



Quarterly commentary

Vanguard Global Value Equity Fund/ETF

Commentary – Factor performance and fund exposure

Global equity markets continued to rally during the third quarter of 2020 with many markets returning to all-time highs. Similarly, many of the trends in factor performance were carried over from the previous quarter.

Momentum and quality were once again among the best performing factors for the quarter as investors continued to support high-beta equities. Large-cap slightly outperformed small-cap over the quarter, retaining strong outperformance on a one-year basis. Low volatility fared slightly better than the previous quarter while still underperforming on a one-year basis. Value remains a laggard as market dynamics continued to favour more expensive, high beta stocks over the quarter.

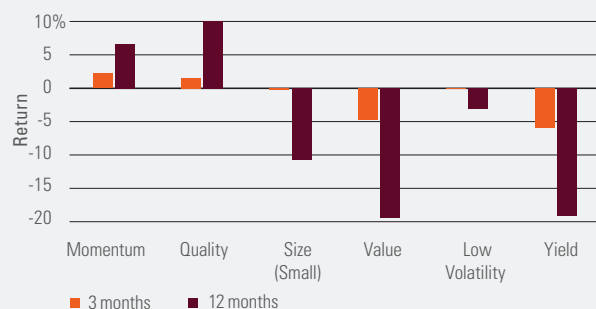
Factor investing is inherently active and we use an actively implemented portfolio management process. Spikes in volatility and market dislocations like the ones we saw recently, highlight the benefits of our approach. Such sharp changes usually lead to changes in the make up of a factor which can result in factor drift. Our process uses turnover and cash flows to adjust the portfolios to maintain strong exposure to the targeted factor, rather than a management process that is struck by an index, on a set schedule. Through this process we are able to ensure a more consistent exposure to the targeted factor.

Commentary – Fund/ETF performance

The fund/ETF has underperformed its benchmark over the past quarter and on a one-year basis. From a factor lens, over the past year the fund's exposure to both value and small-cap have dragged on returns. The performance has been within expectations given the fund's consistent bias towards both value and small-cap (refer to Figure 2).

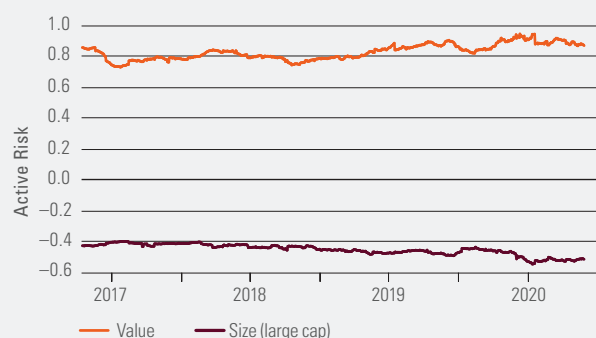
From a sector perspective, an overweight exposure to financials and an underweight to technology were the largest detractors on returns both over the quarter and on a one-year basis. An underweight to health care and an overweight to basic materials were slight contributors over the quarter.

FTSE Developed Factor Indexes, return relative to the broad market



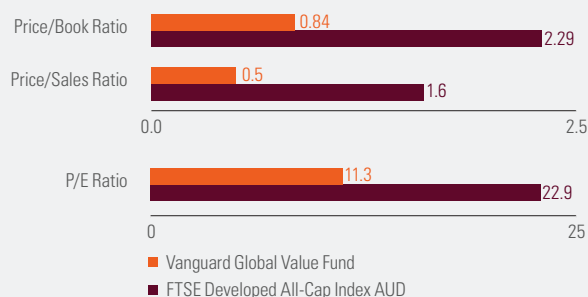
Source: Morningstar Direct, FTSE Global Factor Index Series. The FTSE Global Factor Index Series is a family of benchmarks designed to represent the performance of specific factor characteristics. FTSE's factor definitions may differ from those of the investment manager's. Past performance is not an indication of future performance.

Vanguard Global Value Fund consistent factor risk exposure



Source: Vanguard, Axioma. Factors use standard Axioma definitions. Axioma factors definitions may differ from that those of the investment manager's.

Key value metrics



Source: Vanguard.



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1. Refer to the Morningstar Australasia Essentials Licensing Agreement dated 30 March 2012 and Morningstar Essential Usage Guidelines.

Vanguard Global Value Equity Fund

Key fund facts	
Management fee	0.35% p.a.
Indirect costs	0.01% p.a.
Buy spread	0.08%
Sell spread	0.08%
Inception date	08 September 2016
Income distribution	Quarterly
Wholesale class size	\$5.6 million
Total fund size	\$36.1 million
Number of holdings	1,276

Trading information	
APIR code	VAN0074AU
Minimum investment	\$500,000 (No minimums apply for platforms)

Benchmark information	
Benchmark (Bmk)	FTSE Developed All-Cap in Australian dollars Index ^D
Number of holdings	5,647

Investment objective

Vanguard Global Value Equity Fund seeks to provide long term capital appreciation through an active approach that invests in global equity securities demonstrating value characteristics.

Fund overview

In pursuit of its investment objective, Vanguard uses a proprietary quantitative model to evaluate an investment universe comprised of large, mid and small cap equity securities from developed markets across the world, which includes a diverse representation of companies, market sectors and industry groups. This investment universe is drawn primarily from equity securities included in the FTSE Developed All Cap Index and the Russell 3000 Index.

