

Vanguard Active ETFs

Vanguard Global Minimum Volatility Active ETF (Managed Fund)	(ASX code: VMIN)
Vanguard Global Value Equity Active ETF (Managed Fund)	(ASX code: VVLU)
Vanguard Global Multi-Factor Active ETF (Managed Fund)	(ASX code: VGMF)

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Important notice

Authorised Participants

Please note that the offer in this Product Disclosure Statement (“PDS”) is for entities who have entered into an Authorised Participant agreement with Vanguard. For that reason, certain sections of this PDS (particularly those relating to applications for and redemptions of Active Exchange Traded Managed Fund (Active ETF) units) are of direct relevance to such persons only.

All other investors

Other investors cannot invest through this PDS directly, but can transact in Vanguard Active ETFs through a stockbroker or financial adviser. Other investors can use this PDS for informational purposes only. For further details on Vanguard Active ETFs please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This PDS does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, Active ETF units are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

At the time of lodgement of this PDS with ASIC (being the date of this PDS), the Active ETF units have been admitted to Trading Status on the ASX and the Active ETF units are able to be traded on the market in the same way as other securities traded on the ASX (refer to the section ‘Quotation under the AQUA Rules of the ASX’ for further details).

Vanguard ETF Capital Markets Team

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Disclaimers

References to "Active ETF(s)" in this PDS is a reference to the Vanguard Global Minimum Volatility Active ETF (Managed Fund), the Vanguard Global Value Equity Active ETF (Managed Fund) and or the Vanguard Global Multi-Factor Active ETF (Managed Fund).

Investment in the Active ETFs is subject to risk (refer to section 7. "Risks"), which may include possible delays in repayment and loss of income and capital invested.

Vanguard or any of its related entities or associates may invest in, lend to or provide services to the Active ETFs. Vanguard may also invest in, lend to, or provide services to funds or accounts owned or managed by its related entities or clients who have appointed Vanguard as investment manager.

The allocation of aggregated investments amongst various funds and accounts will be conducted by Vanguard and its related entities in accordance with appropriate policies and procedures to manage any conflicts of interest.

None of The Vanguard Group, Inc., Vanguard Investments Australia Ltd, or their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income invested in, the Active ETFs described in this PDS. This PDS is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard's associates or any other person to invest in the Active ETFs. In preparing this PDS, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether investment in an Active ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the Active ETFs as outlined in this PDS.

About this PDS

This Product Disclosure Statement (“PDS”) dated 10 July 2020 is for the Active ETF class of units quoted under the AQUA Rules of the ASX for the following funds:

- Vanguard Global Minimum Volatility Fund ARSN 165 787 708
- Vanguard Global Value Equity Fund ARSN 613 053 062
- Vanguard Global Multi-Factor Fund ARSN 630 597 929

This PDS relates only to the class of units quoted under the AQUA Rules of the ASX. Accordingly, any references to ‘VMIN’, ‘VVLU’, ‘VGMF’, ‘Active ETF’, or ‘Active ETFs’, refers to the ASX quoted class of units (as the context requires).

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 (“Vanguard”) is the issuer of this PDS and is solely responsible for its contents. In this PDS references to ‘Vanguard’, the ‘responsible entity’, ‘we’, ‘our’ and ‘us’ refer to Vanguard Investments Australia Ltd.

References to “Benchmark” in this PDS in relation to the Vanguard Global Minimum Volatility Active ETF (Managed Fund) means the FTSE Global All-Cap Index (AUD hedged), and in relation to the Vanguard Global Value Equity Active ETF (Managed Fund) and the Vanguard Global Multi-Factor Active ETF (Managed Fund) means the FTSE Developed All-Cap (with net dividends reinvested) in Australian dollars Index.

A copy of this PDS has been lodged with both the Australian Securities and Investments Commission (“ASIC”) and the Australian Securities Exchange Ltd (“ASX”). Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

At the time of lodgement of this PDS with ASIC (being, the date of this PDS), Vanguard Global Multi-Factor Active ETF units are yet to be quoted. An application for quotation has been made to the ASX to enable the units to be admitted for quotation under the AQUA Rules of the ASX.

Obtaining the latest PDS

A copy of the latest PDS for the Active ETFs is available on Vanguard’s website at www.vanguard.com.au. If you do not have access to the internet, please contact the Vanguard ETF Capital Markets Team on 1300 655 888. A paper copy will be provided free of charge on request.

Unless otherwise stated, data sources used by Vanguard are public or licensed market data, and all material is current as at the date of this PDS. The offer to which this PDS relates is available to Authorised Participants receiving the PDS (electronically or otherwise) in Australia.

Information that is not materially adverse information is subject to change from time to time and may be updated by Vanguard by publishing such information on the Vanguard website at www.vanguard.com.au. A paper copy of any updated information will be provided free of charge on request from the Vanguard ETF Capital Markets Team on 1300 655 888.

Unless otherwise stated in this PDS, references to provisions for the Active ETFs refer to the Active ETF classes of their respective Funds only. A reference to ‘Fund’ or ‘Funds’ in this PDS, is a reference to the Vanguard Global Minimum Volatility Fund, the Vanguard Global Value Equity Fund and the Vanguard Global Multi-Factor Fund (as the context requires).

