



Vanguard[®]

Factor investing: A fund manager's perspective

Factor managed funds and ETFs are actively managed products. As factor-based investing becomes more popular, it's worth understanding how the specialists that manage these portfolios go about achieving factor exposure.

Having these insights can help you decide whether they are right for inclusion in your own portfolio.

Who manages Vanguard's factor strategies?

Vanguard appoints investment managers from a global talent pool to ensure we employ the most talented manager for all investment mandates, this includes external firms.

For Vanguard's factor strategies, available to investors via managed funds and ETFs, we have appointed the Vanguard Quantitative Equity Group (QEG) as the investment manager. QEG are subject to the same rigorous search and oversight process as any manager that Vanguard appoints to manage money, internal or external.

About QEG

QEG has been managing active portfolios since 1991 and manages more than AUD\$57 billion (as at 30 June 2019). They have offices in Pennsylvania, in the USA as well as Melbourne, Australia. The team consists of a deep, tenured investment team of 33 investment professionals, 17 hold the CFA designation, 28 have advanced degrees (MBAs/Masters) including 8 PhDs.

QEG's discipline allows them to build risk-controlled portfolios with a low-cost approach, removing one of the key headwinds to achieving success through active investing. After all, the less you pay in fees, the more money you'll have working hard for you.

Factors are the DNA of investments.

They are the underlying attributes that influence how an investment behaves. By targeting these attributes, factor-based investments attempt to deliver an investment premium, such as market outperformance or reduced volatility.

QEG's approach

QEG's strategies aim to capture the return premiums associated with factors including value, momentum, quality and minimum volatility.

The team targets these factors globally as QEG's research shows:

- Value, momentum and quality have historically produced positive excess returns, across regions, and minimum volatility has delivered investors a smoother return profile than the market

- There is enduring logic for the rationale underpinning the factor's return premium
- The factor(s) can be effectively targeted in a portfolio implemented using liquid securities
- There is a long history and extensive research illustrating the factor's performance during various market conditions

QEG's approach to factors doesn't rely on a benchmark's rebalancing schedule

QEG's advantage

Unlike many other fund managers, QEG's approach to factors doesn't rely on a benchmark's rebalancing schedule or a benchmark provider's definition and construction of a factor. Therefore, the team can

adapt portfolios to maintain continuous exposure to factors, even as markets and companies' fundamental characteristics change through time.

In fact, QEG's unique approach delivers the most focused exposure possible in a low-cost, transparent and flexible way.

So with QEG managing your portfolio, you get the best of all worlds:

- Flexible and efficient targeting of the desired factors
- A clear understanding of how they construct factors and assemble portfolios
- Low-costs helping you to maximise your returns

If you'd like more details on specific factor strategies, ask your financial adviser to share information about any of our factor managed funds or ETFs.



Connect with Vanguard™ > vanguard.com.au

This material contains general information and is intended to assist you. Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263) is the product issuer. We have not taken your circumstances into account when preparing this material so it may not be applicable to your circumstances. You should consider your circumstances and our Product Disclosure Statements ("PDSs") before making any investment decision. You can access our PDSs at vanguard.com.au or by calling 1300 655 101. Past performance is not an indication of future performance. This material was prepared in good faith and we accept no liability for any errors or omissions. © 2019 Vanguard Investments Australia Ltd. All rights reserved. ACEB3_122019