

SUSTAINABLELIFE 60-70% EQUITY FUND

LOW-COST ACTIVE MULTI-ASSET

Quarterly update | Q2 2022

Vanguard's SustainableLife funds are designed for investors who want to generate long-term growth from their investments, alongside the incorporation of sustainable investment criteria. The names refer to the equity exposure that each fund aims to hold, with the remainder invested in fixed income securities.

Highlights

- Developed equity markets moved lower again.
- Value stocks largely continued to outperform growth.
- High dividend yielding stocks outperformed the broader market.
- Global bonds continued to slide lower.
- The Vanguard SustainableLife 60-70% Equity Fund outperformed its benchmark.

Market overview

The second quarter of 2022 was a challenging period for global financial markets. Inflation readings across much of the world reached levels not seen for decades as supply chain bottlenecks persisted and the war in Ukraine increased pressure on rising energy and food prices. Central banks in many developed countries, including the US and the UK, acted to counter inflation by raising short-term interest rates. The European Central Bank moved to end its asset-purchase programme and indicated its intention to raise interest rates in July.

Global equity markets finished the period down significantly amid talks of recession. Value stocks continued to outperform growth stocks, high-dividend stocks outperformed the broader market and defensive sectors outperformed cyclical sectors.

Global fixed income markets cemented their worst ever start to the year following sharply negative returns during the second quarter of 2022¹. Government bond yields continued to move higher following ongoing aggressive central bank rhetoric and actions in response to persistent inflation pressures. Most credit

spread sectors underperformed government bonds.

Performance

The Vanguard SustainableLife 60-70% Equity Fund returned -4.44% (net of fees) over the quarter but outperformed its benchmark, the SustainableLife 60-70% Equity Composite Index² (in GBP), which returned -7.99%³.

Both the equity and fixed income sleeves outperformed their respective benchmarks.

The fund's outperformance was driven by security selection, led by consumer discretionary and financials, while selection in telecommunications and industrials detracted. In terms of broad exposure, the fund's underweight position in energy detracted, while exposures to value and dividend-paying stocks contributed.

Colgate-Palmolive and Merck were the top-held individual contributors.

The share price of consumer goods multinational Colgate-Palmolive rose in the quarter, driven in part by the firm's defensive profile. The management team released a solid set of results and raised full-year 2022 top-line expectations.

¹ Source: Bloomberg. Returns for Bloomberg Global Aggregate Index USD Hedged, as at 30 June 2022. The first-half 2022 performance is the worst since the inception of the index on 1 January 1990.

² Composite Index comprises: 65% FTSE Developed Net Tax Index, 28% Bloomberg Global Aggregate Credit Index, 3.5% Bloomberg Global Aggregate Treasury Index; and 3.5% Bloomberg Global Aggregate Securitized Index (together, the "Composite Index").

³ Source: Vanguard, as at 30 June 2022.

Shares of chemical company Merck rose after the company reported solid first quarter results. Management raised full-year 2022 sales and earnings per share guidance.

General Motors and Cisco Systems were the largest held detractors.

The share price of General Motors fell during the period after the automaker reported missed revenue targets for the first quarter, driven by shortages in semiconductors and other materials, which hampered production.

Shares of Cisco Systems fell after the networking solutions manufacturer reported missed revenue targets, driven by slowing demand. Fiscal fourth-quarter guidance was lowered after the company announced that lockdowns in China and other supply chain disruptions would challenge sales in the quarter.

The fixed income portfolio's outperformance was driven by its slightly shorter duration exposure and higher quality bias relative to the benchmark. An aggregate underweight to investment-grade corporates contributed while the portfolio's underweight position in government-related debt detracted. Security selection within financials and utilities also contributed while selection in industrials detracted.

Activity

The equity team increased its position in Alfa Laval, a global supplier of products and solutions for heat transfer, separation and fluid handling. The team expects persistent long-term growth as the company's products enable more efficient energy and water use.

The equity team significantly trimmed its position in Eli Lilly, a US pharmaceutical company, owing to strong share price performance over the period. The team cites the company as a leader in pricing transparency and product quality control.

The fixed income portfolio maintained a modestly defensive stance as market volatility remained elevated. The team hold a neutral-to-slightly-underweight duration stance. US

Treasury bonds continued to be a source of liquidity for the portfolio.

Outlook

Wellington's equity team notes that central banks' ability to tame inflation through monetary tightening is complicated by geopolitical events, including Russia's control of energy supply in Europe, China's zero-Covid policy and the upcoming US mid-term elections. The team is focused on downside protection and dividend income as an important driver of total returns.

The fixed income team believes credit fundamentals have peaked, but that corporate liquidity continues to be strong. The team sees signs of margin degradation driven by input cost and wage inflation and expects more fundamental and performance dispersion, which should create better security selection opportunities.