Information available from Vanguard

Vanguard is subject to regular reporting and disclosure obligations in its capacity as responsible entity of the Funds and issuer of the Active ETFs. The following information can be obtained from Vanguard by visiting Vanguard’s website at www.vanguard.com.au or contacting the Vanguard ETF Capital Markets Team on 1300 655 888:

- Net Asset Value (“NAV”) for the Active ETFs - available monthly
- NAV price per unit for the Active ETFs - available daily
- Pricing Basket comprising of all securities in the Fund - available daily
- Full portfolio holdings disclosure - available quarterly with a 30 day lag
- Vanguard’s unit pricing discretions policy
- the latest copy of this PDS
- details of any continuous disclosure notices given by Vanguard to ASIC and/or the ASX
- details of distribution announcements given by Vanguard to the ASX via the ASX Market Announcements Platform (“ASX MAP”)
- annual reports and financial statements for the Fund
- half-yearly financial reports announced by Vanguard via ASX MAP
- total number of Active ETF securities on issue – available monthly via ASX MAP
- information about redemptions from the Active ETFs – available monthly via the ASX MAP
- details of Vanguard’s Distribution Reinvestment Plan
- information about distributions
- details of any days when the primary market may be closed due to international public holidays – available yearly in advance

1. About Vanguard

Vanguard Investments Australia Ltd (“Vanguard”) is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world’s largest global investment management companies, with more than AUD \$8.6 trillion in assets under management as of 31 March 2020. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

2. About the Vanguard Global Minimum Volatility Active ETF

Investment Objective

The Fund seeks to provide long-term capital appreciation with volatility lower than the FTSE Global All-Cap Index (AUD hedged), before taking into account fees, expenses and tax.

Investment strategy

The Fund invests primarily in a group of global equity common stocks that together are deemed by the portfolio manager to have the potential to generate lower volatility relative to the broad equity markets. The portfolio will include a diverse mix of companies representing many different market sectors, countries, and industry groups. The portfolio manager uses a quantitative model to evaluate all of the securities in an investment universe that seeks to achieve the lowest amount of expected volatility subject to a set of reasonable constraints designed to foster portfolio diversification and liquidity.

Vanguard will seek to hedge most of the Fund’s currency exposure back to the Australian dollar to further reduce overall portfolio volatility. Currency hedging will typically be implemented through forward foreign exchange contracts.

The Fund follows an active management approach and does not seek to track the benchmark.

Investment universe

The investment universe is comprised of securities in the FTSE Global All-Cap Index. This index has around 7,600 stocks, and covers large, mid and small capitalisation stocks globally across developed and emerging markets. The Fund may invest in securities that cease to be or are expected to be included in the index.

Benefits of investing in the Vanguard Global Minimum Volatility Active ETF

Disciplined and systematic approach	The Fund aims to achieve long-term capital appreciation by using a quantitative model to assess the interaction between securities in the investment universe and their impact on the overall volatility of the portfolio. The Fund’s investments will be selected based on the output of this model.
A focus on managing volatility	Investment decisions are made within a framework that considers risk factors relevant to volatility, including those associated with particular industries and securities. In addition, the Fund’s currency-hedging reduces the potential impact of currency exchange rate volatility.
Global scale and expertise	The Fund offers access to investment expertise from Vanguard’s international trading hubs and deep research expertise.
Enjoy the low costs expected from Vanguard	Investors can’t control the markets, but they can control the costs of investing. Providing low cost investments isn’t a pricing strategy for us. It’s how we do business. Vanguard’s scale also helps to keep costs low.

Minimum suggested investment timeframe

5 years.

Summary risk level

Medium - The potential for relatively higher returns than lower risk investments with the potential for some loss of capital over the medium term.

Who it may suit

Buy and hold investors seeking long-term capital growth, global diversification, and with a lower tolerance for the risks associated with share market volatility.

While the Fund’s objective is to limit the volatility of global stock investing, we caution against expecting any low or minimum volatility investment to outperform, or even match, the global equity market over the long term.

Specific risks of investing in the Vanguard Global Minimum Volatility Active ETF

In addition to the risks outlined in Section 7, there are some additional risks specific to the Vanguard Global Minimum Volatility Active ETF:

Investment style risk

The chance that returns from the types of securities in which the Fund invests will trail returns from the overall equity market. In seeking to minimise volatility, the Fund may emphasise defensive oriented securities, which typically lag the equity market during strong market rallies and conversely typically do better during equity market declines. The Fund also may invest in small and mid-capitalisation securities. Historically, they often perform quite differently as compared to large-capitalisation securities that dominate the equity market. However, past performance is not an indication of future performance.

Currency hedging risk

Forward foreign exchange contracts are used to manage currency risk for the Fund thereby reducing the impact of currency fluctuations on the return of the Fund. However, currency hedging involves costs and implementation risks due to the volatility of currency and securities markets, and may impact distributions from the Fund. When the Australian dollar is appreciating relative to other currencies, the gains from currency hedging may result in significant additional income being distributed by the Fund. Conversely, when the Australian dollar is depreciating relative to other currencies, the losses from currency hedging can totally offset other income received by the Fund, resulting in no income distribution for the period.

3. About the Vanguard Global Value Equity Active ETF

Investment Objective

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

Investment strategy

The Fund invests primarily in a group of global equity common stocks with the potential to generate higher returns relative to the broad equity market. The portfolio will include a diverse mix of companies representing many different market sectors, industry groups, and countries. The portfolio manager uses a rules-based quantitative model to evaluate all of the securities in an investment universe comprised of large and mid, and small capitalisation stocks and to construct an equity portfolio that seeks to achieve exposure to securities with lower prices relative to fundamental measures of value subject to a set of reasonable constraints designed to foster portfolio diversification and liquidity. Securities with lower prices relative to fundamental value may be identified by measures such as book to price, earnings to price and cash flow to price ratios.

