

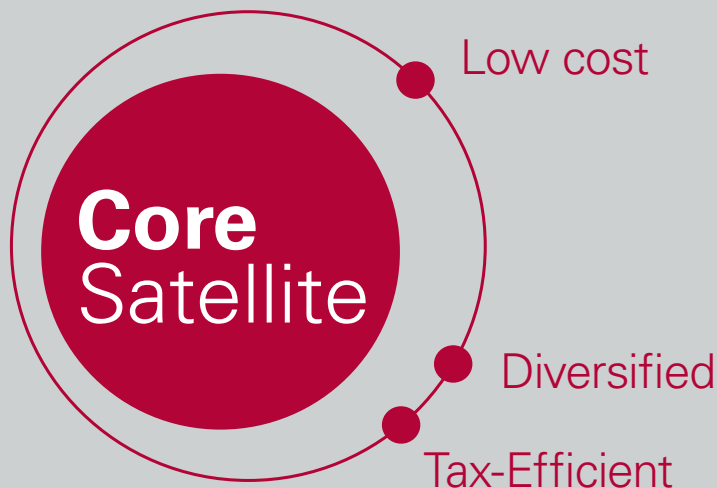
Core-satellite

A powerful investment approach

For Investors



Vanguard INVESTMENTS®

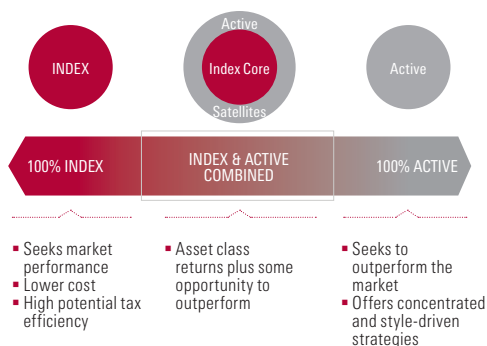


The best of both worlds

Core-satellite is a common sense investment approach which combines the benefits of index funds – lower cost, broader diversification, tax efficient and lower volatility, with actively managed funds or other direct investments offering potential for outperformance.

Core-satellite brings greater discipline and stability to an investment portfolio by:

- Substantially reducing reliance on ‘picking winners’ or chasing fund manager returns
- Providing greater portfolio diversification
- Potentially improving after-tax returns by taking maximum advantage of capital gains discounts
- Reducing overall fund management and transaction costs



Index Funds – the core of your portfolio

The primary aim for an index fund is to achieve market performance at a low cost to an investor.

Index funds achieve this by holding a broad spread of securities within an index in order to track the overall performance of the index.

An index fund does not require the same level of research and security analysis that active management requires (at substantial cost) and will tend to buy and hold securities with very low levels of portfolio turnover. Lower portfolio turnover and research results in lower fees for you and generally more favourable tax outcomes.

Active funds form the satellites

The primary aim of an active fund is to seek outperformance of the index through security selection and/or market timing.

Active funds often hold a smaller number of securities, require initial and ongoing analysis and rely more heavily on the skill of individual portfolio managers to pick the right stocks. Active managers come with varying styles and themes from thematic to top down, value and growth, large or small cap biases etc.

Benefits of indexing the core of your portfolio

Low costs

Index funds have lower ongoing fees and transaction costs than most active funds investing in similar assets.

Diversification

An index fund gives you access to a broad spread of securities that make up a market index. Portfolio diversification means less exposure to the performance fluctuations of individual securities, moderating overall volatility.

Tax efficiency

An index management approach minimises portfolio turnover so you can take advantage of available capital gains tax concessions.

Transparency

An Index fund is designed to track an index and therefore allows greater control and transparency over a portfolio's risks.

Simplicity

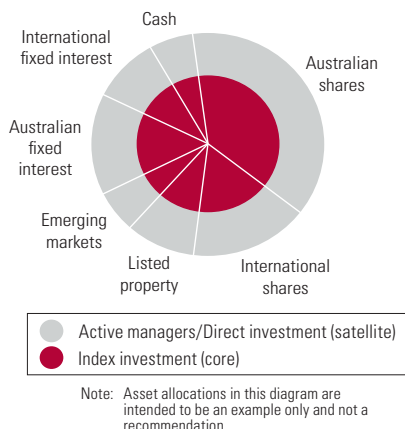
Index funds take the guesswork out of investing by providing low-cost, diversified exposure to investment markets.

Long-term performance*

Index funds typically have lower costs associated with capturing market growth and, as a result, assets managed on an indexed basis have provided competitive relative returns over time.

Choosing the right mix

The index and active combinations within your core-satellite portfolio will depend on a number of factors, but should generally start with the index allocation to capture market linked returns at low cost. Once your foundation is in place, active funds can be added where significant confidence exists in sustained outperformance after costs and taxes.



About Vanguard

Since launching the first index mutual fund for individual investors in 1976, Vanguard has strived to be the world's highest-value provider of investment products and services. We have an unwavering focus on our clients with a commitment to champion what's best for investors by offering outstanding performance and service, while keeping costs as low as possible.

For more information contact your financial adviser or call client services on **1300 655 101** Monday to Friday 8:00am to 6:00pm (Melbourne time) or email clientservices@vanguard.com.au

Connect with Vanguard™

The indexing specialist > vanguard.com.au > 1300 655 101



Vanguard INVESTMENTS®

Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263 / RSE Licence L0001335) is the product issuer. We have not taken your circumstances into account when preparing the above information so it may not be applicable to your circumstances. You should consider your circumstances and our Product Disclosure Statement (PDS) before making any investment decision or recommendation. You can access our PDS at www.vanguard.com.au or by calling 1300 655 101. This publication was prepared in good faith and we accept no liability for any errors or omissions. We are the trustee of: Vanguard® Personal Superannuation Plan ABN 81 550 468 553 / Vanguard® LifeStrategy® Index PST – Conservative ABN 73 765 732 050 / Vanguard® LifeStrategy® Index PST – Balanced ABN 23 846 775 905 / Vanguard® LifeStrategy® Index PST – Growth ABN 95 836 361 772 / Vanguard® LifeStrategy® Index PST – High Growth ABN 61 378 605 876. © 2010 All rights reserved. 'Vanguard', 'Vanguard Investments' and the ship logo are the registered trademarks of The Vanguard Group, Inc.
FLY_CSAPC0610