

PRINCIPLES FOR INVESTMENT SUCCESS

We believe you will give yourself
the best chance of investment success
if you focus on what you can control.

Vanguard[®]

VALUE TO INVESTORS

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

IMPORTANT INFORMATION

This guide has been produced for educational purposes only and should not be regarded as a substitute for investment advice. Vanguard only gives information on products and services and does not give investment advice based on individual circumstances.

If you have any questions related to your investment decision or the suitability or appropriateness for you of the products described in this document, please contact your financial adviser.

Past performance is not a reliable indicator of future results. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

FOCUS ON WHAT YOU CAN CONTROL

It's very easy, and very tempting, to focus on the markets, the economy, manager ratings or the performance of individual funds. This may lead you to overlook the basic principles that we believe can give you the best chance of success.

These principles rest on a simple idea: Focus on what you can control.

1 Goals



Create clear, appropriate investment goals

The investment process begins by setting measurable and attainable investment goals and developing plans for reaching those goals.

2 Balance



Develop a suitable asset allocation using broadly diversified funds

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

3 Cost

Minimise cost



You can't control the markets, but you can control how much you pay to invest. Every pound or euro that you pay in costs and charges comes directly out of your potential return.

Indeed, research suggests that lower-cost investments have tended to outperform higher-cost alternatives.

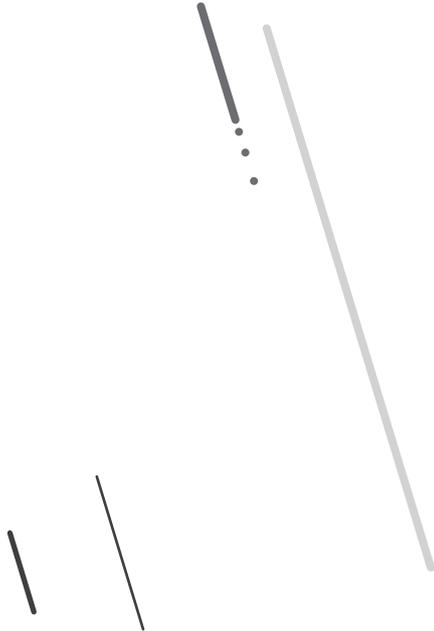
4 Discipline

Maintain perspective and long-term discipline

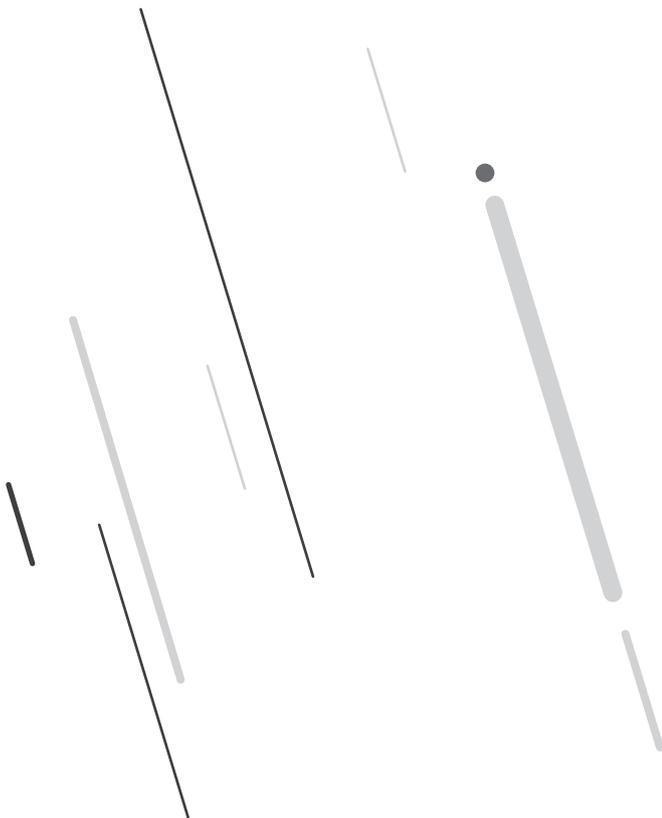


Investing evokes emotion that can disrupt the plans of even the most sophisticated investors.

