

# Assessment of value report

January 2020

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# Introduction from the chair of the board of Vanguard Investments UK Limited

The Financial Conduct Authority (FCA) has introduced new rules to strengthen the duty of asset managers to act in investors' best interests. These require us to carry out an annual assessment of whether we provide value for our clients (known as an assessment of value or AoV), looking at not just costs in isolation but also their level in the context of the performance of our funds and the other benefits we provide.

This assessment of value aligns with Vanguard's core purpose, which is **"to take a stand for all investors, to treat them fairly and to give them the best chance for investment success"**. Our focus on investors' success is deeply embedded in everything we do.

We believe the assessment of value exercise should make it easier for investors to evaluate whether their investment manager is providing them with value for money and to make more informed decisions when choosing investment providers. With that in mind, this report suggests questions that investors can ask to determine whether their investment manager is providing value, and we have answered these questions ourselves.

We have conducted a rigorous review of our funds, grouping the results under seven assessment criteria set by the FCA. The key points that emerged were:

- ▶ **Over 12 months, three years, five years and ten years respectively, 93%, 96%, 92% and 75% of our UK-domiciled funds have outperformed their peers<sup>1</sup>.** Taking these data into consideration, alongside other factors, our overall conclusion is that the performance record of the UK funds provides good value to investors. For more detail, see page 4.
- ▶ **The ongoing charges for our UK-domiciled funds are on average 73% cheaper than the average for their respective sectors<sup>2</sup>.** Furthermore, our funds are typically ranked within the lowest 10% of their respective peer groups in terms of cost. We achieved this through a disciplined approach to managing costs, economies of scale and the competitive pricing that our UK business is able to achieve as part of one of the largest asset managers in the world. For more detail, see page 7.

- ▶ **We provide access to global scale, resources and experience.** The investors in the funds managed by our UK business benefit from a world-class global infrastructure, well-resourced teams and a legacy of experience, at a price that represents significant value.
- ▶ **Our share class structures are simple and our pricing is transparent,** allowing investors to make informed choices. We do not offer expensive share classes that have commissions built into the pricing.

The table opposite provides a fund-by-fund summary of the results of the comprehensive assessment we have undertaken.

Furthermore the board and I would like to provide the following reassurances to investors in our UK-domiciled funds:

- ▶ FCA rules require that economies of scale are passed on to investors, where possible, and we are confident that we have achieved this.
- ▶ Our simple and transparent share class structure ensures that investors hold units in the lowest-cost share class available to them.
- ▶ We have concluded that the charges for each of the funds are justified in the context of the overall value delivered to the investors.

Our overall conclusion is that Vanguard provides good value to the investors in our UK-domiciled funds. However, in the spirit of what the FCA is trying to achieve, we recognise that we should not be complacent and that there are always opportunities for improvement, which we have detailed in the following pages.



**James M. Norris,**  
Chair of the board of Vanguard  
Investments UK Limited

1 Funds ranked in or above the 50th percentile of performance compared with their Morningstar peer group. Performance data to 30/09/2019. Number of funds in each time period: 12 months - 29; three years - 22; five years - 12; ten years - 4.

2 Comparison of ongoing charges relative to comparable share class of direct peers in their respective Morningstar category. Source: Morningstar as at 02/01/2020.

