

**Vanguard**

# How to pick a multi-asset partner

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# Agenda

- **What are Vanguard's multi-asset credentials**
- **What to look for in a firm and their people?**
- **What is the origin story of the multi asset fund?**
- **Do you deliver a balanced solution?**
- **Cash or multi asset?**
- **Vanguard SustainableLife**

# Learning objectives



Describe Vanguard's framework for selecting a multi asset manager and how it splits into drivers and outcomes of outperformance



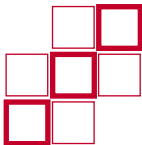
Describe the importance of balance and low cost in helping clients to achieve their investment goals



Describe to what extent multi-asset funds can be a better alternative to cash

# Vanguard multi-asset solutions

## Target allocation (index)



**LifeStrategy  
fund range**

0.22%  
OCF<sup>1</sup>

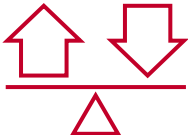
**LifeStrategy  
MPS Classic**

0.21 – 0.23%  
All-in cost<sup>2</sup>

**LifeStrategy  
MPS Global**

0.22 – 0.23%  
All-in cost

## Target allocation (active)



**SustainableLife**

0.48%  
OCF<sup>1</sup>

## Target outcome



**LifeTarget Model  
Portfolios**

0.32 – 0.33%  
All-in cost<sup>2</sup>

**£1,252bn**

in multi-asset  
solutions globally

**£146bn**

in active multi-asset  
solutions globally

**1976**

When our expertise in both portfolio  
construction and asset allocation began

Source: Vanguard. Data as at 30 September 2023.

<sup>1</sup> The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

<sup>2</sup> All-in costs include Ongoing Charges Figures (OCF) and an annual portfolio management fee that covers the discretionary management of the managed portfolio service, ongoing oversight, and regular rebalancing of the portfolios. The portfolio management fee is exclusive of VAT and any adviser, platform, or dealing charges.

# What to look for in a firm?





# Vanguard search and oversight: Identifying talented fund managers

Our framework for evaluating current and prospective managers emphasises qualitative criteria, not short-term performance

## Drivers



### Firm

- Ethics
- Stability
- Ownership structure
- Account and asset trends
- Diverse client base
- Incentives



### People

- Deep investment team
- Succession/ contingency
- Limited turnover
- Tenure and experience
- Proven expertise
- Demonstrated ability to handle large mandates



### Philosophy

- Shared by investment professionals
- Enduring
- Easily articulated



### Process

- Understandable
- Stable/proven
- Repeatable

## Outcomes



### Portfolio

- Clear reflection of philosophy and process
- Characteristics consistent with expectations
- Risk profile is aligned with the investment strategy

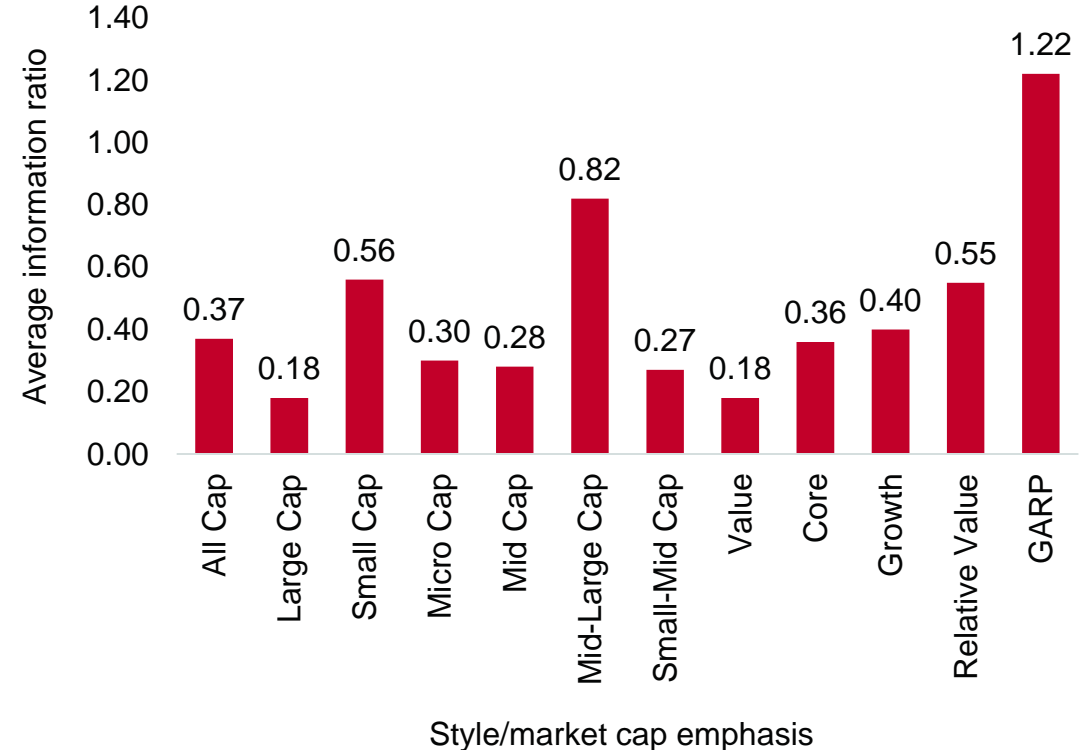


### Performance

- Long-term history of competitive results vs benchmarks and peers
- Performance consistent with investment approach

