

VANGUARD GLOBAL BALANCED FUND
QUARTERLY UPDATE**LOW-COST ACTIVE**
MULTI-ASSET

Vanguard Global Balanced Fund is an actively managed multi-asset solution that invests in a balance of equities and bonds. The fund is managed by Wellington Management Company LLP and employs a conservative approach, using broad diversification to moderate risk in order to pursue three investment goals: conservation of capital, reasonable current income and profits without undue risk.

Highlights

- Equity markets rose over the quarter.
- Cyclical industries rebounded on vaccine optimism.
- Value and dividend stocks outperformed.
- The risk premium for fixed income assets diminished.
- The Vanguard Global Balanced Fund performed in-line with its composite index.

Market overview

Global equity markets posted strong returns in the quarter as risk-on sentiment returned following positive news on Covid-19 vaccines, validation of the US presidential election result, confirming a victory for Joe Biden, and in Europe, the agreement of a Brexit deal.

The cyclical sectors of oil and gas, financials and materials outperformed the broader market, while more defensive sectors such as healthcare and telecommunications lagged.

Value stocks continued their rally over growth stocks, high dividend-yielding and high-beta stocks performed well and small-caps outperformed large-caps. The risk-on sentiment also helped emerging markets post strong returns given their large exposure to cyclical sectors. UK equities and the pound rallied following the Brexit deal.

In the risk-on environment, credit outperformed developed market government bonds. Credit spreads (the difference in yield between a US Treasury bond and another debt security of the

same maturity but different credit quality) tightened across all sections of the market¹. The spread differential across credit quality also compressed as the more Covid-19-sensitive sub-sectors began to catch up on performance.

Performance

The Vanguard Global Balanced Fund returned +5.94% (net of fees) over the quarter and performed in-line with its benchmark composite index (in GBP), which returned +5.99%².

The equity portfolio outperformed its benchmark while the fixed income portfolio marginally lagged.

In equities, the portfolio's strategic value bias and dividend focus contributed to performance. On the sector front, security selection within financials and technology led the gains.

Among individual stocks, Samsung Electronics and Chubb were the top contributors while AstraZeneca and Lockheed Martin were among the largest detractors.

¹ Source: Bloomberg and Vanguard as at 31 December 2020.

² Source: Vanguard as at 31 December 2020.

Shares of Samsung Electronics rose following the release of third-quarter results which showed revenue and earnings ahead of estimates. There was further support from an improving outlook for Smartphone sales growth.

Chubb's stock rallied despite it missing consensus earnings estimates, due to higher catastrophe losses and lower investment yields. Its revenue numbers were better and performance benefitted from solid growth in its property and casualty portfolios.

Shares of AstraZeneca underperformed after its Covid-19 vaccine showed a lower efficacy rate than some of its competitors. Wellington used this weakness to add to its position.

Pharmaceutical stocks overall lagged on worries that the US democrats advantage in the Senate increased the prospect of drug pricing reform in the country.

Lockheed Martin, and defence stocks generally, underperformed due to heightened concerns over the future of US defence spending. Wellington maintained its positions on the basis that the sector should be supported by rising global security threats.

In the fixed income portfolio, duration positioning marginally detracted. The portfolio was underweight credit spread duration and this was detrimental for performance, this quarter, as spreads generally continued to tighten. Security selection within sectors was positive, led by financials, consumer non-cyclical transportation and energy, in the industrial sector. In government-related exposures, the portfolio benefited from a lack of exposure to select euro-denominated supranationals.

Activity

In the equity portfolio, Wellington added to healthcare and utilities.

It initiated a position in pharmaceutical company Eli Lilly & Co, taking advantage of price weakness in the pharmaceutical sector to enter the stock at an attractive valuation. Wellington believes that the drug-pricing reform concerns are overly discounted and that a strong pipeline

of innovations has transformed Eli Lilly into one of the most attractive franchises in the US.

Wellington took profits and trimmed their position in Deere on share price strength. The company reported solid third-quarter results which exceeded expectations. Additionally, the agricultural machinery giant increased its sales outlook for the year, despite uncertainty related to Covid-19.

In the fixed income portfolio, exposure to government bonds was increased at the expense of a reduction in government-related issuers, such as supranationals and municipals.