Vanguard funds	Performance	General costs of the fund	Economies of scale	Comparable market rates	Comparable services	Classes of units	Quality of service	Overall fund rating
Global Balanced	●	●	●	●	●	●	●	●
FTSE 100 Index Unit Trust	●	●	●	●	●	●	●	●
FTSE Dev. Europe ex-UK Eq. Index*	●	●	●	●	●	●	●	●
FTSE Dev. World ex-UK Eq. Index	●	●	●	●	●	●	●	●
FTSE Global All Cap Index	●	●	●	●	●	●	●	●
FTSE UK All Share Index Unit Trust	●	●	●	●	●	●	●	●
FTSE UK Equity Income Index*	●	●	●	●	●	●	●	●
Global Emerging Markets	●	●	●	●	●	●	●	●
Global Equity*	●	●	●	●	●	●	●	●
Global Equity Income*	●	●	●	●	●	●	●	●
LifeStrategy 100% Equity	●	●	●	●	●	●	●	●
LifeStrategy 20% Equity	●	●	●	●	●	●	●	●
LifeStrategy 40% Equity	●	●	●	●	●	●	●	●
LifeStrategy 60% Equity	●	●	●	●	●	●	●	●
LifeStrategy 80% Equity	●	●	●	●	●	●	●	●
Target Retirement 2015	●	●	●	●	●	●	●	●
Target Retirement 2020	●	●	●	●	●	●	●	●
Target Retirement 2025	●	●	●	●	●	●	●	●
Target Retirement 2030	●	●	●	●	●	●	●	●
Target Retirement 2035	●	●	●	●	●	●	●	●
Target Retirement 2040	●	●	●	●	●	●	●	●
Target Retirement 2045	●	●	●	●	●	●	●	●
Target Retirement 2050	●	●	●	●	●	●	●	●
Target Retirement 2055	●	●	●	●	●	●	●	●
Target Retirement 2060	●	●	●	●	●	●	●	●
Target Retirement 2065	●	●	●	●	●	●	●	●
UK Inflation Linked Gilt Index	●	●	●	●	●	●	●	●
UK Long Duration Gilt Index	●	●	●	●	●	●	●	●
US Equity Index	●	●	●	●	●	●	●	●

The table above summarises the outcome of our review of each of Vanguard’s UK-domiciled funds for the year ending 30 September 2019, using the seven assessment criteria set by the FCA.

We have adopted a traffic-light system to show how we rated our funds:

- = Fund provides good value.
- = Fund provides value but merits some action or further monitoring.
- = Fund does not provide good value.

None of our funds received a ● rating.

How we assessed each of the seven criteria and the rating we arrived at are discussed in greater detail on the following pages.

\* For further information, see section titled How we can improve, on page 4.

# Performance

Does the fund provide good performance in relation to its investment objective?

## What do we mean by good value?

- ▶ Investors in active funds generally seek to do better than some measure of the wider market, which is often known as the fund's "benchmark". We consider we provide value when our active funds consistently perform strongly in comparison to the benchmark, as well as other managers' funds with similar objectives, over a range of time periods.
- ▶ Investors in index funds are generally seeking performance that closely matches the benchmark defined for that particular fund. We provide value when the performance of our funds achieves a close match to the benchmark and also performs well in comparison to other managers' similar funds, over a range of time periods.
- ▶ Our LifeStrategy and Target Retirement funds are not managed in relation to a benchmark but to an investment objective, such as achieving a desired savings goal. For these types of funds, we provide value when our funds perform strongly in comparison to similar funds provided by other investment managers.

**How we measured up:** We monitor performance rigorously and regularly at multiple levels, believing this supports our ability to deliver good-value funds. When we measure the performance of our funds relative to their peers (as defined by Morningstar, an industry data provider), 93%, 96%, 92% and 75% of our UK-domiciled funds have outperformed their peers over 12 months, three years, five years and ten years respectively<sup>3</sup>.

In assessing whether our funds provide good value in terms of performance, we did not rely on a comparison with peer funds alone. We used a wider range of metrics, including how the funds compared to their relevant benchmarks, and found that 25 out of 29 of the UK-domiciled funds were rated green, four funds were amber and none red. We concluded that the amber-rated funds still provide good value to investors, but merited further monitoring or some action to ensure the best outcome for investors.

**How we can improve:** We have taken action to address two of the amber-rated funds, notably the implementation of a new swing pricing<sup>4</sup> policy which affected performance, and will closely monitor the other two. Here are our conclusions in more detail:

- ▶ Two of our funds whose objective is to closely follow an index, the FTSE Developed Europe ex-UK Equity Index Fund and the FTSE UK Equity Income Index Fund, compared well with similar funds, ranking in the 25th and 45th percentiles in their Morningstar categories respectively over one year and 28th and 62nd over three years. However the performance did not match the benchmark as closely as we would have liked. During the year, we reviewed these funds and concluded that the way we priced them under our swing pricing policy contributed to the difference. We introduced an updated approach to swing pricing<sup>4</sup> in July 2019 that should result in a closer match. We will continue to monitor how well the performance of these funds matches their indices following this change.
- ▶ Two active funds, the Global Equity and Global Equity Income funds, failed to keep up with their benchmarks over one and three years. However, the Global Equity Fund ranks in the top half of its Morningstar category over one and three years (41st and 20th, respectively). The Global Equity Income Fund is also ranked in the top half of its peer group (45th) over three years, but ranks in the 77th percentile over one year. The funds were launched in May 2016, so we do not yet have five- or ten-year performance, which may be fairer periods over which they should be judged. As the investments in an active fund differ from the benchmark, they will generally experience periods when they do better or worse than their benchmarks. Our goal is to have active funds that beat the benchmark and other similar funds over the long term. We will continue to closely monitor the performance of these funds, although we don't believe any action is required at the moment.