# Case Study: Wellington Management Company

**Wellington Management equity approaches**  
Average information ratio (over 10 years or since inception)



**Wellington Management fixed income approaches**  
Average information ratio (over 10 years or since inception)



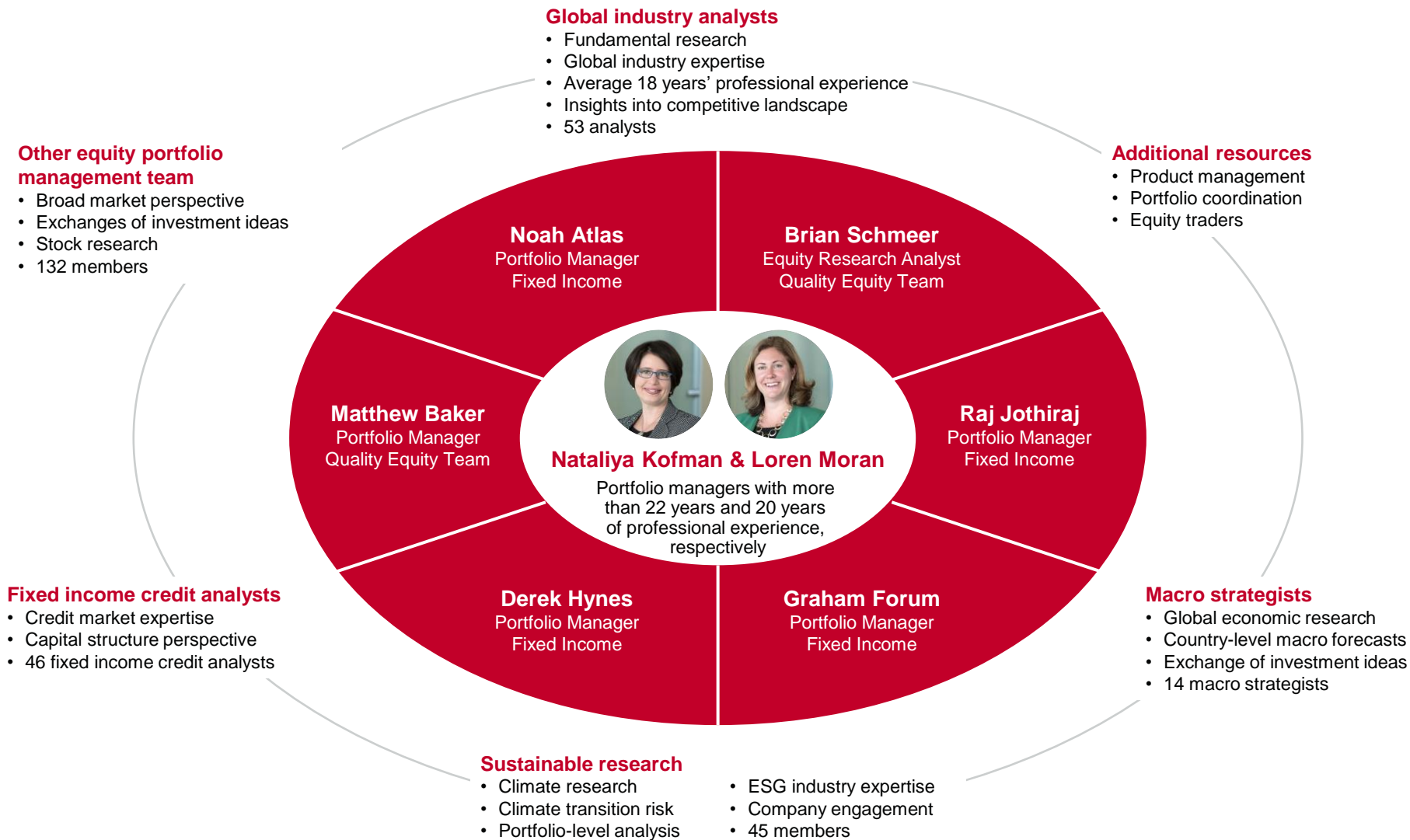
**What does a  
world class level of  
people resource  
look like?**

**Vanguard**





# Wellington's depth of research



# What is the origin story of multi-asset investing?



# Vanguard and Wellington – there is history!

How it was then...



