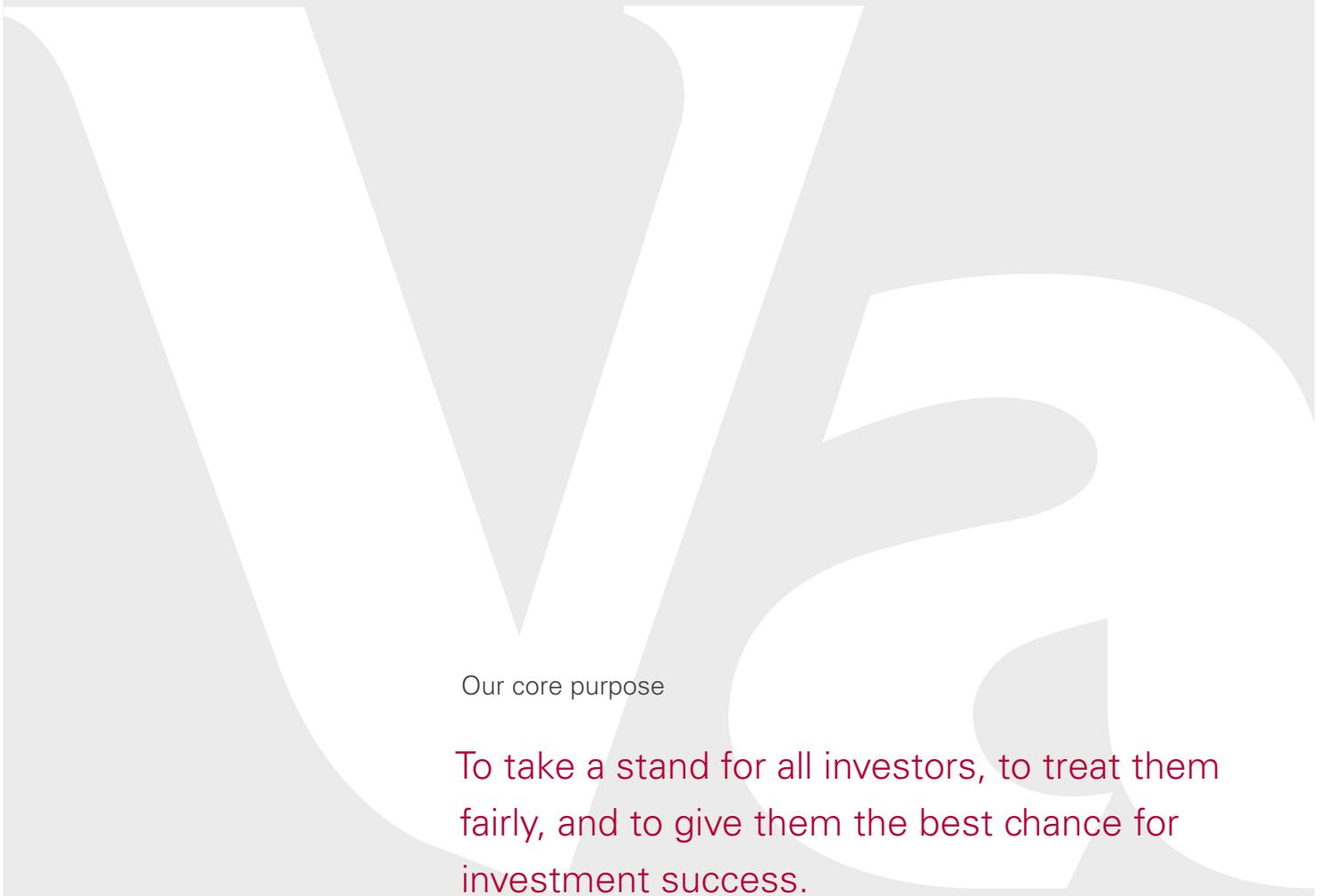


**Vanguard®**

# What makes Vanguard different





Our core purpose

To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

## About Vanguard

Vanguard was founded in the United States in 1975 on a simple but revolutionary idea - that an investment company should manage the funds it offers in the sole interest of its clients. Over the decades, Vanguard has grown to become one of the world's largest investment management companies – with a presence in Australia, Europe, Asia, and the Americas.

In Australia, Vanguard has been helping investors meet their long-term financial goals with low cost investment solutions for over 18 years.