<sup>3</sup> Funds above the 50th percentile of performance compared with their Morningstar peer group. In all cases, performance is measured using the published net asset value (NAV) against the benchmarks or other measures disclosed in the prospectus and KIIDs.

<sup>4</sup> Swing pricing means that the net asset value (NAV) of the fund—the price at which investors buy and sell fund shares—is adjusted up or down to reflect the costs incurred by redemptions and subscriptions in the fund. This passes the costs back to the investors who are trading in and out of the fund, rather than allowing them to be absorbed by existing investors in the fund. In July 2019, Vanguard moved from full to partial swing pricing. Partial swing pricing means the manager only swings the price when net flows exceed a pre-agreed threshold, whereas full swing pricing is where the manager swings the price whenever there are any net flows into or out of a fund.

# General costs of the fund

Are the charges fair compared with the cost to Vanguard of providing the services I am paying for?

## What do we mean by good value?

- ▶ The fees paid by the investor should be reasonable in comparison to the cost of the service they or their fund is receiving. This applies not just to management fees but to any other charges, such as audit fees, legal fees, etc.
- ▶ The charges should be transparent and understandable to the investor, with no hidden costs.

**How we measured up:** The UK business – and Vanguard in general – is run on the principle that we exercise discipline over cost management. Where possible, any benefits derived from cost efficiency and from our scale (discussed further in the next section) are passed back to investors. As a consequence, investors benefit from much lower fees in many of our funds because we are part of a larger group.

As required by the assessment of value rules, we compared the charges made to the funds with the actual costs incurred

in providing the services being charged for. The Board was satisfied that this analysis demonstrated that the charges to the fund were reasonable in relation to the underlying costs.

We adopt a simple approach to charging the funds: for example, we do not charge performance fees and we do not have entry or exit charges. Vanguard pays the cost of the external services out of the management fee.

**How we can improve:** Effective management of costs continues to underpin our core purpose. We will continue to monitor all the criteria we rely on for setting charges and will not hesitate to cut fees when we find opportunities to pass on reductions in the costs that we incur, as we did as recently as October 2019 (see box below).

## Fee reductions

In October 2019, Vanguard reduced fees and increased consistency across its index and exchange-trade fund (ETF) ranges, including seven funds domiciled in the UK (and therefore in scope for this report). The reductions to the UK-domiciled fund fees are shown in the table opposite.

Source: Vanguard, 23 October 2019.  
For full details please visit <https://global.vanguard.com/>

Fund fee reductions	Old OCF* %	New OCF* %
FTSE Developed World ex-UK Equity Index Fund	0.15	0.14
FTSE Global All Cap Index Fund	0.24	0.23
FTSE UK All Share Index Unit Trust	0.08	0.06
FTSE UK Equity Income Index Fund	0.22	0.14
UK Inflation-Linked Gilt Index Fund	0.15	0.12
UK Long Duration Gilt Index Fund	0.15	0.12

\*ongoing charges figure (OCF)

# Economies of scale

Has Vanguard achieved appropriate economies of scale and have these been passed on to investors?

## What do we mean by good value?

- ▶ As the business grows, Vanguard should be able to use its increasing size to negotiate good deals with providers of services, such as investor record keeping, fund accounting and investment administration, and to spread the costs across more investors. The resulting economies of scale should mean that, for every £1 invested, the amount paid by investors to receive the services provided goes down as the business grows.
- ▶ Having generated these economies of scale, it is important that they are passed on to investors in the form of fee reductions as our business grows.

**How we measured up:** Passing on the benefits of our scale is one of the key ways we seek to improve investor outcomes. As a subsidiary of the Vanguard group, which has approximately \$6 trillion in assets under management globally (as at 31 December 2019), the UK business is able to benefit from global relationships with service providers.