But you can counter emotions with discipline and a long-term perspective. This can help you stick to your plan.



Successful investing begins by setting measurable and attainable investment goals and developing plans for reaching those goals.





1 GOALS

Create clear, appropriate investment goals

We believe that successful investing begins by setting measurable and attainable investment goals and developing a plan for reaching those goals. Keeping this plan on track means evaluating progress on a regular, ongoing basis.

Fail to plan, plan to fail

Investors without a plan often construct portfolios by evaluating the merits of each investment or fund individually. If the evaluation is positive, they add the investment to their portfolio, often without considering whether it fits. Common mistakes include buying funds with good recent performance in the hope that it will continue, or trying to time market peaks and troughs and buy and sell at exactly the right time. Our research shows that both efforts are incredibly difficult to get right even for professional investors.

Focus on your goals

Collecting top-performing funds and trying to time markets can result in a portfolio that contains more risk than you're willing to take, or a portfolio with little chance of achieving your investing goals. You can avoid this mistake by working through your current situation and setting some reasonable goals, along with a plan based on your unique circumstances.

Below you can find some of the items that such a plan may include.

Item	Definition
Objective	How much money you need to achieve a goal, such as retirement
Time horizon	The number of years you have to the goal
Risk profile	The level of risk you are willing to take to achieve your goals
Savings rate	How much you can invest at the start, and regularly thereafter
Investment mix	The broad mix of investment types you'll use to achieve your goal Professional investors call this 'asset allocation'
Monitoring	How your portfolio is going to be monitored and adjusted to keep it near its asset allocation target

ABOUT EQUITIES AND BONDS

Equities represent a share of ownership of a listed public company. They trade on a stock exchange and the price can be quite volatile on a daily basis. However, historically they have offered the best prospect for long-term growth.

Bonds, on the other hand, represent a promise by a government or company to pay a certain amount of interest over a given period and to repay the sum borrowed at the end of the period. The long-term rate of return for bonds tends to be lower than equities, but prices and income have tended to be more stable.



2 BALANCE

Develop a suitable asset allocation using broadly diversified funds

No doubt you've heard there's no reward without risk. That's as true of investing as it is of anything else in life. You can't control what happens in the markets, but understanding the historical patterns of equities and bonds can help you handle risk in your own portfolio and select the right balance of investments for you.

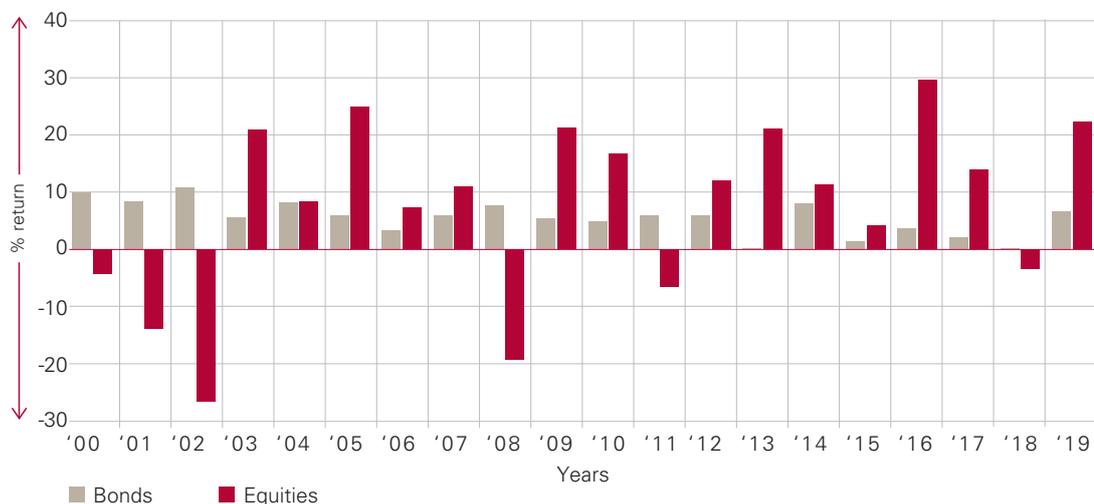
Getting the balance right for you

Achieving long-term financial goals means accepting the trade-off between risk and reward, and appreciating the historical characteristics of different types of investment.