Investment universe

The investment universe is comprised of securities in the FTSE Developed All-Cap Index and the Russell 3000 Index. The FTSE Developed All-Cap Index is comprised of large, mid and small capitalisation securities in developed markets. The Russell 3000 Index is comprised of the 3,000 largest publicly held companies in the US and is used to provide more access to US mid and small capitalisation securities. The Fund may also invest in securities that cease to be or are expected to be included in the FTSE Developed All-Cap Index and the Russell 3000 Index.

Benefits of investing in the Vanguard Global Value Equity Active ETF

Disciplined and systematic approach	The Fund aims to achieve long-term capital appreciation by using a rules-based quantitative investment process to identify and invest in securities that have low prices relative to their fundamental measures of value.
A focus on value-style investing	Investment decisions are made within a framework that aims to provide investors with a targeted exposure to value style investing.
Global scale and expertise	The Fund offers access to investment expertise from Vanguard's international trading hubs and deep research expertise.
Enjoy the low costs expected from Vanguard	Investors can't control the markets, but they can control the costs of investing. Providing low cost investments isn't a pricing strategy for us. It's how we do business. Vanguard's scale also helps to keep costs low.

Minimum suggested investment timeframe

7 years.

Summary risk level

High - The potential for higher returns than lower risk investments, however, there is the higher potential for below-average returns and/or some capital loss.

Who it may suit

Buy and hold investors seeking long-term capital growth through value style investing in global securities.

Specific risks of investing in the Vanguard Global Value Equity Active ETF

In addition to the risks outlined on in Section 7, there are some additional risks specific to the Vanguard Global Value Equity Active ETF:

Investment style risk

The chance that returns from value style investing will trail returns from the overall equity market. Different types of securities tend to go through cycles of doing better or worse than the equity market in general. These periods have, in the past, lasted for as long as several years and there can be no assurances that appreciation will occur in line with the broader equity market.

Currency risk

There is the chance that the value of a foreign investment, measured in Australian dollars, will decrease because of unfavourable changes in currency exchange rates.

4. About the Vanguard Global Multi-Factor Active ETF

Investment Objective

The Fund seeks to provide long-term capital appreciation and aims to outperform the FTSE Developed All-Cap Index (with net dividends reinvested) in Australian dollars Index before taking into account fees, expenses and tax.

Investment strategy

The Fund invests in a group of global equity common stocks with the potential to generate higher returns relative to the broad equity market. A rules-based quantitative process is employed to evaluate securities based on three factors:

- **Momentum**- stocks that exhibit strong recent performance
- **Quality**- stocks that exhibit strong profitability and healthy balance sheets
- **Value**- stocks with low prices relative to fundamental measures of value.

The portfolio includes a diverse mix of companies representing many different market sectors, industry groups, and countries. The portfolio manager uses a rules-based quantitative model to evaluate all of the securities in an investment universe comprised of large, mid and small capitalisation stocks to construct an equity portfolio that seeks to achieve exposure to these factors. After applying an initial screen to remove the most volatile stocks in the universe, stocks are then selected according to their equally weighted ranking across the three factors.

Investment universe

The investment universe is comprised of securities in the FTSE Developed All-Cap Index (comprised of large, mid and small capitalisation securities in developed markets), and the Russell 3000 Index (comprised of the 3,000 largest publicly held companies in the US, and used to provide more access to US mid and small capitalisation securities). The Fund may also invest in securities that cease to be or are expected to be included in the indices.

Benefits of investing in the Vanguard Global Multi-Factor ETF

Disciplined and systematic approach	The Fund seeks to achieve long-term capital appreciation by using a rules-based quantitative investment process that combines three factors (value, momentum and quality after an initial volatility screen).
Diversified	The Fund invests in a diversified portfolio of global equities.
Global scale and expertise	The Fund offers access to investment expertise from Vanguard's international trading hubs and deep research expertise.
Enjoy the low costs expected from Vanguard	Investors can't control the markets, but they can control the costs of investing. Providing low cost investments isn't a pricing strategy for us. It's how we do business. Vanguard's scale also helps to keep costs low.

Minimum suggested investment timeframe

7 years.

Summary risk level

High - The potential for higher returns than lower risk investments, however, there is the higher potential for below-average returns and/or some loss of capital.

Who it may suit

Buy and hold investors seeking long-term outperformance and diversification through factor based investing in global securities.

Specific risks of investing in the Vanguard Global Multi-Factor Active ETF

In addition to the risks outlined on in Section 7, there are some additional risks specific to the Vanguard Global Multi-Factor ETF:

Investment style risk

The chance that returns from factor style investing will trail returns from the overall equity market. Different types of securities tend to go through cycles of doing better or worse than the equity market in general. These periods have, in the past, lasted for as long as several years and there can be no assurances that appreciation will occur in line with the broader equity market.

Currency risk

There is the chance that the value of a foreign investment, measured in Australian dollars, will decrease because of unfavourable changes in currency exchange rates.

5. Additional information about the Active ETFs

Underlying Exchanges

The Funds will hold securities that are listed on exchanges that are currently members of the World Federation of Exchanges (WFE) or the Federation of European Securities Exchanges (FESE), with the exception of securities traded on the London Stock Exchange (LSE) and the Borsa Italiana SPA (BISPA). However, it is considered that LSE and BISPA satisfy ASX Operating Rules Schedule 10A.3.3(c)(i)(C) as exchanges which are subject to regulation that is:

- at least equivalent to the regulation of a market operator licenced under section 795B(1) of the *Corporations Act 2001 (Corporations Act)*; and
- that the relevant securities are subject to substantially equivalent disclosure requirements to those which would apply if the Underlying Instrument were admitted to trading on the Market and which are acceptable to ASX.