In many instances, the fee scales and structures are negotiated based on our global assets under management and are therefore significantly lower than the UK business

would be able to negotiate as a stand-alone entity. This benefit is reflected in the lower cost of various services, such as index licencing and custody services. Vanguard pays for these types of expenses out of the management fees received from investors, so the benefits generated from economies of scale are effectively passed on to the investor in the form of lower fees.

Vanguard has internal units whose remit includes regularly assessing and renegotiating third-party contracts and fees. We discuss terms with providers and test whether our costs are in line with what others are paying to confirm that we are receiving value for money. These exercises, combined with the economies of scale being passed back to investors, resulted in fee reductions in 2015, 2018 and 2019. While some of these benefits of our scale are retained for investment in future growth, the fee reductions demonstrate that our investors are also directly sharing in the benefits.

The ultimate test of how we pass on these economies of scale is a low management fee, which is discussed more in the next section.

**How we can improve:** While we are confident that our history of passing on fee reductions to investors allows them to share in the benefits of our scale, we are continually looking for opportunities to hand back further savings to investors.

# Comparable market rates

Do the charges I pay provide value compared with similar funds on the market?

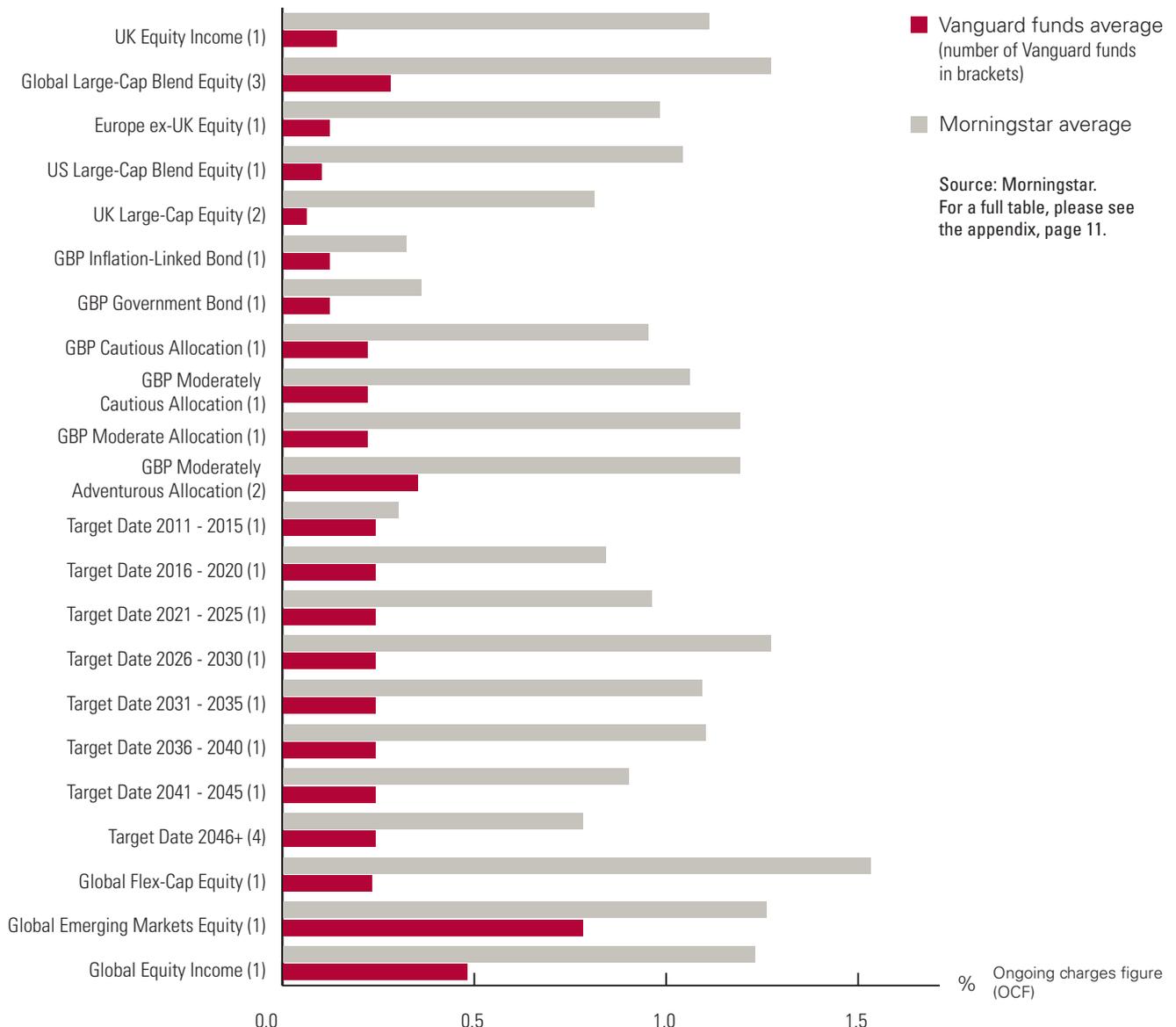
## What do we mean by good value?

