



29 March 2019

# Important notice to unitholders

## Important information regarding Vanguard funds and ETFs

We wish to advise a number of important announcements regarding Vanguard funds and ETFs.

These include:

- Changes to benchmarks for certain Wholesale funds and ETFs
- Updates to Vanguard Product Disclosure Statements (PDSs) for impacted funds and ETFs

All changes are effective **1 April 2019 inclusive**.

### What is changing?

In March 2018, Bloomberg announced that it will include Chinese RMB-denominated government bonds and policy bank bonds to the Bloomberg Barclays Global Aggregate and Global Treasury Indices. This change will commence on 1 April 2019 and be phased in over a 20-month period.

### Why is Bloomberg implementing these index changes?

Ongoing enhancements by the People's Bank of China have resulted in the local debt market achieving investment grade classification.

### Are all Chinese bonds being added to the index?

No. The eligible universe is the onshore Yuan-denominated (CNY) Chinese government bonds and the CNY-denominated debt issued by China's policy banks. Bonds trading in the offshore currency (CNH) are excluded.

### Is Vanguard including Chinese bonds?

As with any benchmark change, we evaluated the risk, return and cost of inclusion to determine how to best serve our investors. While the case for full inclusion is strong, there remain constraints related to operational processes in hedging, and efficient portfolio management in certain markets creating the potential for additional transaction costs and increased tracking error for investors.

Based on our assessment, Vanguard's global and international fixed income index portfolios will adopt a **partial inclusion approach** offered by Bloomberg that caps the weighting of Chinese onshore bonds, resulting in approximately a 0.2% to 0.5% allocation to Chinese bonds.

The table below lists the changes to the directly impacted funds:

Wholesale Funds	Benchmark	Expected % Weight of Chinese onshore bonds <sup>1</sup>
Vanguard Global Aggregate Bond Index Fund (Hedged)	<b>NEW</b> Bloomberg Barclays Global Aggregate Float-Adjusted and Scaled Index hedged into Australian dollars	~0.37%
Vanguard International Credit Securities Index Fund (Hedged)	<b>NEW</b> Bloomberg Barclays Global Aggregate Corporate and Government-related Scaled Index hedged into Australian dollars	~0.44%
Vanguard International Fixed Interest Index Fund (Hedged)	<b>NEW</b> Bloomberg Barclays Global Treasury Scaled Index hedged into Australian dollars	~0.28%
Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged) – AUD Hedged	Bloomberg Barclays MSCI Global Aggregate SRI Exclusion Float-Adjusted Index hedged into Australian dollars	~0.34%
Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged) – NZD Hedged	Bloomberg Barclays MSCI Global Aggregate SRI Exclusion Float-Adjusted Index hedged into New Zealand dollars	~0.34%

ETFs	Benchmark	Expected % Weight of Chinese onshore bonds <sup>1</sup>
Vanguard Global Aggregate Bond Index (Hedged) ETF <b>VBND</b>	<b>NEW</b> Bloomberg Barclays Global Aggregate Float-Adjusted and Scaled Index hedged into Australian dollars	~0.37%
Vanguard International Credit Securities Index (Hedged) ETF <b>VCF</b>	<b>NEW</b> Bloomberg Barclays Global Aggregate Corporate and Government-related Scaled Index hedged into Australian dollars	~0.44%
Vanguard International Fixed Interest Index (Hedged) ETF <b>VIF</b>	<b>NEW</b> Bloomberg Barclays Global Treasury Scaled Index hedged into Australian dollars	~0.28%
Vanguard Ethically Conscious Global Aggregate Bond Index (Hedged) ETF <b>VEFI</b>	Bloomberg Barclays MSCI Global Aggregate SRI Exclusion Float-Adjusted Index hedged into Australian dollars	~0.34%

<sup>1</sup> Estimate based on the full inclusion weight using April 30, 2018 data. The expected weight is higher than that of the Global Aggregate indices due to the float-adjusted nature of our benchmarks

In addition, the funds listed below will also gain an exposure to Chinese Bonds as a result of their investment in the underlying funds in the previous table:

Wholesale Funds	
Vanguard Diversified Conservative Index Fund	Vanguard Diversified Balanced Index Fund
Vanguard Diversified Growth Index Fund	Vanguard Diversified High Growth Index Fund
Vanguard Diversified Bond Index Fund	Vanguard Managed Payout Fund
Retail Funds	
Vanguard LifeStrategy® Conservative Fund	Vanguard LifeStrategy® Balanced Fund
Vanguard LifeStrategy® Growth Fund	Vanguard LifeStrategy® High Growth Fund
Vanguard Index Diversified Bond Fund	
ETFs	
Vanguard Diversified Conservative ETF <b>VDGO</b>	Vanguard Diversified Balanced ETF <b>VDBA</b>
Vanguard Diversified Growth ETF <b>VDGR</b>	Vanguard Diversified High Growth ETF <b>VDHG</b>

## Updates to Vanguard Product Disclosure Statements

As a result of these changes we have updated the following Vanguard Product Disclosure Statements, effective 1 April 2019.

Wholesale Funds – new Product Disclosure Statement issued effective 1 April 2019	
Vanguard Global Aggregate Bond Index Fund (Hedged)	Vanguard International Credit Securities Index Fund (Hedged)
Vanguard International Fixed Interest Index Fund (Hedged)	Vanguard Diversified Bond Index Fund
Retail Fund – Supplementary Product Disclosure Statement issued effective 1 April 2019	
Vanguard Index Diversified Bond Fund	
ETFs – Supplementary Product Disclosure Statement issued effective 1 April 2019	
Vanguard Diversified Conservative ETF <b>VDGO</b>	Vanguard Diversified Balanced ETF <b>VDBA</b>
Vanguard Diversified Growth ETF <b>VDGR</b>	Vanguard Diversified High Growth ETF <b>VDHG</b>
Vanguard Global Aggregate Bond Index (Hedged) ETF <b>VBND</b>	Vanguard International Credit Securities Index (Hedged) ETF <b>VCF</b>
Vanguard International Fixed Interest Index (Hedged) ETF <b>VIF</b>	

Please ensure you refer to the updated Product Disclosure Statements when referring to any of these funds and ETFs.

Vanguard's current Product Disclosure Statements are available on our website [www.vanguard.com.au](http://www.vanguard.com.au)

**If you have any questions, please contact Vanguard Client Services  
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