Derivatives

The Funds may invest in derivatives if the expected risks and rewards of the derivatives are consistent with the investment objective and strategy of the applicable Funds. The Funds will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns.

Derivative investments held by the Funds may include equity futures and options contracts, warrants, convertible securities, foreign currency exchange forward contracts, and swap agreements.

The use of over-the-counter derivatives in the Funds (other than derivatives used for currency hedging purposes) will not be to a material extent; that is, use will generally not exceed 5% of the net asset value of the Funds.

Securities lending

The Funds may engage in securities lending. Securities lending is a common practice where holders of securities make short term loans of shares in return for a fee, to incrementally increase returns to investors. For the Funds, Vanguard employs a value-oriented approach to securities lending which seeks to capture a scarcity premium by lending hard-to-borrow securities or 'specials'. Due to the higher fees charged per loan, higher returns can be generated with a lower level of securities lent. This is a more conservative approach that generally results in only a small percentage of the Fund's securities being lent. This amount will be capped at a maximum of 7.5%.

Vanguard has appointed an external agent lender to facilitate the lending of securities on behalf of the Fund to a select group of borrowers (banks and broker-dealers). This group of borrowers has been pre-approved in accordance with Vanguard's Global Securities Lending credit policies and limits. Each borrower is required to provide a minimum amount of collateral which is generally limited to high quality sovereign debt (or equivalent) and equal to 105% of the market value of the securities loaned, marked to market daily.

All revenue generated from the securities lending program is returned to the Fund, less agent lender fees and costs. Vanguard does not retain any portion of the revenue generated from the securities lending program. The agent lender fees and costs are reflected in the Fund's indirect costs to the extent they are material (see Section 10 Fees and Other Costs).

Cash and liquidity management

To manage day-to-day transaction requirements such as investor withdrawals and collateral requirements, the Funds may maintain a variable balance of cash. To effectively manage this cash, a Fund may invest in (directly or through another Vanguard Fund) cash equivalent instruments that aim to preserve capital and provide liquidity. Where the Fund holds cash, it will be for liquidity purposes, and during these times exchange-traded or listed futures will be used to maintain market exposure. Cash holdings are not expected to be material other than temporarily and in exceptional circumstances.

Cash equivalent instruments include, but are not limited to, high quality short-term money market instruments and short dated debt securities such as government issued securities and government-related (semi-government) issued securities. They may also include repurchase agreements; where high quality government or government related securities are received or provided as collateral for the term of the agreement.

Performance

Monthly performance information for the Active ETFs and historical performance relative to the applicable Benchmark will be published on Vanguard's website at www.vanguard.com.au. Neither the return of capital nor the performance of the Active ETFs is guaranteed. Past performance is not an indication of future returns.

The market price of Active ETF units on the secondary market will vary from the NAV price. There can be a number of factors influencing the current market price and causing it to differ from the NAV price including the price movement of the securities in the portfolio held by the Funds, investor demand for the Active ETFs and the spread between the bid price (price at which participants are willing to buy) and the ask price (price at which participants are willing to sell).

Changes to investment objective and strategy

Vanguard may, from time to time, vary the investment objective and/or strategy of the Funds. Such variations may include changes to the Benchmark or investment universe of a Fund. Vanguard will notify investors of any material changes in relation to the investment objective and strategy.

Environmental, social and ethical considerations

Vanguard does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

We acknowledge, however, that there may be instances when it is appropriate to screen for certain ESG issues. To that end, The Vanguard Group, Inc. has established a formal procedure for identifying and monitoring companies, for example, whose direct involvement in crimes against humanity or patterns of egregious abuses of human rights would warrant engagement or potential divestment.

The Vanguard Group, Inc. is also a signatory to the Principles for Responsible Investment (PRI).

For more information about Vanguard's approach to engagement and environmental, social and governance issues, please refer to our website or contact institutional@vanguard.com.au.

6. Quotation under the AQUA Rules of the ASX

The AQUA market service aims to provide managed funds, ETFs and structured products (collectively referred to as ETPs) with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement.

The key distinction between products admitted under the ASX Listing Rules and those quoted under the ASX AQUA Rules is the level of influence that the issuer has over the underlying instrument. See table below for the main differences between the ASX Listing Rules and the ASX AQUA Rules:

ASX Listing Rules	ASX AQUA Rules
<p>The equity issuer:</p> <ul style="list-style-type: none"> Controls the value of its own securities and the business it runs; and The value of those securities is directly influenced by the equity issuer's performance and conduct. <p>For example, a company's management and Board generally control the company's business and, therefore, have direct influence over the company's share price.</p>	<p>The AQUA Product issuer:</p> <ul style="list-style-type: none"> Does not control the value of the assets underlying its products; but Offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. <p>The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.</p> <p>For example, an ETP issuer does not control the value of the securities it invests in.</p>

Source: ASX Rules Framework (2011)

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules.