- ▶ Every £1 charged represents £1 less in returns to the investor. Over the long term, these charges can have a significant impact on returns.
- ▶ Funds with low ongoing charges offer better value than those with higher fees.

**How we measured up:** Our analysis showed that the ongoing charges of our UK-domiciled funds are on average 73% cheaper than the average for their respective sectors<sup>5</sup>. Furthermore, our funds are typically ranked within the lowest 10% of their respective peer groups for cost. Our analysis was based on data from Morningstar. All our funds therefore received a green rating for value using this assessment criterion.

**How we can improve:** We are continually monitoring our fees to ensure that Vanguard maintains its position as one of the lowest-cost providers in the market.

## Average charges to retail investors for Vanguard funds relative to category average



<sup>5</sup> Comparable funds determined by Morningstar for each of our funds.

# Comparable services

How do the charges I pay compare with those paid by other investors in the same fund?

## What do we mean by good value?

- ▶ What the investor pays for units (or “shares”) in a fund with a particular investment objective should be comparable to what other investors of a similar size pay for units in the same fund, or other funds with a similar investment objective.
- ▶ Investors of different sizes may pay different charges, given that the relative administration costs are higher for small investments than for larger ones. For example, say Vanguard received £1million of new assets from 1,000 investors each with £1,000, or the same amount as a single investment from one client. In the first situation, we would need to process 1,000 applications and in the second case, only one. Even though the two scenarios generate the same level of new assets, the cost of processing the second scenario is lower. In setting prices, our guiding principle is that the outcome should be fair to all types of investor, irrespective of the size of their investment.
- ▶ Similarly, there may be different charges for share classes in funds with different investment objectives. It is more expensive to invest in some markets than others, like emerging markets or smaller companies. However, the difference in charges should be fair in relation to the cost of investing in those markets.
- ▶ A simple, competitive and cost-effective range of share classes reduces the likelihood that investors will inadvertently pay too much by being in the wrong share class.

**How we measured up:** The only share classes for retail investors are A shares with income-paying or accumulating options. The pricing is the same for both. They are available either through fund platforms (including the Vanguard UK Personal Investor platform) or directly from Vanguard for those with more than £100,000 to invest. In some cases our funds have a single share class open to both retail and institutional investors at the same price.

Seven UK funds have an institutional plus share class, with a reduced management fee for larger clients that cost less to serve. Institutional plus shares are available in both income-paying and accumulating options. When pricing share classes for institutional clients, a comparison is made with retail share classes to ensure a fair and competitive difference. We compared the published management fees for the retail and institutional plus share classes and concluded that the differences were reasonable.

In some cases, additional discounts are offered to further reduce the price for the larger institutional clients. Any such discount takes into consideration the size of investment that the client and/or distributor makes, thereby bringing further scale that all investors will benefit from over time.

**How we can improve:** We remain alert to the needs of both retail and institutional investors and will continue to assess whether those needs are best served by the current range of share classes.

# Classes of units

Have I invested in an expensive share class when a cheaper one is available?

## What do we mean by good value?

The FCA recognises that the UK investment industry has a legacy of share classes with higher fees and that some investors holding these more expensive share classes have not been moved to cheaper options. A goal of the FCA's assessment of value exercise is to highlight the practice and encourage the industry to do more to put it right. We believe providing value under this heading means:

- ▶ The investor is in the most suitable share class given their investment objective.
- ▶ There is no other share class with the same rights but lower charges.