Equities, over the last 20 years, have offered higher long-term returns than bonds, but they've also typically carried more short-term risk. The mix of equities and bonds that you choose will depend on how much risk you're willing to take for an expected return. And that depends on why you're investing, and when you need your money. But always remember that the value of investments, and the income from them, may fall or rise and you may get back less than you invested.

The graph below shows the risk/return trade off in action for global equities and bonds. While equities have had some much bigger gains in many years, they have also suffered much bigger losses. Everyone is different, so you need to think about how much investment risk you are willing and able to take and still sleep at night.

The performance of different investments from 2000 - 2019



The performance of an index is not the exact representation of any particular investment. As you cannot invest directly into an index, the performance shown in this table does not include the costs of investing in the relevant index. Basis of performance NAV to NAV with gross income reinvested.

Sources: Bloomberg. Indices used: Bonds: Bloomberg Barclays Global Aggregate Total Return, hedged in pounds sterling. Equities: FTSE All-World Total Return, in pounds sterling.

Always remember that past performance is not a reliable indicator of future results.

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

Diversification: a broad mix can reduce risk

In order to reduce your risk, you need to diversify – that is, spread your portfolio across a broad mix of assets. Diversifying your portfolio can help smooth out market ups and downs: so returns from better performing assets help to offset those that aren't performing so well.

The image features a solid red background with a white geometric shape on the right side, resembling a trapezoid or a triangle with a slanted edge. The text is centered in white. There are two thin white lines: one short line on the left side and one longer line on the left side, both slanted downwards.

You can't control what happens
in the markets, but you can control
how much you pay to invest.