ESG engagement

Wellington's engagement process is a reflection of the belief that ESG considerations can have a substantial impact on shareholder value creation over a long investment horizon.

Wellington engages regularly with portfolio companies to discuss material ESG issues. One of the most recent examples of company engagement was with Swiss pharmaceutical company Novartis in June on the topics of value-based pricing, inclusion of ESG targets in management compensation and work to reduce greenhouse gas (GHG) emissions.

Wellington emphasised its desire to see more novel, value-based pricing across Novartis' product range. On incorporating ESG metrics into executive compensation, Wellington believes Novartis is becoming best in class in terms of its transparency. Novartis is also increasingly focusing on reducing emissions in its supply base and Wellington was encouraged by this innovative use of scale to benefit the industry as a whole.

Key fund facts (as at 30 June 2022)

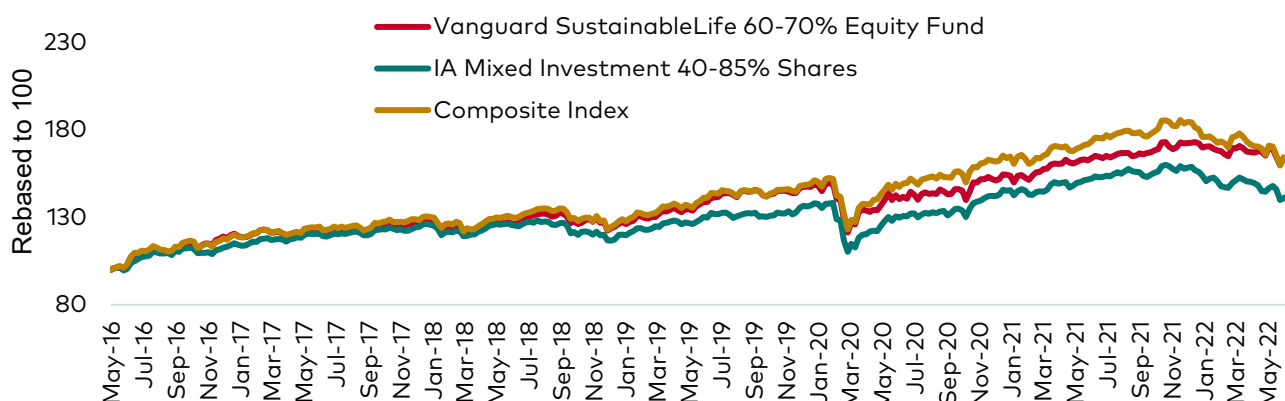
Investment manager: Wellington Management Company LLP
Target weighting: Equities 65%; Bonds 35%
Domicile: United Kingdom
Benchmark: Composite Index

Inception date: 25 May 2016
Ongoing charges figure¹: 0.48%
Fund AUM: GBP 327m
ISIN: GB00BZ830054

Top 10 fund holdings (% exposure, as at 30 June 2022)

Company	%
Johnson & Johnson	2.1
United Parcel Service Inc.	1.7
Microsoft Corp.	1.7
AstraZeneca plc	1.6
Novartis AG	1.5
Colgate-Palmolive Co.	1.4
Cisco Systems Inc.	1.4
Duke Energy Corp.	1.4
TJX Cos. Inc.	1.3
TotalEnergies SE	1.3

Fund performance (as at 30 June 2022)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	-5.68	-4.44	-0.58	5.46	5.97	8.33
Peer Group	-11.00	-7.45	-7.47	2.52	3.09	5.63
Benchmark	-11.54	-7.99	-6.24	5.06	6.05	8.46

Year on year (%)	1 Jul 2017 - 30 Jun 2018	1 Jul 2018 - 30 Jun 2019	1 Jul 2019 - 30 Jun 2020	1 Jul 2020 - 30 Jun 2021	1 Jul 2021 - 30 Jun 2022
Fund	3.57	9.99	2.02	15.63	-0.58
Peer Group	4.76	3.27	-0.38	17.32	-7.47
Benchmark	5.99	9.13	6.13	16.53	-6.24

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.

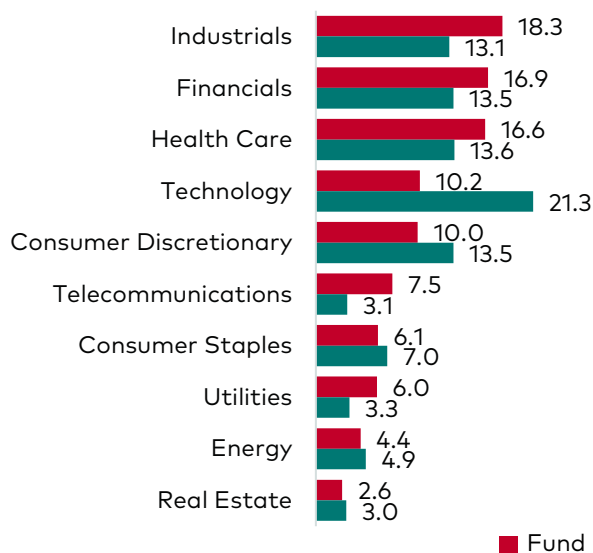
Source: Vanguard and Morningstar, as at 30 June 2022.