**How we measured up:** As discussed in the previous section, the main share classes are A shares for retail investors and institutional plus shares for institutional investors with large sums to invest.

Vanguard does not pay commissions and there are therefore no share classes priced to reflect commissions paid to middlemen before the introduction of the Retail Distribution Review (RDR) in 2012. As a result, the suggested tests to gauge whether investors are being over-charged in pre-RDR funds do not apply. We have therefore rated all our funds as green for this assessment criterion.

**How we can improve:** As discussed in the last section, we will continue to review our range of share classes to ensure they fit the needs of our various investors.

# Quality of service

Am I happy with the range and quality of service I receive?

## What does good value mean here?

- ▶ An investor should be clear about what they are buying and what they are paying for. Crucial to this objective is the range and general quality of the documents that accompany financial products.
- ▶ The quality of the manager's global structures and systems are also vital to ensuring a high quality of service, including the processes used to manage the fund's investments.
- ▶ Value is also provided by the quality of the practical infrastructure of the funds, such as the regular reports to clients and how outside service providers deal with record keeping, accounting and other services.

**How we measured up:** Investors in our UK funds benefit significantly from Vanguard's global infrastructure, well-resourced teams and high-quality investment processes. As previously noted, investors access these global resources at very competitive prices. As a result, we concluded that, overall, Vanguard provides good value in terms of the quality of service we provide.

However, we do not wish to be complacent and recognise that there are always opportunities for improvement.

During the period of assessment, we reviewed the investment objectives of our UK funds in the light of recent guidance issued by the FCA. Following that review we determined that we should make some changes to provide further clarity on the investment objectives of our funds and how investors should measure performance. This was done to be more closely aligned to the FCA's expectations on the approach to disclosure.

As part of our oversight of the service we outsource to some external service providers, we set targets for service levels and operating standards. We identified some instances when service providers were not meeting the standards we expect. We are working with the relevant service providers on improved operating procedures.

As part of the ongoing assessment of internal operating processes, we identified a limited set of processes that would benefit from more resilient tools. Work is underway to implement improved solutions.

**How we can improve:** We are strengthening processes, updating communications and working with outside suppliers to improve our quality of service where we have not met our own high standards.

## Overall conclusion

Our philosophy has always been to take a stand for investors. It means we are committed to ensuring that we provide them with good value. We have used those same high standards to assess the value we provide in the UK market under the seven criteria outlined earlier in the report. We conclude that we continue to provide good value to investors. However, we are not standing still and will continue to assess our performance on a regular basis, recognising that there is always room for improvement.