Jack Bogle in the morning meeting, 1969

And now...





# Investment philosophy



1. Good stewards of capital with history of stable dividends
2. Strong operators in capital-starved industries
3. Market leaders with underappreciated franchise values
4. High quality fixed income

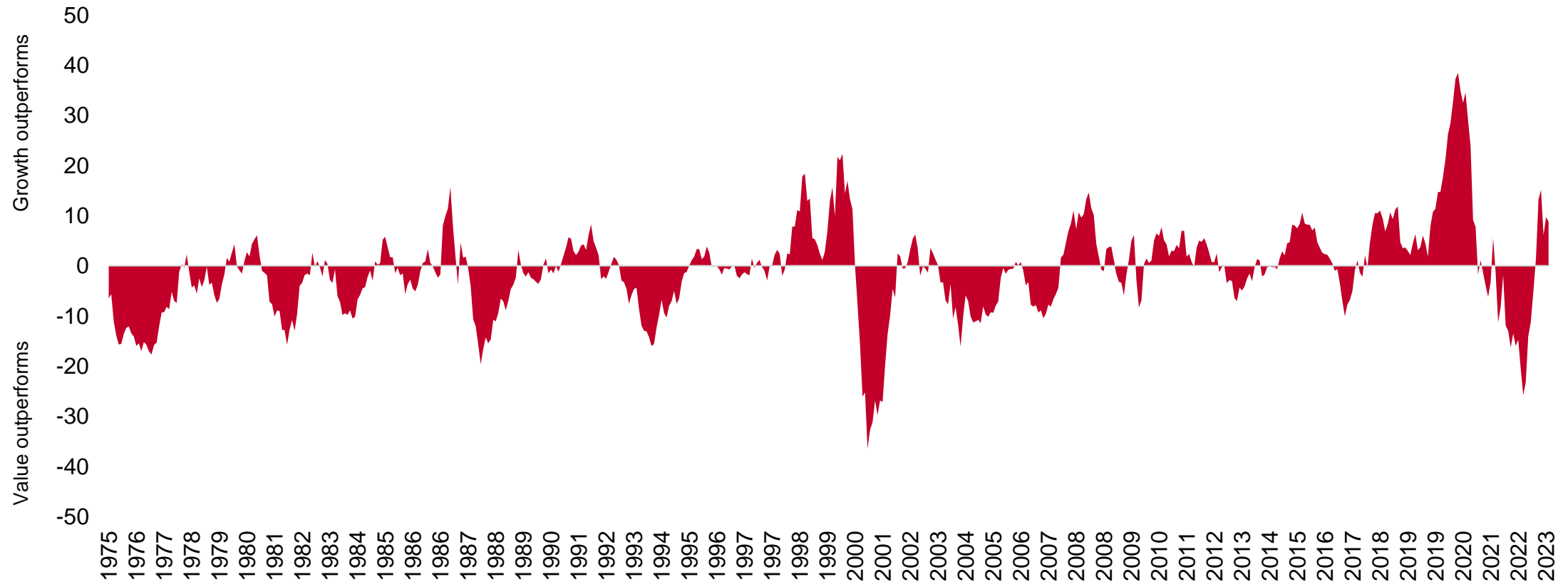
**Do you deliver  
a balanced  
solution?**