3 COSTS

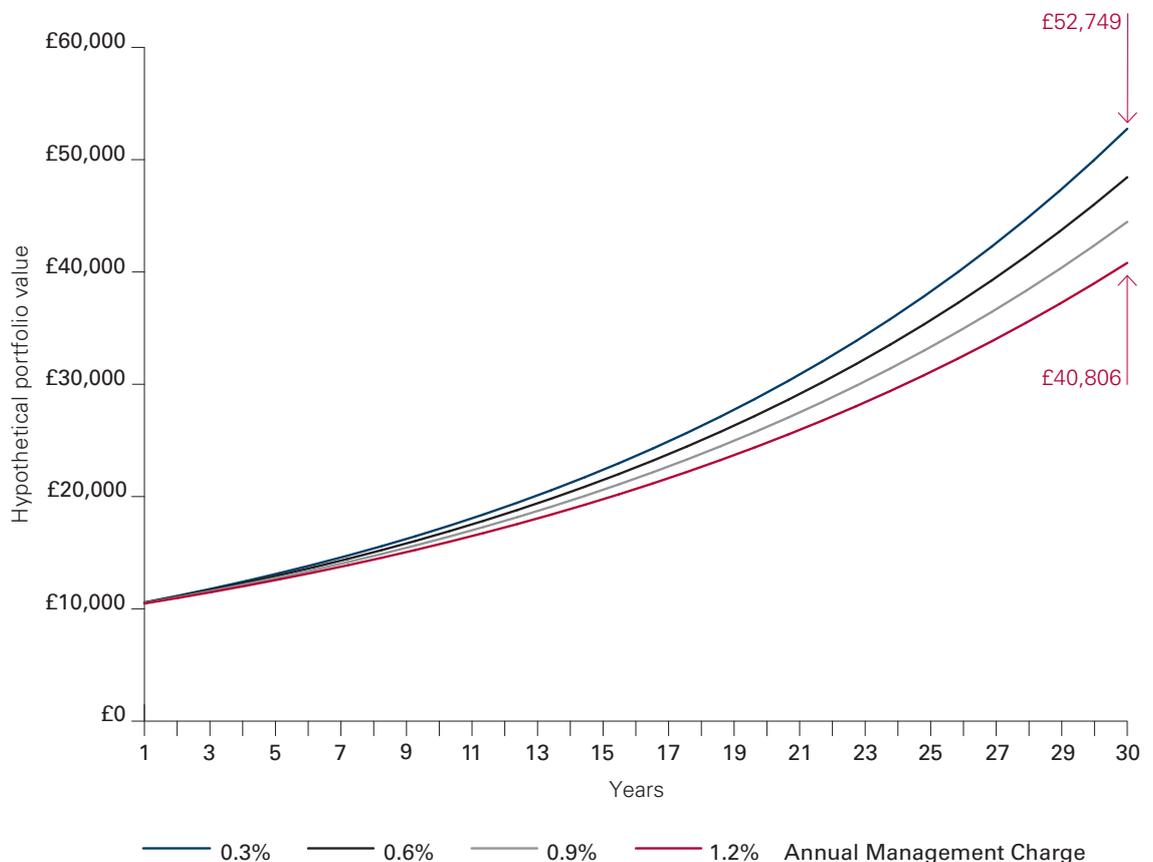
Minimise expenses

Whatever investments you choose, you increase your chance of outperformance by focusing on those with lower fund costs. That's because the lower the charges, the more you get to keep of any return the funds achieve. Remember that fund costs are incurred regardless of fund performance.

Using a hypothetical example (which does not represent any particular investment), the graph below illustrates the potential impact of costs on an initial investment of £10,000 over a 30-year period. This graph assumes 6% average growth per annum which is compounded year on year. As this shows, fund expenses of 0.3% compared to 1.2% could potentially lead to savings of £11,943 over a 30-year period. Understanding the impact of costs on long-term returns is a key step towards investing success.

It is important to note that cost is not the only factor. This example assumes growth of 6%, but in reality returns may vary and you may get a lower return from a fund with lower investment costs.

Growth of a £10,000 initial investment over a 30 year period, assuming 6% growth per annum

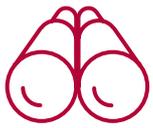


This hypothetical example assumes an investment of £10,000 over 30 years. Annual compounding is used for both the assumption of 6% average growth per annum and the investment costs. Costs are applied to average annual growth of 6% for each year. As it is hypothetical, this example does not represent any particular investment.

Source: Vanguard



**A balanced and cost-effective
asset allocation decision works
only if you stick to it over time and
through market ups and downs.**



4 DISCIPLINE

Maintain perspective and long-term discipline

Although the asset allocation decision is one of the cornerstones for achieving an objective, it only works if you stick to it over time and through varying market environments.

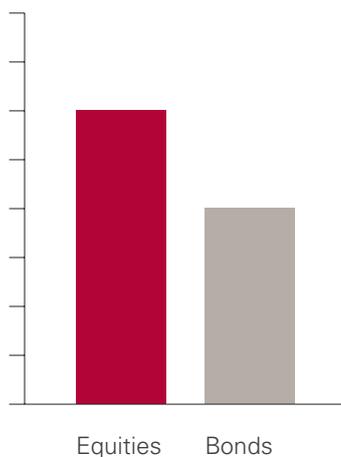
Some investors may find themselves making impulsive decisions or, conversely, becoming paralysed by fear, unable to implement an investment strategy or to rebalance a portfolio as needed. Discipline and perspective can help you remain committed to your long-term investment programme through periods of market uncertainty.

Guarding against return chasing: rebalancing

Sticking to a predetermined target also helps to guard against the tendency to chase returns by moving into and out of the best and worst-performing sectors based upon recent past performance. Many investors fall prey to this trap. But, by rebalancing to your original allocation rather than chasing market performance, you can help to ensure that your portfolio remains aligned with your goals and your appetite for risk.

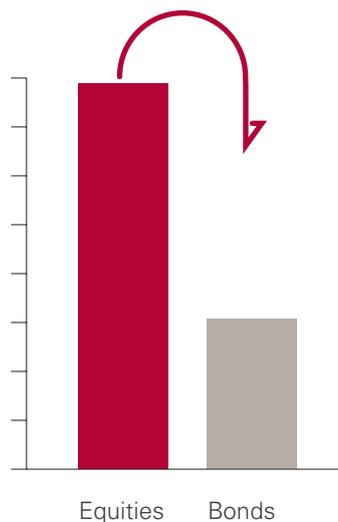
01

A portfolio has a target blend of 60% equities and 40% bonds



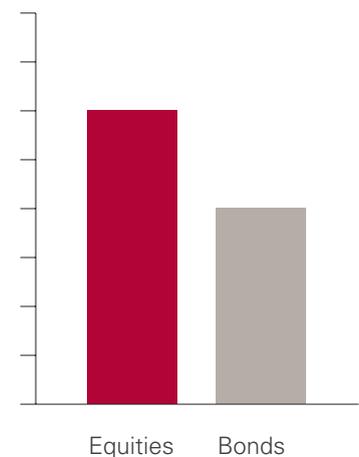
02

Equities perform well over a given period, which means that the portfolio is out of balance with a lot more equities than the investor is comfortable with. The fund manager sells some equities and buys some bonds.