# Appendix

## 1. Performance of UK-domiciled funds relative to peer group

Morningstar category <sup>6</sup> /Vanguard fund	01/10/2018 30/09/2019 1 year			01/10/2016 30/09/2019 3 years			01/10/2014 30/09/2019 5 years			01/10/2009 30/09/2019 10 years		
	Return (annualised) %	Peer group median return %	Peer group percentile	Return (annualised) %	Peer group median return %	Peer group percentile	Return (annualised) %	Peer group median return %	Peer group percentile	Return (annualised) %	Peer group median return %	Peer group percentile
<b>Passive funds</b>												
UK Equity Income												
Vanguard FTSE UK Equity Income Index	0.62	0.06	45	3.93	4.53	62	4.36	5.41	73	7.78	7.88	53
Global Large-Cap Blend Equity												
Vanguard FTSE Developed World ex-UK Equity Index	7.66	4.67	23	12.58	9.35	8	13.87	10.55	4	12.18	9.30	5
Vanguard LifeStrategy 100% Equity	5.91	4.67	39	10.64	9.35	30	11.64	10.55	35	-	-	-
Europe ex-UK Equity												
Vanguard FTSE Developed Europe ex-UK Equity Index	5.42	2.45	25	9.61	8.39	28	9.52	8.92	35	7.55	7.50	48
US Large-Cap Blend Equity												
Vanguard US Equity Index	8.42	7.55	39	14.36	12.97	28	16.20	14.47	14	15.58	13.54	4
UK Large-Cap Equity												
Vanguard FTSE UK All Share Index Unit Trust	2.59	2.22	38	6.79	6.29	31	6.77	6.07	25	-	-	-
Vanguard FTSE 100 Index Unit Trust	3.61	2.22	21	-	-	-	-	-	-	-	-	-
GBP Inflation-Linked Bond												
Vanguard UK Inflation-Linked Gilt Index	18.86	19.88	54	5.02	4.06	9	9.72	9.69	48	-	-	-
GBP Government Bond												
Vanguard UK Long Duration Gilt Index	23.06	12.95	1	5.23	2.58	1	10.15	5.55	3	-	-	-
GBP Cautious Allocation												
Vanguard LifeStrategy 20% Equity	9.96	5.45	1	4.29	3.06	4	5.81	3.81	5	-	-	-
GBP Moderately Cautious Allocation												
Vanguard LifeStrategy 40% Equity	8.84	4.48	1	5.78	2.99	3	7.27	3.67	1	-	-	-
GBP Moderate Allocation												
Vanguard LifeStrategy 60% Equity	7.84	4.09	4	7.42	4.43	2	8.78	5.33	2	-	-	-
GBP Moderately Adventurous Allocation												
Vanguard LifeStrategy 80% Equity	6.85	3.84	11	9.03	5.93	5	10.22	6.77	4	-	-	-
Target Date 2011 - 2015												
Vanguard Target Retirement 2015	7.08	3.28	1	5.78	3.18	1	-	-	-	-	-	-
Target Date 2016 - 2020												
Vanguard Target Retirement 2020	7.31	5.25	17	6.84	3.81	1	-	-	-	-	-	-
Target Date 2021 - 2025												
Vanguard Target Retirement 2025	7.53	5.75	20	7.51	5.67	1	-	-	-	-	-	-
Target Date 2026 - 2030												
Vanguard Target Retirement 2030	7.32	5.52	15	7.93	6.79	1	-	-	-	-	-	-
Target Date 2031 - 2035												
Vanguard Target Retirement 2035	7.13	5.92	13	8.35	7.64	1	-	-	-	-	-	-
Target Date 2036 - 2040												
Vanguard Target Retirement 2040	6.88	4.74	15	8.69	8.14	20	-	-	-	-	-	-
Target Date 2041 - 2045												
Vanguard Target Retirement 2045	6.77	4.72	13	8.90	8.68	40	-	-	-	-	-	-
Target Date 2046+												
Vanguard Target Retirement 2050	6.76	3.92	18	8.91	7.73	30	-	-	-	-	-	-
Vanguard Target Retirement 2055	6.84	3.92	1	8.93	7.73	20	-	-	-	-	-	-
Vanguard Target Retirement 2065	6.78	3.92	6	-	-	-	-	-	-	-	-	-
Vanguard Target Retirement 2060	6.78	3.92	12	-	-	-	-	-	-	-	-	-
Global Flex-Cap Equity												
Vanguard FTSE Global All Cap Index	6.36	1.47	23	-	-	-	-	-	-	-	-	-

Past performance is not a reliable indicator of future results.

6 Source: Morningstar. Peer group is defined as the Morningstar category, including UK, Luxembourg and Irish domiciled funds using oldest share class. This table does not include funds that were launched in 2019.

Morningstar category <sup>6</sup> /Vanguard fund	01/10/2018 30/09/2019 1 year				01/10/2016 30/09/2019 3 years			
	Return (annualised) %	Peer group Median return %	Net excess return <sup>7</sup> %	Peer group percentile	Return (annualised) %	Peer group Median return %	Net excess return <sup>7</sup> %	Peer group percentile
<b>Active funds</b>								
GBP Moderately Adventurous Allocation								
Vanguard Global Balanced	10.50	3.84	2.10	2	9.22	5.93	0.20	4
Global Emerging Markets Equity								
Vanguard Global Emerging Markets	7.00	5.02	0.16	34	10.95	7.11	2.90	6
Global Large-Cap Blend Equity								
Vanguard Global Equity	5.65	4.67	-1.85	41	11.43	9.35	-0.47	20
Global Equity Income								
Vanguard Global Equity Income	2.97	7.34	-4.65	77	8.61	8.49	-3.70	45

**Past performance is not a reliable indicator of future results.**

<sup>6</sup> Source: Morningstar. Peer group is defined as the Morningstar category, including UK, Luxembourg and Irish domiciled funds using oldest share class. This table does not include funds that were launched in 2019.