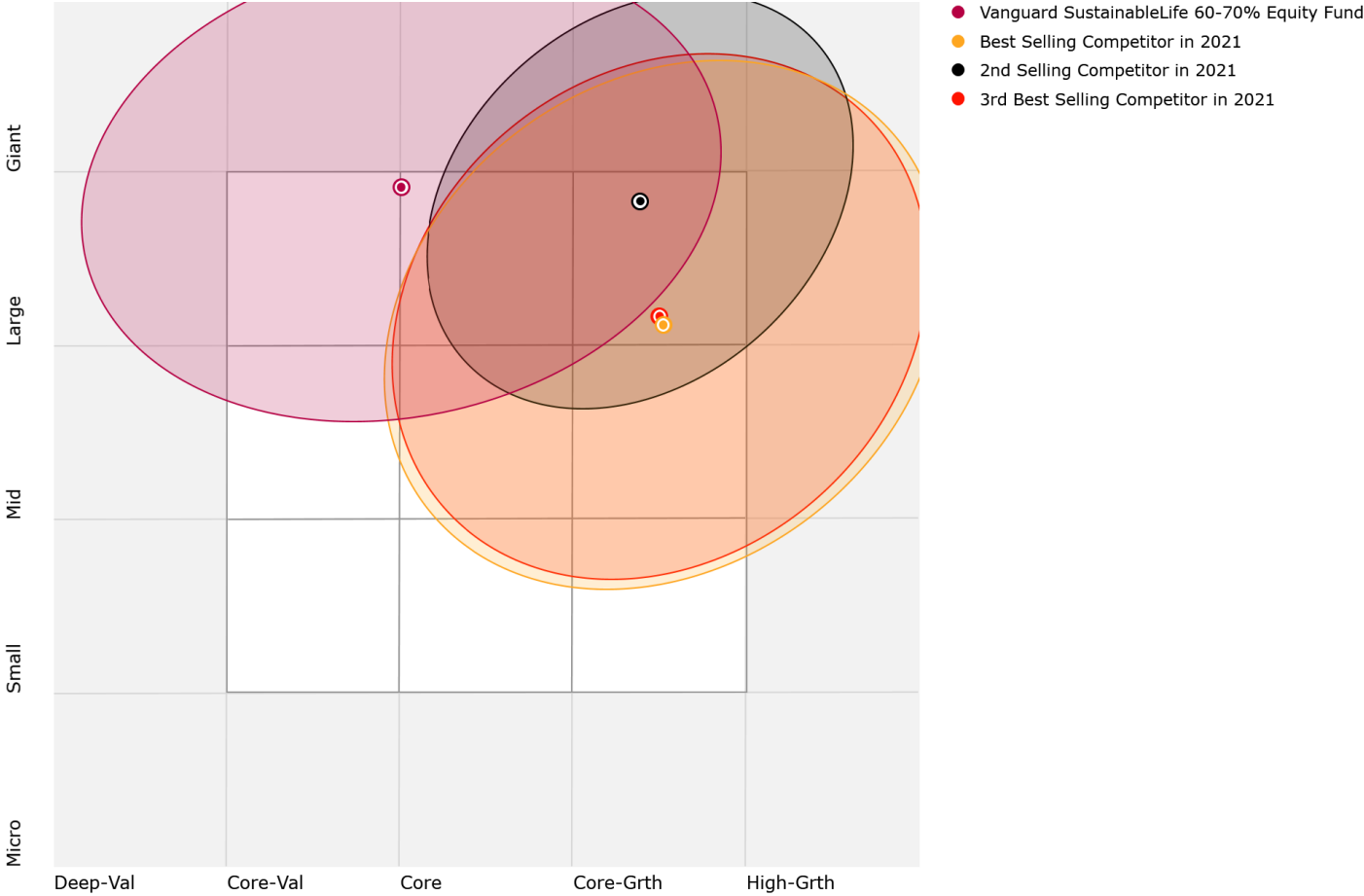
# The balance between growth and value is in constant flux

Rolling 1 year global equity returns: Growth relative to value (%)



# Don't abandon balance in the pursuit of sustainability

## Holdings-based style map






# Allocate to cash or multi-asset?



# Normal rules of investing still apply

## How shares have fared compared with cash and bonds: total returns 1901–2022

		Nominal	Real (inflation-adjusted)
		Average annual return	Average annual return
Cash <sup>1</sup>		4.55%	0.87%
UK bonds		5.14%	1.44%
UK shares		9.18%	5.35%

Past performance is not a reliable indicator of future results.

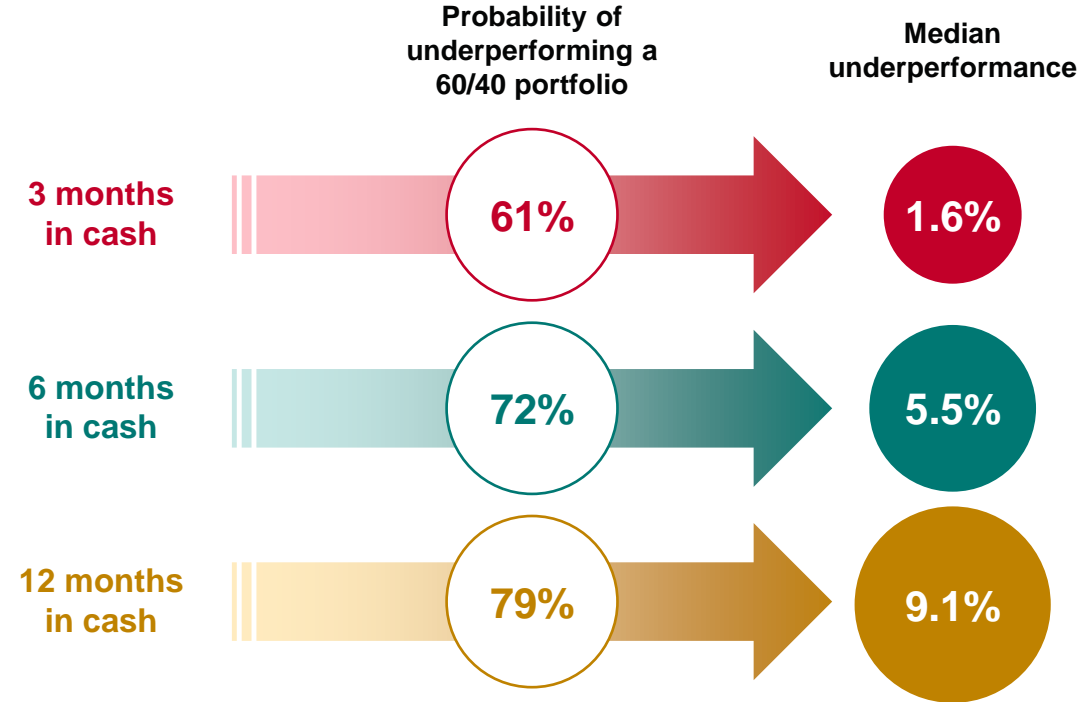
Sources: Vanguard, using Dimson-Marsh-Staunton global returns data from Morningstar, Inc. (the DMS UK Equity Index, DMS UK Bond Index, DMS World Bill Index).