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	<ul style="list-style-type: none"> Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> 	<ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i>. There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. <p>What obligations apply under the AQUA Rules?</p> <ul style="list-style-type: none"> There is an obligation on issuers of ETFs to disclose information about the NAV of the ETFs daily via either the ASX MAP or issuer's website (as specified in the ETFs' Product Disclosure Statement). Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via ASX MAP. Any other information that is required to be disclosed to ASIC under section 675 of the <i>Corporations Act</i> must be disclosed to the ASX via ASX MAP at the same time it is disclosed to ASIC.
Periodic disclosure	<ul style="list-style-type: none"> Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules. 	<ul style="list-style-type: none"> Responsible entities of AQUA Products that are ETFs are still required to lodge with ASIC financial reports under Chapter 2M of the <i>Corporations Act</i>. Under the AQUA Rules, the Responsible Entity must disclose these financial reports to the ASX at the same time as lodgement with ASIC. Issuers of ETFs must disclose the total number of ETF Securities on issue via ASX MAP within 5 business days of the end of each month.

Corporate control	<ul style="list-style-type: none"> Requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes. 	<ul style="list-style-type: none"> Certain requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	<ul style="list-style-type: none"> Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions. 	<ul style="list-style-type: none"> Chapter 10 of the Listing Rules does not apply to AQUA Products. ETPs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the <i>Corporations Act</i>.
Auditor rotation obligations	<ul style="list-style-type: none"> There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i>. 	<ul style="list-style-type: none"> Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the <i>Corporations Act</i>. Responsible entities of registered managed investment schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the <i>Corporations Act</i> and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).
Product disclosure	<ul style="list-style-type: none"> Entities admitted under the Listing Rules are subject to the requirements of the <i>Corporations Act</i> in relation to the issue of a PDS or prospectus. Information on the risks associated with an investment in a product is expected to be included. 	<ul style="list-style-type: none"> Products quoted under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i>. Investors should read the PDS or prospectus carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

Source: ASX Rules Framework (2011) and ASX Operating Rules

7. Risks

General Risks

Investors in these Active ETFs face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in Active ETFs could lose money over short or even long periods.

The price of the Active ETF units can fluctuate within a wide range, like fluctuations of the overall financial markets.

When considering an investment in Active ETFs, personal tolerance for fluctuating market values should be taken into account. An investment in the Active ETFs is subject to investment risk including possible delays in repayment and loss of income or principal invested. Neither Vanguard nor its associates guarantee the performance of the Active ETFs, the repayment of capital from the Active ETFs or any particular rate of return.

The following table outlines the risks that can affect the performance of the Funds and their Active ETF share classes.

Type of risk	Description
Market risk	Market risk is the possibility that market returns will decline overall. Financial markets tend to move in cycles, with periods of rising prices and periods of falling prices. It is important to note that the value of your investment can be directly or indirectly impacted and that you may not get back what you invested in the Active ETF.
Security Specific Risk	The prices of securities the Funds invest in, either directly or indirectly (through a holding in another investment vehicle) can rise or fall independently of changes in the broad market. There is a risk that world events, such as political upheaval, financial troubles or natural disasters, will adversely affect the value of securities issued by companies in foreign countries or regions. This risk may be higher for investments in emerging markets than more developed markets. The securities of companies in emerging markets can be substantially more volatile and substantially less liquid than the securities of companies located in more developed markets.

Derivative risk	<p>A derivative is a contract between two or more parties where that contract derives its price from one or more underlying assets, reference rates or indexes. Derivatives are generally used as an instrument to gain market exposure or to hedge risk, however, they also create exposure to additional risks. These additional risks include the possibility that the value of the derivative may fail to move in line with the value of the underlying asset, the potential lack of liquidity of the derivative, or that the parties to the derivative contract may not be able to meet their obligations.</p>
Regulatory and tax risk	<p>This is the risk that a government or regulator may introduce regulatory and/or tax changes, or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the Funds invest, the value of the Active ETF units or the tax treatment of the Funds and their investors. The Funds may not be able to trade certain securities in the investment universe at any particular time due to the restrictions on trading securities in that jurisdiction or restrictions in other jurisdictions such as sanctions.</p> <p>The Funds or Active ETF units may be affected by changes to legislation or government policy both in Australia and in other countries.</p>
Manager risk	<p>Vanguard employs an actively managed investment strategy for the Funds. The Funds may fail to meet its objectives as a result of:</p> <ul style="list-style-type: none"> ▪ Vanguard’s selection of securities for the Funds; and ▪ Implementation of processes which may cause the Funds to underperform its benchmark or other funds with a similar investment objective <p>Vanguard’s investment approach seeks to mitigate this risk.</p>
Concentration Risk	<p>From time to time, securities that rate highly in terms of their exposure to the Funds’ objective may be more heavily concentrated in particular countries and/or industries/sectors due to characteristics of those countries or industries/sectors at the particular time. Accordingly, the extent to which the Funds will have exposure to specific countries or industries/sectors may vary from time to time, and may occasionally be significant. Unfavourable economic and market conditions impacting a particular country or industry/sector may therefore adversely affect the value of the Funds where the Funds have, at the particular time, a concentrated exposure to the country or industry/sector in question.</p>
Fund risk	<p>Investing in a managed investment scheme carries with it the risks of that investment vehicle including:</p> <ul style="list-style-type: none"> ▪ the fees and costs for a fund or class of units in a fund could change (refer to the section 11, additional explanation of ‘Fees and Cost’ for information about the limits on changes to fees and costs and ‘Buy/sell spread costs’ for further information about variations to buy/sell spreads); ▪ the Fund(s) may give different results than investing directly in the underlying securities yourself because of the tax consequences of the income and/or capital gains accrued in the Fund(s); ▪ Vanguard could be replaced as the responsible entity and/or investment manager for the Fund(s); or ▪ the Fund(s) could terminate.
Model risk	<p>There is a chance that the factors used to build portfolios (i.e. our definition of “value” or risk factors to identify minimum volatility) will produce intended or unintended returns sequences that do not match alternative definitions of value or minimum volatility.</p>
Operational risk	<p>The Active ETFs are subject to a number of operational risks including in relation to the administration and reporting of the Funds and the possibility that errors are made in the provision of services to the Funds.</p> <p>The failure of a service provider to adequately administer or report accurately in relation to the Funds or their investments may adversely impact the operations or performance of the Funds.</p> <p>There is a risk that circumstances beyond Vanguard’s reasonable control could prevent Vanguard from managing the Funds in accordance with their investment strategy and as otherwise contemplated by this PDS. Examples of these circumstances include strikes, industrial disputes, fires or other catastrophes, war, civil disturbance, terrorist acts, governmental pre-emption in connection with a state of emergency and epidemics (including potential epidemics). By investing in the Active ETF(s) you agree that Vanguard is not liable if Vanguard is prevented from managing the Fund(s) by circumstances beyond its reasonable control.</p>