The portfolio has a slight underweight to US duration in the expectation that US rates are likely to remain range-bound. Neutral duration positions are held in euro- and sterling-denominated debt.

In corporate credit, the portfolio is positioned with a bias toward defensive sectors with lower earnings volatility.

Outlook

Multiple years of markets being led by a small group of growth companies has created an historical valuation disparity in the market, not just in growth versus value but also regional disparity in US-listed versus other globally listed companies. Wellington believes this disparity in valuations and the availability of capital is resulting in one of the most interesting opportunities in the market for some time.

The fixed income team's base-case expectation is for an improving economy but for elevated volatility in the coming months. While markets have stabilised, the expiration of the Fed's lending facilities will remove an important backstop for credit spreads, introducing the possibility of heightened volatility in the first quarter of 2021.

While fundamentals are likely to remain strained into the medium term, credit markets are well supported by global central-bank policy and the manager will continue to look for opportunities within this sector.

Key fund facts

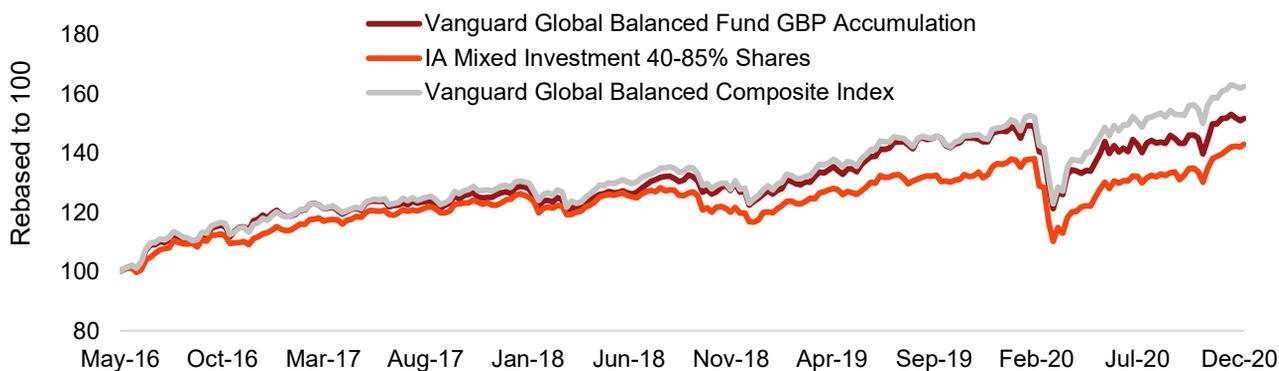
Investment manager: Wellington Management Company LLP
Target weighting: Equities 60%; Bonds 40%
Domicile: United Kingdom
Benchmark: Vanguard Global Balanced Composite Index

Inception date: 25 May 2016
Ongoing charges figure: 0.48%
Fund AUM: GBP 145m
ISIN: GB00BZ830054

Top 10 fund holdings (% exposure, as at 31 December 2020)

Company	%
Johnson & Johnson	1.8
Microsoft Corp.	1.8
Novartis AG	1.7
Taiwan Semiconductor Manufacturing Co. Ltd.	1.6
Cisco Systems Inc.	1.6
Bank of America Corp.	1.5
United Parcel Service Inc.	1.5
Samsung Electronics Co. Ltd.	1.4
Deere & Co.	1.3
Chubb Ltd.	1.3

Fund performance (as at 31 December 2020)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	4.03	5.94	4.03	6.29	--	9.48
Peer Group	5.61	7.88	5.61	4.53	7.34	8.01
Benchmark	10.82	5.99	10.82	8.40	--	11.25

Year on year (%)	1 Jan 2016 - 31 Dec 2016	1 Jan 2017 - 31 Dec 2017	1 Jan 2018 - 31 Dec 2018	1 Jan 2019 - 31 Dec 2019	1 Jan 2020 - 31 Dec 2020
Fund	--	6.89	-1.91	17.69	4.03
Peer Group	13.57	9.90	-6.22	15.70	5.61
Benchmark	--	9.56	-2.47	17.85	10.82

Past performance is not a reliable indicator of future results.