Notes: Data cover 31 December 1900 to 31 December 2022. Returns are in GBP. Nominal value is the return before adjustment for inflation with dividends and income reinvested; real value includes the effect of inflation.

<sup>1</sup> UK Treasury bills are used here as a proxy for cash.



## Investors who have reacted to market events by moving to cash have seen their portfolios underperform the markets



Past performance is not a reliable indicator of future results.

Source: Vanguard calculations in GBP, based on data from Refinitiv. Data is based on the period between 31 January 1990 and 28 February 2022.

Notes: The chart shows the percentage of times that cash has underperformed a global 60% equity/40% stock portfolio over 3-, 6-, and 12-month periods after 2-month total returns of global equities were below 5%. For example, global equity returns from 31 August 2008 to 31 October 2008 were -20.74%. Over the following 3-month period until 31 January 2009, cash returned 0.84%, while the 60/40 portfolio returned 1.76%, so that the excess returns of cash were at -0.93%. Equity comprises global equity (MSCI AC World Total Return Index). Fixed income comprises hedged, global bonds (Bloomberg Global Aggregate Bond Index Sterling Hedged). Cash is represented by GBP 3-Month Deposits.



A man with glasses and a blue shirt is carrying a young girl on his shoulders. They are in a lush green forest, looking upwards. The man is holding a purple object. The background is filled with tall trees and sunlight filtering through the leaves.