## Putting investors' interests first

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

Rather than being publicly traded or owned by a small group of individuals, The Vanguard Group is owned by Vanguard's US-domiciled funds and Exchange Traded Funds (ETFs). Those funds, in turn, are owned by their investors.

This 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, Australian investors benefit from Vanguard's stability and experience, low costs and client focus.

# arn

Our low-cost approach

Vanguard offers investors a powerful combination of high-quality investments at a very low cost.

# Benefits of investing with Vanguard

Vanguard offers investors a powerful combination of high-quality investments at a very low cost which drives our funds' competitive long-term performance. Investors enjoy a number of key benefits when investing with Vanguard.

**Global scale:** As one of the world's largest investment managers Vanguard has access to world class systems and deep investment talent. This means our clients benefit from sophisticated trading capabilities, greater risk mitigation, and the extensive global reach of our investment teams.

**Low management costs:** When compounded over time, management costs and fund expenses can significantly detract from the overall performance of a fund. Vanguard funds typically have low management costs due to the efficient manner in which they operate.

**Low transaction costs:** Our funds generally have low portfolio turnover as they tend to 'buy and hold' securities for longer periods. Efficient portfolio management results in low ongoing transaction costs, such as brokerage, commissions, stamp duty, custody and other expenses associated with trading securities.

**Tax efficiency:** Our long-term investment 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 taxable income is a distinct advantage over the long term.

**Diversification:** Vanguard products are broadly diversified which gives investors access to a broad spread of securities. Portfolio diversification means less exposure to the performance fluctuations of individual securities moderating overall volatility.

**Long-term thinking:** Our investment products are purpose built for the long-term. Added to this, our long-tenured investment teams bring a disciplined approach to portfolio management alongside a consistent focus on long-term results.

Our global reach

Vanguard's scale helps to keep costs low. As our assets under management increase globally, we can reduce expense ratios for investors in our funds.

# Our investment expertise

When you invest with Vanguard, you have more than 40 years of investment experience behind you. So no matter which investment products suit you and your clients' needs, you can feel confident that Vanguard investments are built on a rigorous investment philosophy that stands the test of time.

## **Built on our principles for investment success**

Since Vanguard's beginning, we have been committed to four principles that guide our fund management and investment programs. We believe that investors should:

### **Create clear, appropriate investment goals**

Defining goals clearly and being realistic about ways to achieve them can help protect investors from common mistakes that derail their progress.

### **Develop a suitable asset allocation using broadly diversified funds**

A successful investment strategy starts with an asset allocation suitable for its objective. Investors should establish an asset allocation using reasonable expectations for risks and returns. The use of diversified investments helps to ensure against exposure to unnecessary risks.

### **Minimise cost**

Every dollar that investors pay for management fees or trading commissions is a dollar less of potential returns. Research also suggests that lower-cost investments have tended to outperform higher-cost alternatives. Investors can't control the markets, but they can control the costs of investing.

### **Maintain perspective and long-term discipline**

Investing can provoke strong emotions. In the face of market turmoil, some investors may find themselves making impulsive decisions, unable to implement an investment strategy or rebalance a portfolio as needed. Discipline and perspective can help them remain committed to a long-term investment program through periods of market uncertainty.

Our investing experience

When you invest with Vanguard, you have more than 40 years of investing experience behind you.

# Low-cost investing

Investors can't control the markets, but they can control the costs of investing. Providing low-cost investments isn't a pricing strategy for us. It's how we do business. We can keep costs low because of our ownership structure in the United States, which allows us to return profits to investors through lower costs.

Vanguard's scale also helps to keep costs low. As our assets under management increase globally, we can reduce expense ratios for the investors in our funds.

## Indexing ... from the people who introduced it

The Vanguard Group launched the first equity index mutual fund for individual investors in 1976 in the United States. Funds based on bond and international indices followed in 1986 and 1990. We've since applied our index management expertise to ETFs.

As we've developed proprietary software and sophisticated techniques for portfolio construction, risk management and trading, we've also grown in size, scale and experience. Our investors benefit through tight, low-cost benchmark tracking.

Of course, an index investment is only as good as the benchmark it seeks to track. Many index providers use benchmark construction best practices that Vanguard has promoted for years – an industry endorsement of our leadership.