03

The portfolio returns to its target allocation that matches the investor's desired risk/return profile.



ABOUT VANGUARD ASSET MANAGEMENT

Vanguard aims to offer investors the highest value investment products and services available. The Vanguard Group launched its first index fund in 1976 in the US and investors worldwide now trust it to manage USD 6.2 trillion worth of their assets as at 31 December 2019.

Maintain perspective and long-term discipline

Our unique mutual ownership structure in the US, where we are owned by our clients, means our interests are aligned with those of our investors globally. As a result, investors in Europe benefit from Vanguard's commitment to putting investors' interests first.



GLOSSARY OF KEY TERMS

Active investment management (or funds)

An investment management approach where the manager selects securities from the investment universe prescribed by a fund's investment objective. The goal of an actively managed fund is to beat, rather than simply match, the return from a particular market index or benchmark.

Asset classes

A category of assets, in which you can invest, for example equities, bonds, cash or property. Investments within an asset class have similar characteristics.

Benchmark

A measure against which a portfolio's performance is compared. A market index measuring the performance of a particular sector or style of a securities market is an example of a benchmark.

Bond

A loan certificate issued by a government, public company or other body. The issuer agrees to repay the original amount borrowed after an agreed time (when the bond matures). Bonds usually repay a fixed interest rate (known as the coupon) over a specified time.

Diversification

A strategy for protecting against risk by spreading investments across different asset classes or sectors.

Dividends

Payment made by a company to its shareholders. Company earnings and strategy are two of the factors that determine the amount of dividend payments.

Equities

Ordinary company shares. A stock or other security representing an ownership interest in a company.

FTSE indices

A range of indices following companies quoted on the London Stock Exchange. The FTSE 100 or "Footsie" is the most frequently quoted measure of the UK market. It stands for the Financial Times Stock Exchange Index for the largest 100 companies in the UK (as measured by their market value). The FTSE 250 is an index of the next largest 250 companies, and the FTSE 350 combines the FTSE 100 and FTSE 250 companies. The FTSE Small Cap is an index following those companies within the FTSE All-Share Index that are not large enough for inclusion in the FTSE 350. Companies can move in and out of these indices as market conditions change and individual companies grow or decline in size.

Fund

An investment vehicle where a number of individual investors pool their money to create a large, professionally managed fund.

Fund manager

A person responsible for making investment decisions related to a portfolio and based on that portfolio's investment objectives and guidelines.

Index

An index is a collection of equities or bonds chosen to represent a particular part of the market, such as the FTSE 100.

Index fund

An investment fund which aims to closely match the returns of a specified market index. A change in the price of an index should produce an almost identical change in the index fund.

Market / stock market

Secondary markets, such as the London Stock Exchange, where previously issued securities are bought and sold.

Passive management

An investment approach aiming to closely match the returns of an index or other benchmark. See also index fund.

Portfolio

A combination of investments held in one place. A portfolio is frequently created to meet particular investment objectives, such as providing capital growth or regular income.

Risk

The chance that an investment's actual return will differ from expectations. Risk comes in many forms, including market risk (the chance that returns will fluctuate) and shortfall risk (the possibility that a portfolio will fail to meet longer-term financial goals). Investors should decide on their individual risk tolerance and use this as a guide to building their investment portfolio.

Risk tolerance, risk appetite, risk profile or risk/reward trade-off

The extent to which individual investors are prepared to accept volatility in their investment portfolios in return for receiving potentially higher returns.

Transaction costs

The costs involved in buying or selling equities, bonds or other securities.

Volatility

The extent to which investments or interest rates fluctuate over time.

Investment Risk Information

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