S U **S T A I N A B L E** E

**More for the planet. More for your clients.**

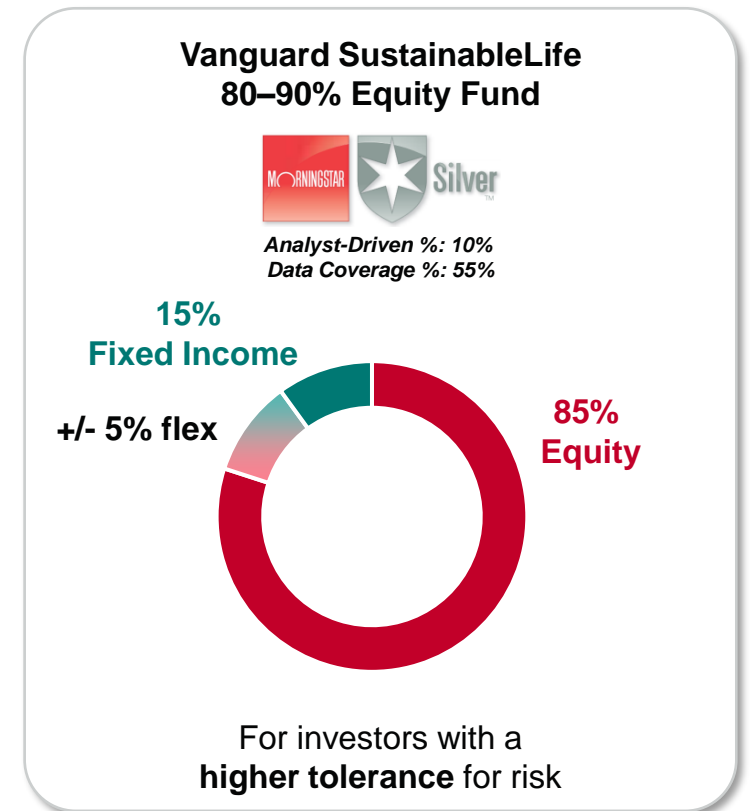
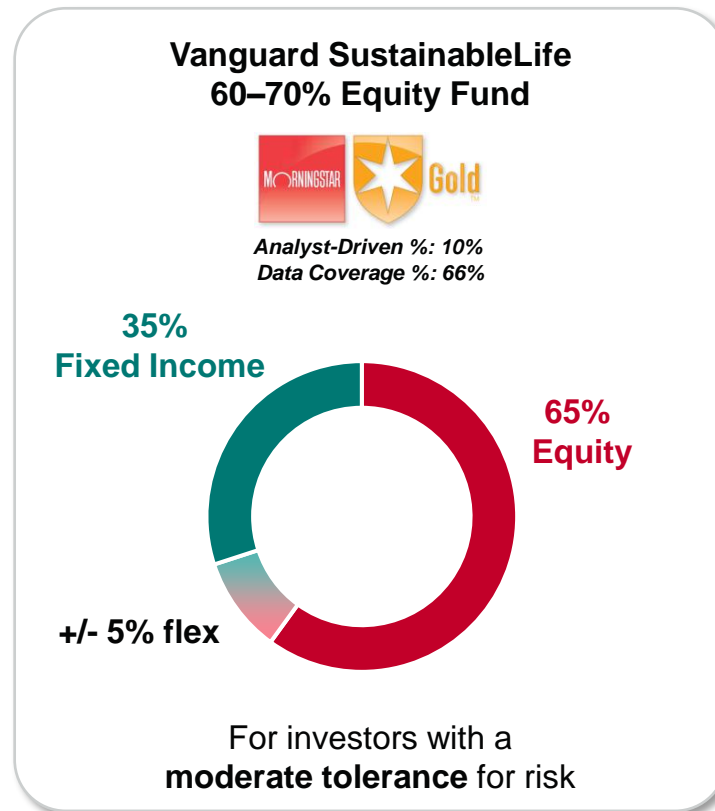
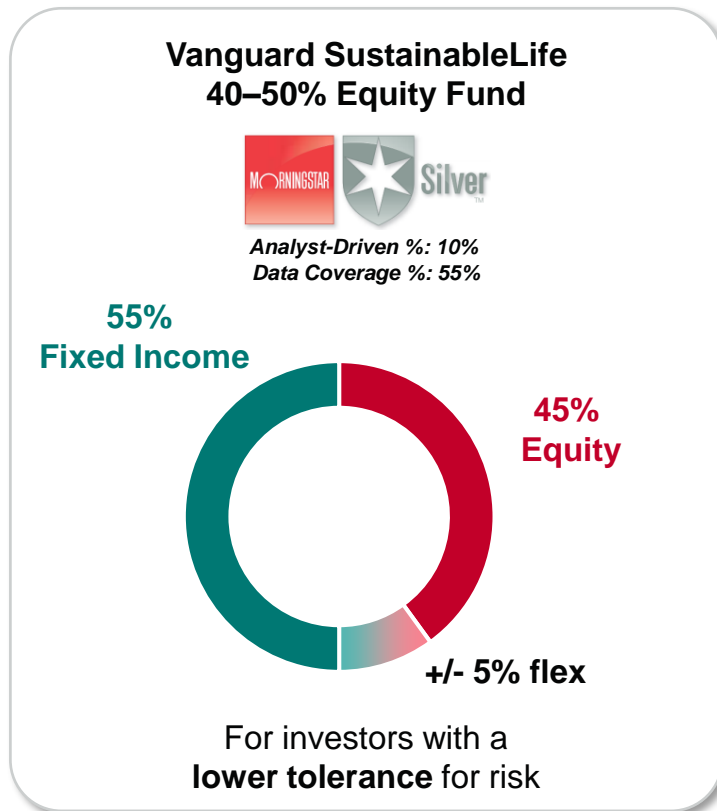
**Vanguard**<sup>®</sup>