Peer group is Investment Association Mixed Investment 40-85% Shares.

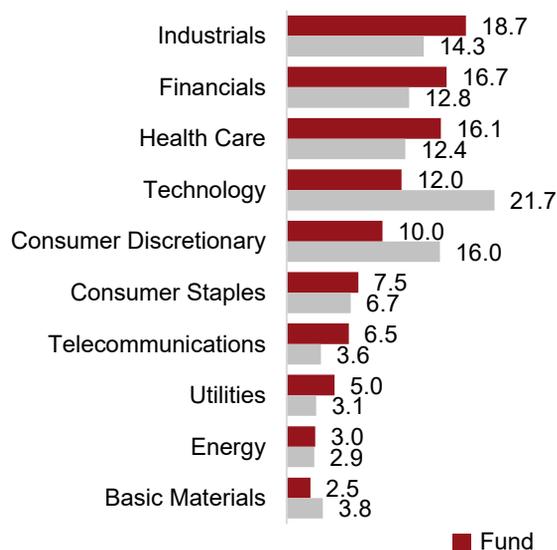
Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance is NAV to NAV. Basis of index performance is total return. All performance is calculated in GBP, net of fees.

Source: Vanguard and Morningstar, as at 31 December 2020.

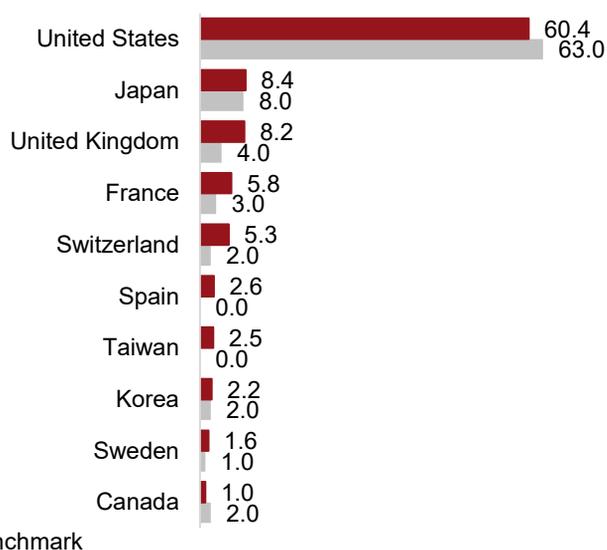
Equity portfolio (as at 31 December 2020)

Characteristics	Fund	Benchmark
Number of stocks	87	2,136
Median market cap	£72.3B	£61.9B
PE ratio	22.2X	25.6X
Equity yield (dividend)	2.4%	1.8%

Sector exposure (%)



Region exposure (%)



Fixed income portfolio (as at 31 December 2020)

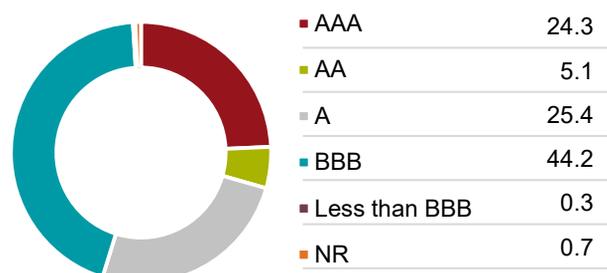
Average coupon: 2.4%
Average maturity: 8.8 years
Average quality: A

Average duration: 6.9 years
Turnover rate: 97.0%

Distribution by issuer (% of bonds)

Characteristics	Fund %
Industrial	38.1
Financial Institutions	19.5
Treasury	19.5
Mortgage Backed Security Pass-through	7.1
Utility	6.1
Sovereign	3.7
Local Authority	3.1
Agency	2.1
Asset Backed Security	0.4
Supranational	0.4
Commercial Mortgage Backed Security	0.2

Distribution by credit quality (% of bonds)



Credit quality ratings for each issue are obtained from Barclays using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poor's. When ratings for all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Source: Vanguard, as at 31 December 2020.

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.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only.

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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For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIID"). The KIID and the Prospectus for the fund(s) is available from Vanguard via our website <https://global.vanguard.com/>

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