Vanguard's quantitative model implements a rules-based active approach that aims to assess the factor exposures of securities, favouring equity securities which, when compared to other securities in the investment universe, have lower prices relative to their fundamental measures of value (measures may include price-to-book, price-to-earnings ratio and price-to-operating cash flow).

Performance return^{A, B} (%)

	Fund gross	Bmk	Fund total	Distb'n	Growth
1 month	-0.65	-0.20	-0.68	0.26	-0.94
3 months	-0.65	3.66	-0.73	0.27	-1.00
6 months	7.53	10.40	7.34	0.90	6.44
1 year	-19.60	3.22	-19.88	2.93	-22.81
3 years (p.a.)	-3.18	10.26	-3.52	5.21	-8.73
5 years (p.a.)	N/A	N/A	N/A	N/A	N/A
10 years (p.a.)	N/A	N/A	N/A	N/A	N/A
Inception (p.a.)	2.01	11.22	1.64	5.20	-3.56

Year to year gross return^{A, B} (%)

	Dec - Dec		June - June	
	Fund	Bmk	Fund	Bmk
YTD	-24.09	-1.10	-0.65	3.66
2020	N/A	N/A	-17.23	3.88
2019	20.76	27.35	-1.55	10.47
2018	-6.50	0.40	15.17	15.62
2017	10.39	13.83	16.29	11.95

Income distribution^C

Quarter ended	Amount (CPU)	Reinvestment price
30 September 2020	0.2293	\$0.8633

Notes

- ^A Past performance is not an indication of future performance.
- ^B Returns assume reinvestment of all distributions. Returns for periods longer than 1 year are annualised. Fund gross returns are before management fees and taxes, but after transaction and operational costs. Fund total return is the fund gross return less management fees. Index returns do not allow for taxes, management, transaction and operational costs.
- ^C Past distributions are not an indication of future distributions.
- ^D The Vanguard Global Value Equity Fund is actively managed and does not intend to track or replicate the performance of the benchmark. Benchmark data is for reference only.

Vanguard Global Value Equity Fund

Characteristics

	Fund	Bmk
Number of holdings	1,276	5,647
Median market cap	\$9.5B	\$83.0B
Price/Earnings ratio	11.3x	22.9x
Price/Book ratio	0.8x	2.3x
Return on equity ratio	9.5%	15.4%
Earnings growth rate	7.8%	12.3%
Equity yield (dividend)	3.6%	2.1%

Top 10 holdings

1. General Motors Co.
2. HCA Healthcare Inc.
3. Goldman Sachs Group Inc.
4. Verizon Communications Inc.
5. Biogen Inc.
6. Duke Energy Corp.
7. Walgreens Boots Alliance Inc.
8. Micron Technology Inc.
9. CVS Health Corp.
10. Intel Corp.

The top 10 holdings represent 4.1% of the total fund.

Sector allocation (%)

	Fund	Bmk
Financials	28.8	11.8
Industrials	16.4	14.7
Consumer Discretionary	12.0	15.5
Utilities	7.5	3.3
Basic Materials	6.3	3.9
Health Care	5.7	13.2
Consumer Staples	5.4	6.7
Energy	5.3	2.6
Technology	5.0	20.9
Telecommunications	4.2	3.7
Real Estate	2.8	3.5
Other	0.6	0.2

Sector categories are based on the Industry Classification Benchmark system ("ICB"), except for the "Other" category (if applicable), which includes securities that have not been provided an ICB classification as of the effective reporting period. Beginning September 2020, FTSE Russell is enhancing the ICB structures to provide additional granularity from the industry through subsector levels. Please note that there may be differences in sector names and classifications as these changes are implemented across the industry through March 2021.

Market allocation (%)

	Fund	Bmk		Fund	Bmk
United States	63.9	64.2	Poland	1.1	0.1
Japan	8.3	8.3	Netherlands	1.0	1.3
United Kingdom	4.5	4.3	Sweden	1.0	1.2
Korea	3.6	1.7	Switzerland	0.9	2.9
France	3.4	2.9	Belgium	0.6	0.3
Canada	2.9	3.1	Austria	0.6	0.1
Germany	2.2	2.8	Australia	0.5	2.2
Italy	1.6	0.7	Finland	0.5	0.4
Hong Kong	1.3	1.0	Norway	0.3	0.2
Spain	1.1	0.7	Other	0.7	1.6

Glossary

Median market cap is the midpoint of market capitalisation (market price multiplied by the number of shares outstanding) of the shares in the fund. Half the shares in the fund will have higher market capitalisation, half will have lower.

Price/Earnings ratio (P/E ratio) is a measure of the market value of a share compared to the earnings of the company. A share with a price of \$10, and earnings last year of \$1 a share, would have a P/E ratio of 10. For a fund, the ratio is the weighted average P/E ratio of the shares it holds. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. Companies with negative earnings are excluded from the calculation.

Price/Book ratio is calculated by dividing the current market price of the share by the book value per share of the company.

Return on equity ratio is a measure of how much profit a company generates relative to its shareholders' equity. For a fund, the ratio is the weighted average return on equity ratio of the shares it holds.

Earnings growth rate is a measure of the trailing Earnings Per Share growth for a given company and share. For a fund, the rate is the weighted average earnings growth of the shares it holds.

Equity yield (dividend) is the dividend income earned by shares, expressed as a percentage of the market price of those shares. For a fund, the yield is the weighted average equity yield of the shares it holds.

For more information:

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