VALUE TO INVESTORS



# Vanguard SustainableLife fund range

A choice of three funds for a diversified core portfolio



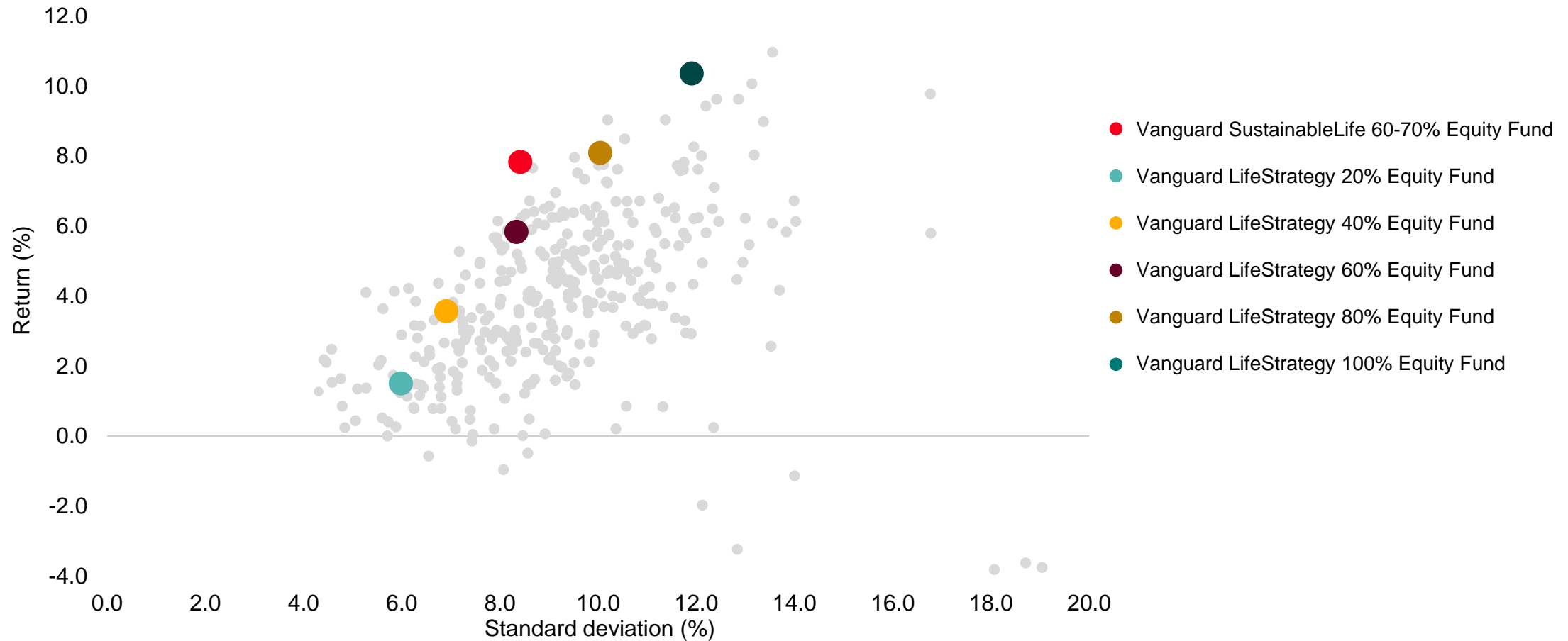
Source: Vanguard, as at 30 September 2023.

Note: The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to [global.morningstar.com/managerdisclosures/](https://global.morningstar.com/managerdisclosures/). © 2023 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Vanguard SustainableLife funds: The four pillars of sustainability



# Risk/return: Vanguard LifeStrategy and SustainableLife 60-70%



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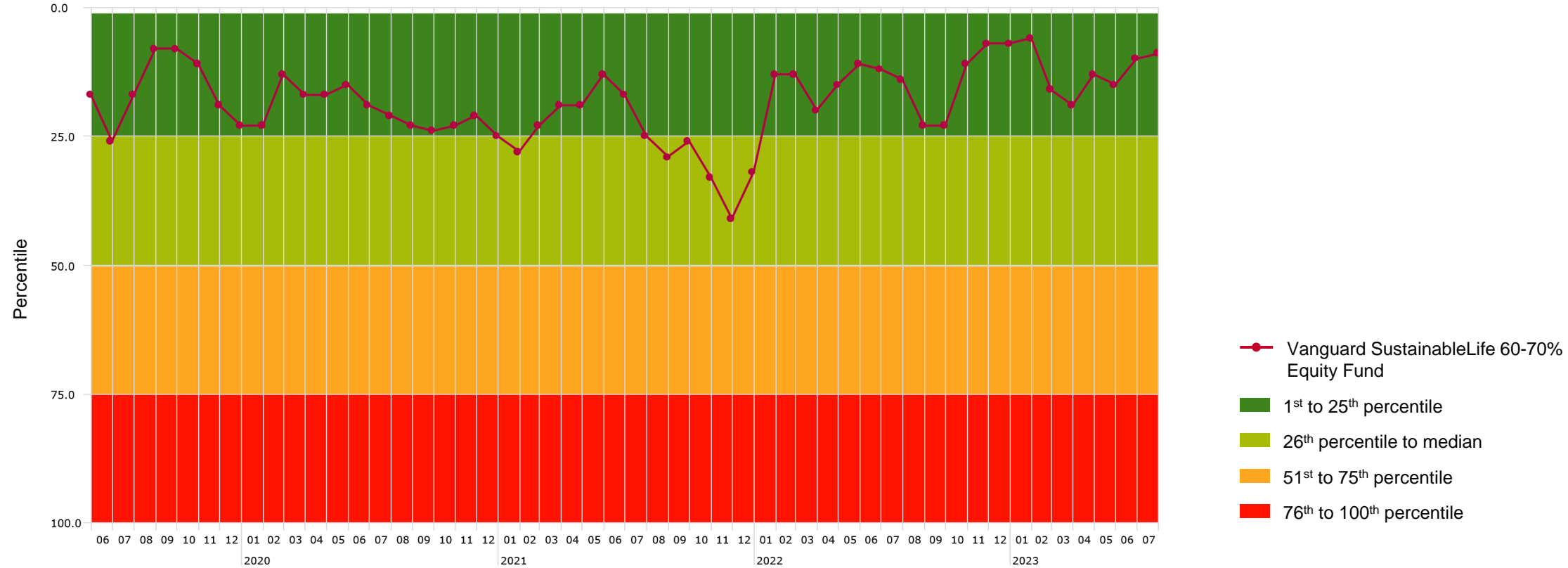
Source: Morningstar Direct. Data from 25 May 2016 to 30 September 2023. 25 May 2016 is the inception date for Vanguard Global Balanced Fund.