In certain exceptional circumstances such as market disruptions, the ASX may suspend the trading of Active ETF units and therefore investors will not be able to buy or sell Active ETF units on the ASX. Where Active ETF(s) has been suspended from trading, and remains liquid, Vanguard will take all reasonable steps within its control to seek to have the Active ETF (s) units recommence trading as soon as possible. In these circumstances, Vanguard may suspend the application and redemption process for Authorised Participants. If applications and redemptions are suspended, Vanguard will make an announcement on the ASX MAP.

The ASX also imposes certain requirements for Active ETF units to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the Active ETF units remain quoted.

Trading risk

Vanguard has obligations to have market making arrangements in place under certain circumstances under the AQUA Rules. Vanguard has appointed a market maker to assist in maintaining liquidity for the Active ETF units on the ASX.

The purchase price and withdrawal price applicable to Active ETF units may from time to time differ from the trading price of Active ETF units on the ASX. The trading price is dependent on a number of factors including the demand and supply of Active ETF units, market volatility for the underlying securities and investor confidence.

If you buy or sell Active ETF units on the secondary market, you will pay or receive the trading price, which may be higher or lower than the NAV price.

The risk that a Fund may incur a loss due to the failure of a counterparty to meet their obligations under a contract. A Fund's counterparty may include brokers, clearing houses and other agents.

Counterparty risk

In relation to securities lending, there is a risk that a borrower defaults on its obligations to return securities. This may in turn lead to collateral and liquidity risks if the value of the collateral and/or liquidity of the replacement securities decreases. Vanguard seeks to mitigate the risks of its securities lending program through strict credit monitoring and requiring the provision of highly liquid collateral. See "Securities Lending" in section 5 for more information.

Spread risk

Cash transactions are subject to variations in the applicable buy/sell spread. The buy/sell spread can be varied at Vanguard's discretion depending on, for example, market liquidity conditions or the total amount of cash received in applications or redemptions for Active ETF units on any particular day.

8. How to transact with Vanguard

Investors who are not Authorised Participants cannot apply for or redeem Active ETF units with Vanguard through this PDS, but may purchase or sell Active ETF units on the ASX through their broker or adviser.

Prior to transacting with Vanguard, an Authorised Participant must also enter into an Authorised Participant agreement with Vanguard. If access to Vanguard's online portal is requested, the Authorised Participant must also agree to additional terms and conditions of use. Please contact the Vanguard ETF Capital Markets Team on 1300 655 888 for more information.

An Authorised Participant may apply for and/or redeem a number of units in the Active ETF in accordance with their Authorised Participant agreement by submitting a request to Vanguard. Active ETF Application/Redemption requests can be submitted via an Active ETF Application/Redemption Form or through Vanguard's online portal. Active ETF Applications/Redemptions must be in multiples of a creation unit.

Applications or redemptions consist only of a cash amount equal to the application or withdrawal amount as appropriate, plus a spread. For more information regarding cash transactions, including transaction minimums, cut-off times, settlement dates and transaction confirmations, Authorised Participants should refer to the Vanguard Execution and Settlement Procedures.

Vanguard reserves the right to refuse any application or redemption request to the extent permitted by the constitutions of the Funds or if the application or redemption is not in accordance with the terms of the Authorised Participant agreement. If an application or redemption request is rejected, the Authorised Participant will be notified.

CHESSE Statements

Unitholders will receive a CHESSE statement showing the number of Active ETF units they hold after they acquire Active ETF units. Unitholders will receive an updated CHESSE statement upon the occurrence of changes to their holdings.

Important note for applications and redemptions by Authorised Participants

There may be occasions where Vanguard may suspend application or redemption requests. This may occur around the end of a distribution period when Vanguard is calculating and paying the distribution for the relevant period and during ASX settlement holidays or where there are factors, as determined by Vanguard, which prevent the accurate calculation of unit prices. Vanguard will advise investors in the event that such a suspension will occur.

While the Fund is liquid for the purposes of the *Corporations Act*, Vanguard must satisfy a redemption of Active ETF units within 30 days of the date on which the redemption request is received or such longer period as permitted in accordance with the applicable Fund's constitution. A Fund is liquid if 80% of the value of the Fund's assets comprises liquid assets. If the Fund is illiquid, a withdrawal request must be dealt with in accordance with the Fund's

constitution and the *Corporations Act*. You may not be able to withdraw the investment where a Fund is illiquid. It is not expected that the Funds will be illiquid.