## The power of low-cost active management

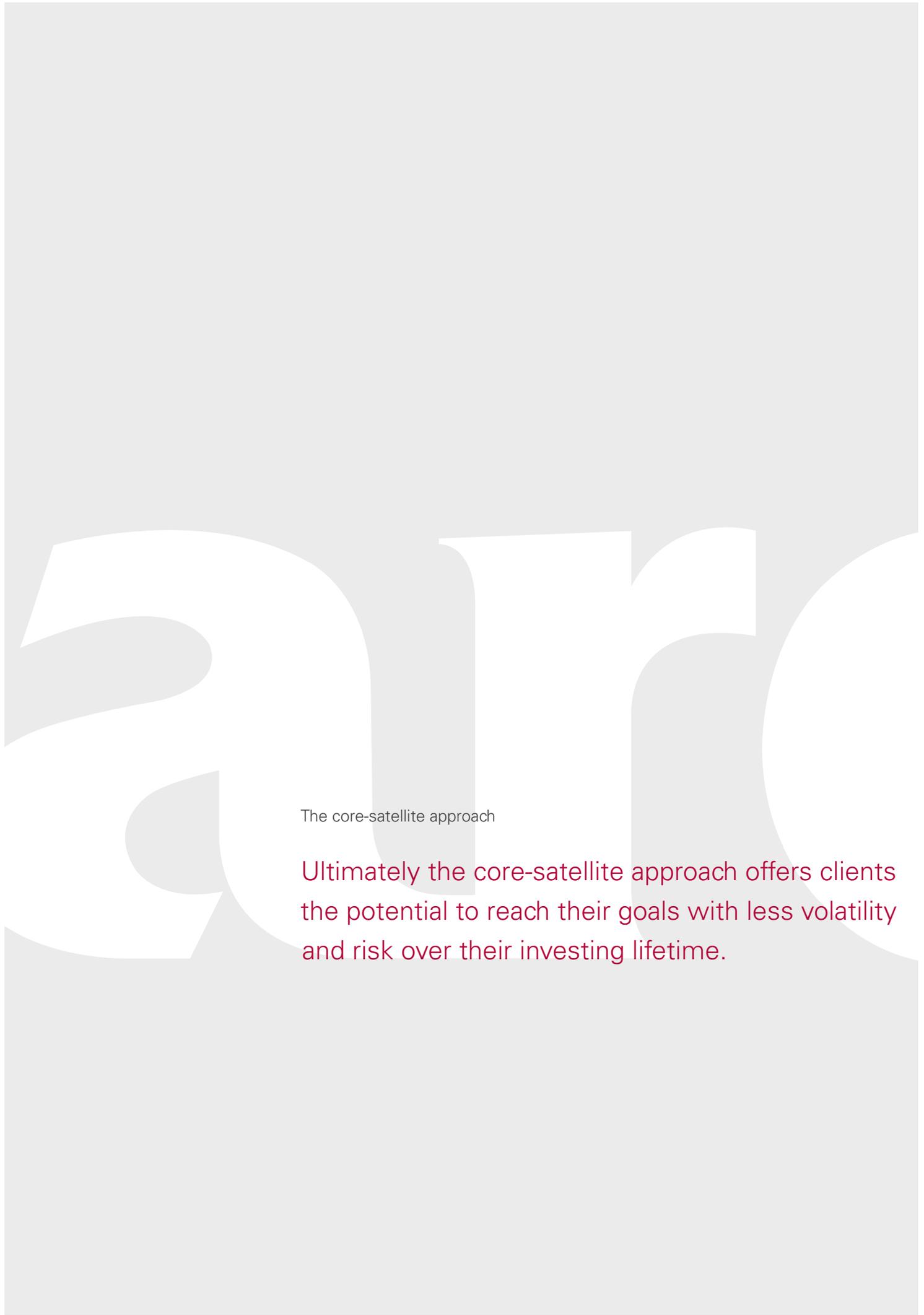
Similarly, Vanguard has offered actively managed funds for nearly four decades. Today, Vanguard is one of the world's largest active managers, with more than \$1.7 trillion in funds under management globally. That's 25% of our total \$6.9 trillion globally in funds under management.<sup>1</sup>

We believe that successful active management is driven by the combination of low costs, top talent, and patience. While it is intuitive that lower fees should reduce the hurdles necessary to outperform a benchmark, low costs alone cannot guarantee active management success. That's where Vanguard's unwavering focus on making decisions in the best interests of clients ensures we deliver a disciplined and consistent investment experience for our investors.