Note: 'Vanguard SustainableLife 60-70% Equity Fund' was formerly known as 'Vanguard Global Balanced Fund'. The name was changed on 8 December 2021 following an update of investment strategy.

Performance is on a NAV to NAV basis with gross income reinvested, in GBP and is net of fees.

# Rolling returns vs IA sector





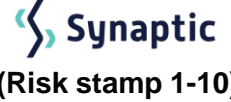














Over 3 years and 1 month rolling windows, the Vanguard SustainableLife 60-70% Equity Fund outperforms 44 times (100.00%). IA Mixed 40-85% Investment outperforms 0 times (0.00%)



**Past performance is not a reliable indicator of future returns.**  
 Source: Morningstar Direct. Monthly data from June 2019 to July 2023. Rolling window: 3 years 1 month. Calculation benchmark: IA Mixed 40-85% Investment.  
 Note: 'Vanguard SustainableLife 60-70% Equity Fund' was formerly known as 'Vanguard Global Balanced Fund'. The name was changed on 8 December 2021 following an update of investment strategy. Performance is on a NAV to NAV basis with gross income reinvested, in GBP and is net of fees.



# Vanguard sustainability fund range risk ratings

	 Morningstar Medalist Rating™	 DYNAMIC PLANNER	 (Risk stamp 1-10)	 FinaMetrica	 Synaptic (Risk stamp 1-10)	Oxford Risk	 defaqto
Vanguard SustainableLife 40-50% Equity Fund	 Silver Analyst-Driven %: 10% Data Coverage %: 55%	 5	5.70	38-56	 5 1-10	Oxford Risk 2 / 5 3 / 7	 4 defaqto
Vanguard SustainableLife 60-70% Equity Fund	 Gold Analyst-Driven %: 10% Data Coverage %: 66%	 6	7.38	57-68	 7 1-10	Oxford Risk 3 / 5 4 / 7	 6 defaqto
Vanguard SustainableLife 80-90% Equity Fund	 Silver Analyst-Driven %: 10% Data Coverage %: 55%	 7	9.09	69-100	 8 1-10	Oxford Risk 4 / 5 5 / 7	 8 defaqto
Vanguard Global Sustainable Equity Fund	 Bronze Analyst-Driven %: 100% Data Coverage %: 100%	N/A	10+	N/A	N/A	Oxford Risk 5 / 5 6 / 7	N/A

Source: Vanguard, as at 30 September 2023.

Note: EValue ratings are assessed using the time horizon of 15 years, for accumulation share classes. The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to [global.morningstar.com/managerdisclosures/](https://global.morningstar.com/managerdisclosures/). © 2023 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.



# Learning objectives



Describe Vanguard's framework for selecting a multi asset manager and how it splits into drivers and outcomes of outperformance.



Describe the importance of balance and low cost in helping clients to achieve their investment goals.



Describe to what extent multi-asset funds can be a better alternative to cash.

# Rolling annual returns

Year on year returns (%)	1 Oct 2018 - 30 Sep 2019	1 Oct 2019 - 30 Sep 2020	1 Oct 2020 - 30 Sep 2021	1 Oct 2021 - 30 Sep 2022	1 Oct 2022 - 30 Sep 2023
Vanguard SustainableLife 40-50% Equity Fund A GBP Accumulation	--	--	--	--	6.78
Vanguard SustainableLife 60-70% Equity Fund A GBP Accumulation	10.50	-1.86	15.83	-3.00	8.88
Vanguard SustainableLife 80-90% Equity Fund A GBP Accumulation	--	--	--	--	11.23
SustainableLife 40-50% Equity Composite Index in GBP	8.79	5.83	10.60	-10.45	6.88
SustainableLife 60-70% Equity Composite Index in GBP	8.40	5.38	15.20	-8.01	8.61
SustainableLife 80-90% Equity Composite Index in GBP	8.01	5.86	19.91	-5.21	10.63

# Investment risk information



The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

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Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

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