In accordance with the applicable Fund constitution, redemptions may be processed progressively over a period of up to 20 business days at the withdrawal price applicable on each day on which the units are withdrawn. No cooling off period applies in relation to applications for Active ETF units.

Withdrawal rights for investors other than Authorised Participants

As a condition of ASIC equal treatment relief, ASIC requires that in certain circumstances, investors other than Authorised Participants have a right to redeem units directly with Vanguard. When Active ETF units are suspended from trading on the ASX for more than 5 consecutive ASX trading days, investors have a right to withdraw from a Fund and receive a cash payment for their Active ETF units within a reasonable time (within 60 days of the date on which the redemption request is received or such longer period as permitted in accordance with the Fund's constitution) unless:

- a Fund is being wound up;
- a Fund is not liquid for the purposes of the *Corporations Act*; or
- Vanguard, as responsible entity of the Funds, suspends redemptions of Active ETF units in accordance with the provisions of the Fund's constitution.

Investors (other than Authorised Participants) may redeem in these circumstances by completing a Direct Redemption Form in accordance with the Secondary Market Direct Redemption Policy, both of which are available by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

A sell spread may apply where this right is exercised. Please refer to section '11. Additional explanation of fees and costs' for more information about the sell spread. Unitholders who withdraw from an Active ETF will receive the withdrawal price calculated by deducting the sell spread from the relevant Active ETF NAV price.

No minimum withdrawal amounts apply in these circumstances.

Valuations and pricing

The value of an Active ETF unit is determined by dividing the NAV for the class of units (total assets for that class, less total liabilities for that class) by the number of units on issue in that class. Units are generally valued using the closing prices of the underlying securities on the relevant markets in which they trade and converted into Australian dollars. The value of units will change from time to time as the market value of the assets rises or falls.

Units are usually valued daily, except on non-ASX trading days or if there are factors that prevent the accurate calculation of unit prices (for example, where markets are closed in relevant countries).

The purchase price per unit (being the amount paid by an Authorised Participant for the application for Active ETF units) is also determined by dividing so much of the NAV of a Fund as is allocated to the Active ETF unit class by the number of units on issue in the Active ETF unit class at the time the purchase price is determined, adjusted by the applicable buy spread for the transaction.

The withdrawal price (being the amount payable to an Authorised Participant on the redemption of their Active ETF units) is also determined by dividing the NAV of the Fund as is allocated to the Active ETF unit class by the number of units on issue in the Active ETF unit class at the time the withdrawal amount is determined, adjusted by the applicable sell spread for the transaction.

The withdrawal price paid to an Authorised Participant on the redemption of Active ETF units will generally include an attribution or entitlement of taxable income. Please refer to section '9. Distributions' for further details regarding how this entitlement is determined.

Details of the daily NAV price and daily Pricing Basket will be made available on Vanguard's website at www.vanguard.com.au or by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

Unit pricing policy

Vanguard has documented its policy as to how it determines unit prices for its managed funds (including the Active ETFs). Vanguard's Unit Pricing Discretions Policy is available on request to all investors and prospective investors at no charge by contacting the Vanguard ETF Capital Markets Team on 1300 655 888.

The policy explains Vanguard's approach in relation to valuation methodology, rounding of decimal places, cut-off times for receiving instructions, the frequency of income distributions and unit pricing discretions generally. The Responsible Entity will record the exercise of any discretion outside the scope of the policy.

Facsimile, email or online instructions

For applicable investors advising Vanguard via facsimile, e-mail or online in respect of instructions (including applications and redemption requests) it is important to be aware that Vanguard:

- is deemed to have accepted an application or redemption request, only when Vanguard confirms an order has been accepted;
- will only process an application or redemption request if it is received by Vanguard in full and has been completed to Vanguard's satisfaction;

- is not responsible for any loss or delay that results from a facsimile, e-mail or online transmission not being received by Vanguard;
- will not accept:
 - a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile; or
 - a return receipt as evidence of receipt of an e-mail; or
 - any screenshot or extract of an online transaction produced by the sender as evidence of an online instruction;
- does not take responsibility for any fraudulently or incorrectly completed instructions; and
- will not compensate for any losses relating to facsimile, e-mail or online instructions, unless required by law. For example, the risk that a facsimile, e-mail or online transmission may be sent by a person who knows the investor's account details will be borne by the investor.

In the event of fraud the investor agrees to release, discharge and indemnify Vanguard from and against all actions, claims, demands, expenses and liabilities (however they arise) suffered by the investor or suffered by or brought against Vanguard, in respect of the facsimile e-mail or online instructions, to the extent permitted by law.

Authorised Participants should refer to their Authorised Participant agreement and the Vanguard ETF Execution and Settlement procedures for further information in relation to transacting in Active ETF units. Please contact the Vanguard ETF Capital Markets Team on 1300 655 888.

9. Distributions

Distributions may include income earned by the Fund or any other amounts that Vanguard considers appropriate for distribution. As at the date of this PDS, Vanguard intends for the distributions made by the Fund to be based on the taxable income earned by the Fund for each year. The income of the Fund will generally include income earned on holding and disposing of the assets of the Fund.

