth p.a. and the investment costs. Costs are applied to average annual growth of 6% for each year. As it is a hypothetical, this example does not represent any particular investment.

Source: Vanguard

This example assumes a growth rate of 6%, but in reality returns may vary and you may get a lower return from a fund with lower investment costs.

Low costs mean you keep more

Vanguard strives to give every investor the best chance of achieving their investment goals. That's why we aim to provide the best-value investment funds. With fund charges set at 0.24%, we believe the Vanguard LifeStrategy® Funds offer one of the most cost effective investment solutions available to UK investors.

Vanguard LifeStrategy® Fund	Annual Management Charge/Ongoing Charges Figure	Preset dilution levy*
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%	–

*Charged on subscription. These are actual levies at time of launch. The funds can charge a preset dilution levy of up to 0.50% depending on prevailing market conditions.

So, what do these costs mean?

Annual Management Charge / Ongoing Charges Figure

When you invest with any fund manager, you will have to pay some running costs. These include an 'Ongoing Charges Figure' which covers the fund manager's costs of managing the fund over the year. For further information about charges please see the sections entitled "Buying Shares", "Redeeming Shares", "Charges and Expenses", "Dilution Levy" and Appendix 1 of the Prospectus on our website at https://global.vanguard.com.

Preset dilution levy

When you invest you might also come across something called a dilution levy, which also helps protect existing investors from the dilutive effects of transactions costs. A dilution levy does not benefit Vanguard in any way – all the money collected goes straight back into the fund. Once you are invested in the fund, the dilution levy will help protect your investment from bearing the cost of new investors entering or leaving the fund.

Why Vanguard?

What sets Vanguard apart – and lets Vanguard put investors first around the world – is the ownership structure of The Vanguard Group, Inc.

Rather than being publicly traded or owned by a small group of individuals, The Vanguard Group is owned by Vanguard's US-domiciled funds. Those funds, in turn, are owned by their investors. This unique mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, global investors benefit from Vanguard's stability and experience, low costs and client focus.

What sets us apart

Transparency

We focus on being clear on everything we do – this means communicating to you clearly about costs and charges and how our products work – so you should always know where you stand.

Fairness

Vanguard takes a fair approach to costs – for example, how we manage our charges.

Putting you first

The Vanguard Group Inc.'s mutual structure and philosophy means we can focus on clients' needs over the long term.

Exceptional value

Vanguard aims to offer the the highest value products at very low costs and recognises that you deserve the best deal possible.

Key terms

Active funds – An investment management approach where the manager selects securities from the investment universe prescribed by a fund's investment objective. The goal of an actively managed fund is to beat, rather than simply match, the return from a particular market index or benchmark.

Assets, Asset classes – A category of securities that exhibit similar characteristics. Examples include equities, bonds, cash or property.

Bonds – A loan certificate issued by a government, public company or other body. The issuer agrees to repay the original amount borrowed after an agreed time (when the bond matures). Bonds usually repay a fixed interest rate (known as the coupon) over a specified time.

Diversification – A strategy that helps to protect against risk by spreading investments across different asset classes or sectors.

Equities – Ordinary company shares. A stock or other security representing an ownership interest in a company.

Index fund – An investment fund that aims to closely match the returns of a specified market index. The fund may hold all the securities in the particular index or apply a mathematical model to purchase a sample of securities that will perform as closely as possible to the index.

Mutual or pooled fund – An investment vehicle where a number of individual investors pool their money to invest in a professionally managed fund.

Portfolio – A combination of investments held in one place. A portfolio is frequently created to meet particular investment objectives, such as providing capital growth or regular income.

Preset dilution levy – Levies collected to offset some of the costs of trading the underlying securities in a fund. These fees ensure that the costs are borne by the investors making the transaction and not by other investors in the fund. All such fees are paid directly to the relevant fund and are not for the benefit of Vanguard Asset Management, Limited.

Risk – The chance that an investment's actual return will differ from expectations. Risk comes in many forms, including market risk (the chance that returns will fluctuate) and shortfall risk (the possibility that a portfolio will fail to meet longer-term financial goals). Investors should decide on their individual risk tolerance and use this as a guide to building their investment portfolio.

Risk tolerance, risk appetite, risk profile or risk/reward trade-off – The extent to which individual investors are prepared to accept volatility in their investment portfolios in return for receiving potentially higher returns.

Securities – Freely tradable assets that are quoted on an exchange including shares, bonds and derivatives.

Transaction costs – The costs involved in buying or selling equities, bonds or other securities.

Volatility – The extent to which investments or interest rates fluctuate over time.

Please be aware that Vanguard Asset Management, Limited only gives information on our products. 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 an independent financial adviser.

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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 in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of [units/shares] of, and the receipt of distribution from any investment.

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.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

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 fund(s) 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 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 these funds is available from Vanguard via our website https://global.vanguard.com/.

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