¹The 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.

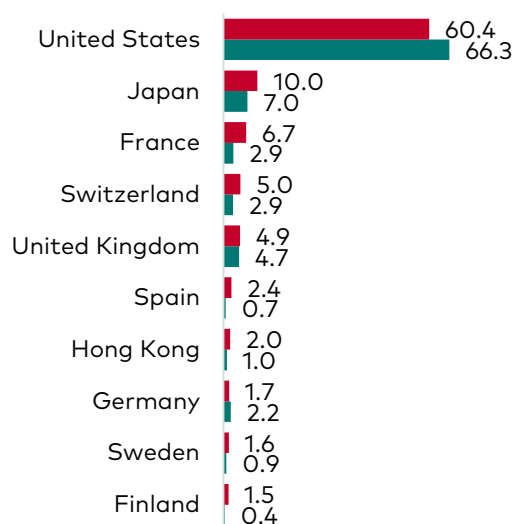
Equity portfolio (as at 30 June 2022)

Characteristics	Fund	Benchmark
Number of stocks	82	2,221
Median market cap	£76.1B	£68.0B
PE ratio	14.6X	15.6X
Equity yield (dividend)	2.6%	2.2%

Sector exposure (%)



Region exposure (%)



Fixed income portfolio (as at 30 June 2022)

Average coupon: 2.4%

Average maturity: 8.3 years

Average quality: A+

Average duration: 6.2 years

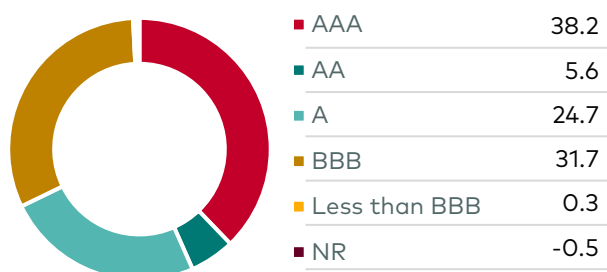
Turnover rate: 157.5%

Number of bonds: 524

Distribution by issuer (% of bonds)

Characteristics	Fund %
Treasury	27.6
Financial institutions	23.8
Industrial	22.8
Mortgage Backed Security Pass-through	8.1
Utility	7.2
Local authority	2.6
Supranational	1.9
Other	1.9
Agency	1.5
Sovereign	1.1
Asset-backed security	0.8
Commercial mortgage-backed security	0.7

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 from 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 30 June 2022.

Equity performance analysis

Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Amazon.com Inc.	0.0	1.9	-29.4	0.5
Merck & Co. Inc.	1.9	0.5	21.5	0.4
Colgate-Palmolive Company	2.1	0.1	15.2	0.4
Johnson & Johnson	3.0	0.9	9.3	0.4
AstraZeneca Plc	2.3	0.0	8.0	0.4

Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Erste Group Bank AG	0.8	0.0	-21.5	-0.1
General Motors Company	1.1	0.1	-21.3	-0.1
Exxon Mobil Corporation	0.0	0.7	13.2	-0.1
Cisco Systems Inc.	2.0	0.4	-16.5	-0.1
Schneider Electric SE	0.9	0.1	-22.7	-0.1

Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Pioneer Natural Resources Company	1.4	0.1	68.4	0.7
Amazon.com Inc.	0.0	1.9	-29.8	0.7
Chubb Limited	1.8	0.2	43.1	0.7
Meta Platforms Inc.	0.0	0.7	-47.2	0.6
Tokio Marine Holdings Inc.	1.6	0.1	49.4	0.6

Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Apple Inc.	0.0	4.2	14.0	-0.6
General Motors Company	1.1	0.1	-38.9	-0.5
Exxon Mobil Corporation	0.0	0.7	59.9	-0.3
Comcast Corporation	1.8	0.4	-20.2	-0.3
Samsung Electronics Co. Ltd.	1.1	0.5	-28.9	-0.2

Past performance is not a reliable indicator of future results.

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information.

Source: FactSet, as at 30 June 2022. FactSet is a holdings-based attribution tool. Portfolio transactions are valued at closing price, which may cause some slight deviations with the fund return (based on NAV).

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 policies and risks, please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions. The KIID for this fund is available, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>

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