## ETFs...the best of both worlds

Only Vanguard ETFs enjoy our recognised expertise in index investing. Investors in Vanguard ETFs own a share of a portfolio of listed securities, indexed by Vanguard, which can be readily traded on the Australian Securities Exchange (ASX). ETFs combine the low cost, diversification benefits of index funds with the trading flexibility of shares – designed to provide added value for investor portfolios.

<sup>1</sup> All funds under management figures are as at 30 June 2018.



The core-satellite approach

Ultimately the core-satellite approach offers clients the potential to reach their goals with less volatility and risk over their investing lifetime.

## Portfolio construction: A core-satellite approach

Our long-term approach to investment management also extends to our philosophy on portfolio construction. A 'core-satellite' approach leverages index and active management to benefit both advisers and clients over the long term.

By using index funds as the 'core' or foundation of a portfolio combined with lowly correlated active funds or direct shares as 'satellites' the approach delivers risk and return benefits to client portfolios.

The low cost, tax efficient and broad diversification characteristics of index funds provide a foundation for client portfolios that will deliver market returns.

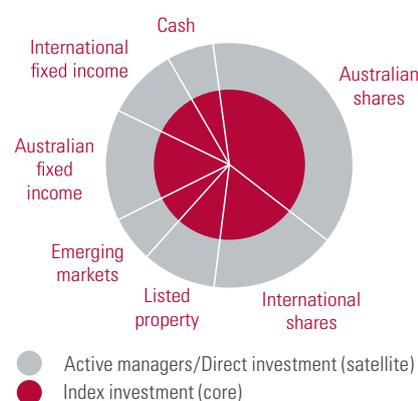
Once the core allocation is in place, active satellites can be chosen that tilt a portfolio towards a particular sector or style with the objective of achieving outperformance.

### Core-satellite brings greater discipline and stability to an investment portfolio by:

- Reducing reliance on 'picking winners' or chasing fund manager returns
- Providing greater portfolio diversification
- Potentially improving after-tax returns by taking maximum advantage of capital gains discounts
- Reducing overall management and transaction costs

Ultimately the core-satellite approach offers clients the potential to reach their goals with less volatility and risk over their investing lifetime. Consistency in returns over the long term can offer real comfort for clients. When their expectations are set and then subsequently met, client confidence and level of satisfaction with their adviser tends to increase.

### A core-satellite approach to portfolio construction



Note: Asset allocations in this diagram are intended to be an example only and not a recommendation

# The Vanguard Group over the years

The first index mutual fund—First Index Investment Trust (now Vanguard 500 Index Fund)—was launched in 1976.

A historic bull market in stocks began quietly in August 1982 and would continue, with only brief interruptions, for nearly 20 years.

Bill McNabb joins Vanguard.

Vanguard introduced the first international shares index fund.

The first U.S.-listed exchange-traded fund (ETF) began trading in 1993, and others later followed.

Jack Brennan took over Vanguard's leadership from John Bogle.

1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996

## Vanguard set sail on May 1, 1975.

Born of a leadership dispute at its predecessor firm, Wellington Management Company, Vanguard was founded by John C. Bogle as the first mutual fund company to be owned by its member funds and provide management services at cost. Vanguard had fewer than 50 employees (called "crew") and total net assets under management of about \$USD1.8 billion in 11 funds. Fund firms were still reeling from the 1973–74 bear market, and like many, Vanguard had more money leaving than coming in.

Vanguard money market assets surpass \$USD 1 billion.

Vanguard launches the industry's first two high yield bond funds.

Vanguard launches specialised portfolios (broad industry-sector funds).