<sup>7</sup> Net excess return relative to the fund's prospectus benchmark.

## 2. Charges to retail investors for Vanguard funds relative to Morningstar category

Fund	Vanguard ongoing charge figure (OCF) <sup>8</sup> %	Average category ongoing charge figure (OCF) <sup>9</sup> %	Vanguard discount <sup>10</sup> %
<b>UK Equity Income</b>			
Vanguard FTSE UK Equity Income Index	0.14	1.11	87
<b>Global Large-Cap Blend Equity</b>			
Vanguard FTSE Developed World ex-UK Equity Index	0.14	1.27	89
Vanguard LifeStrategy 100% Equity	0.22	1.27	83
Vanguard Global Equity	0.48	1.27	62
<b>Europe ex-UK Equity</b>			
Vanguard FTSE Developed Europe ex-UK Equity Index	0.12	0.98	88
<b>US Large-Cap Blend Equity</b>			
Vanguard US Equity Index	0.10	1.04	90
<b>UK Large-Cap Equity</b>			
Vanguard FTSE 100 Index Unit Trust	0.06	0.81	93
Vanguard FTSE UK All Share Index Unit Trust	0.06	0.81	93
<b>GBP Inflation-Linked Bond</b>			
Vanguard UK Inflation Linked Gilt Index	0.12	0.32	63
<b>GBP Government Bond</b>			
Vanguard UK Long Duration Gilt Index	0.12	0.36	67
<b>GBP Cautious Allocation</b>			
Vanguard LifeStrategy 20% Equity	0.22	0.95	77
<b>GBP Moderately Cautious Allocation</b>			
Vanguard LifeStrategy 40% Equity	0.22	1.06	79
<b>GBP Moderate Allocation</b>			
Vanguard LifeStrategy 60% Equity	0.22	1.19	82
<b>GBP Moderately Adventurous Allocation</b>			
Vanguard LifeStrategy 80% Equity	0.22	1.19	82
Vanguard Global Balanced	0.48	1.19	60
<b>Target Date 2011 - 2015</b>			
Vanguard Target Retirement 2015	0.24	0.30	20
<b>Target Date 2016 - 2020</b>			
Vanguard Target Retirement 2020	0.24	0.84	71
<b>Target Date 2021 - 2025</b>			
Vanguard Target Retirement 2025	0.24	0.96	75
<b>Target Date 2026 - 2030</b>			
Vanguard Target Retirement 2030	0.24	1.27	81
<b>Target Date 2031 - 2035</b>			
Vanguard Target Retirement 2035	0.24	1.09	78
<b>Target Date 2036 - 2040</b>			
Vanguard Target Retirement 2040	0.24	1.10	78
<b>Target Date 2041 - 2045</b>			
Vanguard Target Retirement 2045	0.24	0.90	73
<b>Target Date 2046+</b>			
Vanguard Target Retirement 2050	0.24	0.78	69
Vanguard Target Retirement 2055	0.24	0.78	69
Vanguard Target Retirement 2060	0.24	0.78	69
Vanguard Target Retirement 2065	0.24	0.78	69
<b>Global Flex-Cap Equity</b>			
Vanguard FTSE Global All Cap Index	0.23	1.53	85
<b>Global Emerging Markets Equity</b>			
Vanguard Global Emerging Markets	0.78	1.26	38
<b>Global Equity Income</b>			
Vanguard Global Equity Income	0.48	1.23	61
<b>Average</b>	<b>0.24</b>	<b>0.98</b>	<b>73</b>

8 Vanguard data shows the OCF following the fee reductions referenced on page 5. These are the fees effective as of the date of this report, January 2020.

9 Average category OCF is sourced from Morningstar with published fees as of January 2020.

10 Vanguard discount represents the percentage difference between the OCF for a Vanguard fund versus the average OCF for the category.

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The Key Investor Information Document ("KIID") and the Prospectus for Vanguard FTSE U.K. All Share Index Unit Trust and Vanguard FTSE 100 Index Unit Trust is available, on request, via [uk\\_client\\_services@vanguard.co.uk](mailto:uk_client_services@vanguard.co.uk) or telephone 0800 032 3731.

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