

Diversified Index Funds



Vanguard's investment philosophy is built on the belief that strategic asset allocation drives long-term returns. Diversifying across and within asset classes helps to reduce volatility and smooth out returns over time.

Why Vanguard Diversified Funds?

Vanguard's low cost multi-sector funds are efficiently managed to provide broad diversification across multiple asset classes through a transparent and tax-efficient portfolio. Each fund has a strong track record in delivering competitive returns through disciplined asset allocation.

Low fees can be one of the most effective ways to help investors grow their portfolios. Vanguard Diversified Managed Funds have a management expense ratio of 0.29% p.a. which means investors may pay as little as \$2.90 a year for every \$1000 they invest.

The four Vanguard Diversified Fund options are:

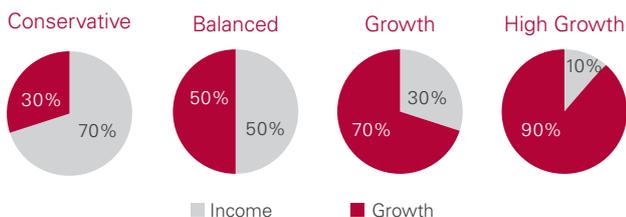


Table 1. Diversified index funds strategic asset allocation

	Asset Allocation (%)			
	Conservative	Balance	Growth	High Growth
Cash	10.00	0.00	0.00	0.00
Australian Fixed Interest	18.00	15.00	9.00	3.00
International Fixed Interest (Hedged)	42.00	35.00	21.00	7.00
Total Income	70.00	50.00	30.00	10.00
Australian Shares	12.00	20.00	28.00	36.00
International Shares	8.50	14.50	20.50	26.50
International Shares (Hedged)	5.50	9.00	12.50	16.00
International Small Companies	2.00	3.50	5.00	6.50
Emerging Markets	2.00	3.00	4.00	5.00
Total Growth	30.00	50.00	70.00	90.00

Note: Exposure to listed property is captured through domestic and international shares.

Costs matter

Cost remains one of the most important factors in successful investing, in any market cycle.

Vanguard is structured to lower costs consistently over time as funds under management grow. Our goal is to ensure investors benefit directly when economies of scale bring down the costs of running our portfolios sustainably.

Table 2. Vanguard management expense ratio (p.a)

Vanguard Diversified Conservative	0.29%
Vanguard Diversified Balanced	0.29%
Vanguard Diversified Growth	0.29%
Vanguard Diversified High Growth	0.29%

Diversified Funds asset allocation

The strategic asset allocation (SAA) is provided in Table 1. The Diversified Funds leverage Vanguard's international expertise in investment research and utilise a global investment methodology. This approach starts with market capitalisation weightings and from this local market factors are then also considered.

Key benefits

Portfolio diversification: Fund holdings are broadly diversified within and across multiple asset classes, which helps mitigate exposure to performance fluctuations of individual securities. For example, the Balanced Diversified Index Fund invests in seven underlying sector funds, which provides exposure to over 12,000 securities across fixed income and shares.

Low cost: Each fund offers low management fees. Index funds have low ongoing fees as it costs less to manage and operate an index fund.

Tax efficiency: Vanguard's index management approach minimises portfolio turnover which means investors get the advantage of available capital gains tax concessions. The compounding effect of having more money invested rather than paid out as income is a distinct advantage over the long term.

Risk controlled management: Vanguard diligently manages each fund to ensure allocations remain close to target portfolio weights.

Transparency: You can view all the underlying securities held.

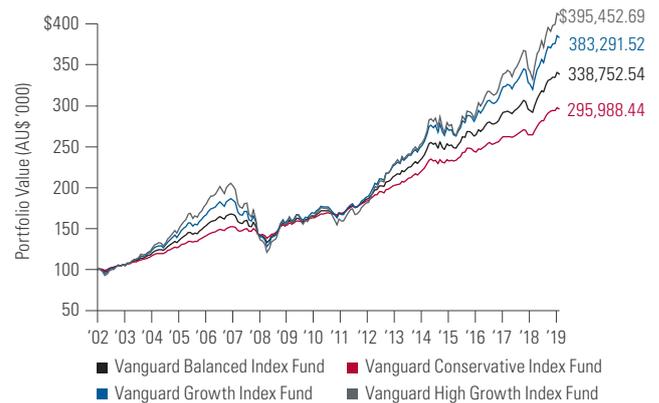
About Vanguard

With more than AUD \$8.7 trillion in global assets under management as of 31 December 2019, including more than AUD \$1.7 trillion in ETFs, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard serves institutions, financial advisers and individual investors. Located throughout Australia, our adviser services team consists of over 20 representatives and is dedicated to providing advisers with the help and support they need when doing business with Vanguard.

Figure 1. Performance of a \$100,000 investment

20 November 2001–31 December 2019



Source: Vanguard Investments Australia Ltd.

Returns are net of fees. Assumes 100% reinvestment of distributions.

Note: Past performance is not an indication of future performance.

Table 3. Quartile rank within Morningstar category peer group

This table compares Vanguard diversified funds to other funds within the Morningstar peer group category. The rank shows how well our funds have performed compared to other funds in its peer group after fees.

Vanguard Wholesale Diversified Funds as at 31 December 2019

	Conservative	Balanced	Growth	High Growth
1 year	● 1 st (4/58)	● 1 st (6/67)	● 1 st (8/87)	● 1 st (8/74)
3 years	● Top (3/57)	● Top (4/62)	● 1 st (8/84)	● 1 st (12/70)
5 years	● Top (4/51)	● Top (4/55)	● 1 st (8/78)	● 1 st (9/61)
7 years	● Top (3/50)	● Top (4/51)	● 1 st (6/75)	● 1 st (11/58)
10 years	● Top (3/46)	● Top (2/39)	● Top (3/65)	● Top (3/49)

X (Y/Z) X=Quartile rankings Y=Ranking versus peer group Z=Total peer group

Quartile Ranking Guide	● Top 5%	● 1 st Quartile	● 2 nd Quartile	● 3 rd Quartile	● 4 th Quartile
------------------------	----------	----------------------------	----------------------------	----------------------------	----------------------------

Sources: Vanguard calculations using data from Morningstar Inc.

Past performance is not an indication of future performance. All returns are net of fees and assume reinvestment of income distributions. There has been no adjustment for survivorship bias.

Table 4. Research house ratings

	Conservative	Balanced	Growth	High Growth
Lonsec	Recommended January 2019	Recommended January 2019	Recommended January 2019	Recommended January 2019
Morningstar	Gold June 2018	Gold June 2018	Gold June 2018	Gold June 2018
Zenith	Recommended October 2018	Recommended October 2018	Recommended October 2018	Recommended October 2018

Note: Ratings are for Vanguard Wholesale Diversified Funds.

Connect with Vanguard™ > vanguard.com.au > 1300 655 205