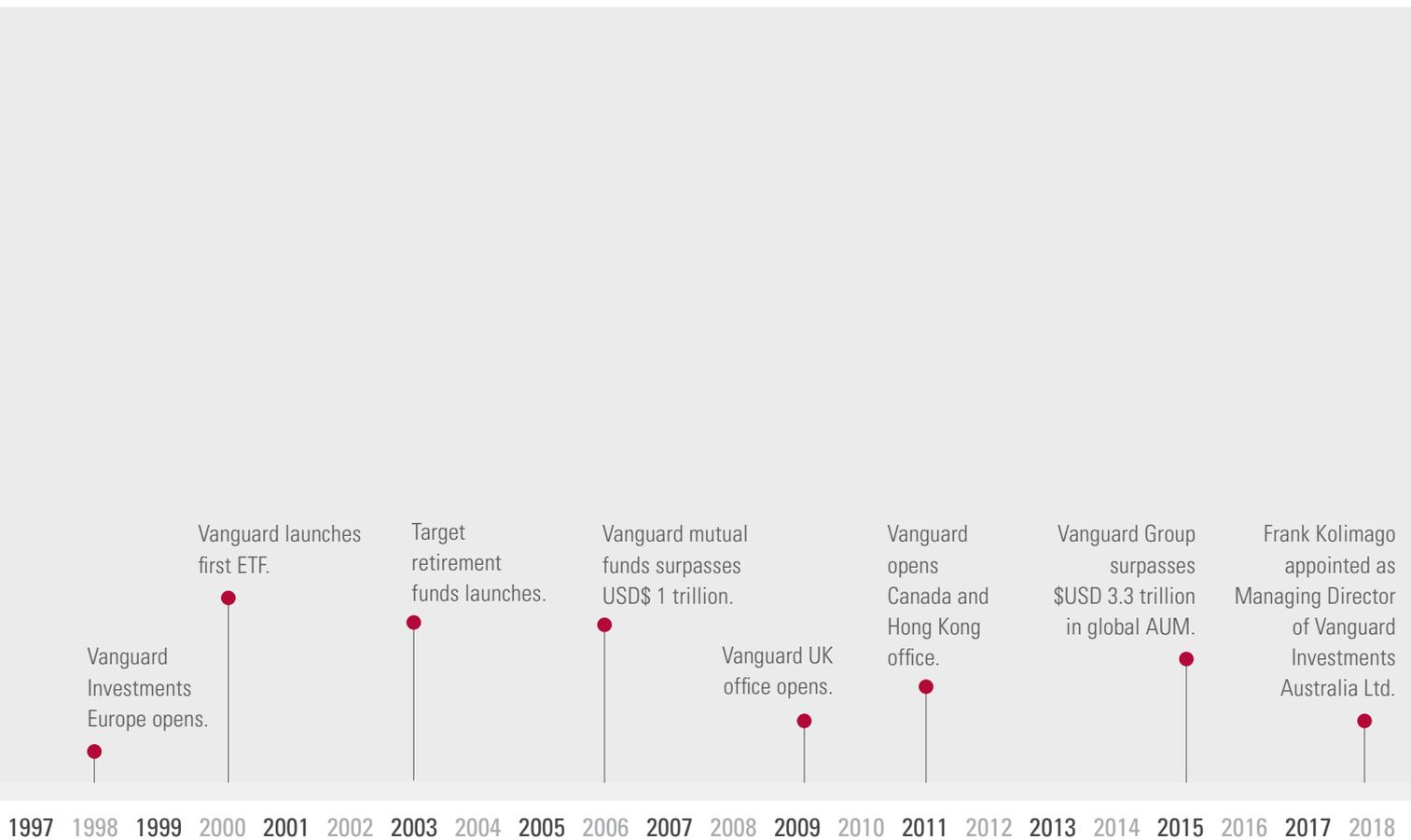
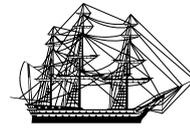
Amid panic selling, the stock market crashed on October 19, 1987, suffering its largest-ever one-day loss on what became known as Black Monday.

Vanguard offers industry's first small-cap index fund.

Vanguard creates industry's first balanced fund and total stock market index fund.

Vanguard.com launches.

Vanguard opens first international office in Australia.



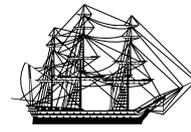
## Adviser support – service excellence and education

At Vanguard, we have a strong focus on education, in fact we want to be recognised as the educator of choice.

Through our global resources and our specialist teams on ground in Australia, we are committed to supporting you and your clients through our ongoing development of investment research, adviser events, and educational resources.

To access these resources or learn more about our product offerings please visit [www.vanguard.com.au/adviser](http://www.vanguard.com.au/adviser) or contact your local business development representative on 1300 655 205.





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