Where the Fund is an AMIT (see further "Taxation" section below), as distributions for each period may be based on estimates or exclude certain types of income, the amount distributed may differ to the taxable income attributed to investors for tax purposes. Any taxable income of the Fund that is not distributed for the period will either be held back for distribution in a later period in the same financial year, or accumulated in the Fund. Vanguard may, from time to time, review its approach to distributions and elect to distribute on an alternative basis.

The distribution periods for the Active ETFs will generally be quarterly (i.e. as at 31 March, 30 June, 30 September and 31 December each year). However, Vanguard also has the discretion under the constitutions of each Fund to alter the distribution periods and distribution entitlement date and determine distributions at other times.

Distributions will generally be paid within 20 business days after the end of the relevant distribution period, though the constitutions for each Active ETF permits up to three months. The amount of the distributions will vary from distribution period to distribution period, and there may be some distribution periods when an Active ETF will not pay a distribution.

All Active ETF unitholders as at the end of the distribution entitlement date may be entitled to the distribution for that distribution period. The distribution entitlement date is generally the last day of the distribution period. However, there are certain limited and exceptional circumstances where the distribution entitlement date is deferred to the next business day following the end of the distribution period (see 'Deferral of distribution entitlement date').

Distributions are calculated on a per unit basis and will be based on the number and class of units on issue in the relevant Fund as at the end of the distribution period.

Details in relation to the distributions by the Funds for Active ETF units will be made available via an ASX announcement and on Vanguard's website. Investors must be registered as a Unitholder at the record date (as advised in the ASX announcement) to be eligible for the distribution.

Deferral of the distribution entitlement date

The distribution entitlement date (other than 30 June) may be deferred, in certain limited and exceptional circumstances, to the first business day following the end of the relevant distribution period, where the ASX is closed for settlement on the first business day after the end of a distribution period, but the Active ETF class units may be traded on the ASX on that day. The distribution entitlement date is deferred, in these circumstances, on the basis that Active ETF units are not able to be quarantined as being ex-distribution on that day. This means that where the distribution entitlement date is deferred in these circumstances, investors who purchase Active ETF units on the first business day after the distribution period will be entitled to the distribution for that distribution period and investors who sell Active ETF units on the first business day after the distribution period will not be entitled to the distribution. Vanguard will announce details of when this will occur on the ASX MAP or on its website.

Allocation of taxable income of the Fund on redemption

An Authorised Participant who redeems Active ETF units in the ordinary course may be attributed or distributed part of the taxable income of the relevant Fund. Please refer to section '12. Taxation of Active units' for further information regarding how this entitlement is determined.

Distribution Reinvestment Plan

From time to time investors may be able to participate in Vanguard's Distribution Reinvestment Plan ("DRP"). Participation in the DRP is subject to terms and conditions. As long as the DRP is offered, investors can choose to:

- participate in the DRP, in which case any distributions to which an investor is entitled will be reinvested in additional Active ETF units; or

- not participate in the DRP, in which case distributions will be paid directly to an investor's nominated Australian bank account.

If no DRP election is made, an investor will be deemed to have elected not to participate in any DRP on offer and distributions will automatically be paid as cash. An investor's DRP election continues until the investor makes a new DRP election.

Investors can obtain a copy of the DRP and elect to participate in the DRP by registering online via Vanguard's share registrar Computershare or by calling Computershare on 1300 757 905. Investors will be notified of changes to the DRP on Vanguard's website at www.vanguard.com.au.

[Register online for DRP](#)

Vanguard Global Minimum Volatility Active ETF (Managed Fund)	www.computershare.com.au/easyupdate/VMIN
Vanguard Global Value Equity Active ETF (Managed Fund)	www.computershare.com.au/easyupdate/VVLU
Vanguard Global Multi-Factor Active ETF (Managed Fund)	www.computershare.com.au/easyupdate/VGMF

10. Fees and other costs

Did you know? Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features, such as superior investment performance or the provision of better member services, justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more: If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

Fees and other costs

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in Section 12.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount		How and when paid
	Authorised Participants	Other investors	
Fees when your money moves in or out of the Active ETF			
<i>Establishment fee</i> The fee to open your investment	Nil		Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil ^A	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil ^A	Nil ^B	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil		Not applicable
Management costs			
The fees and costs for managing your investment			The management cost for each Active ETF incorporates Vanguard's management fee and an estimate of any indirect costs (if applicable).
Vanguard Global Minimum Volatility Active ETF (Managed Fund)	Vanguard's management fee Indirect Costs	0.28%p.a 0.00% p.a ^D	Vanguard's management fee is calculated as a percentage of the Active ETF's net asset value ^C . The fee is calculated daily and paid monthly. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the Fund and is reflected in the daily Active ETF unit price.
Vanguard Global Value Equity Active ETF (Managed Fund)	Vanguard's management fee Indirect Costs	0.28%p.a 0.01% p.a ^D	

Vanguard Global Multi-Factor Active ETF (Managed Fund)	Vanguard's management fee Indirect Costs	0.33 %p.a 0.01% p.a ^D	Indirect costs (if applicable) refer to the costs which reduce the returns of the Active ETFs, such as certain over-the-counter derivatives. Please refer to the section "Additional explanation of fees and costs" for further information about how and when indirect costs apply.
Service fees			
<i>Investment switching fee</i> The fee for changing investment options	Nil		Not applicable

^A Buy/sell spread costs apply. Please refer to section '11. Additional explanation of fees and costs' for more information concerning buy/sell spread costs. These costs do NOT apply to investors buying or selling Active ETF units on the ASX.

^B Other than in exceptional circumstances, investors other than Authorised Participants cannot redeem Active ETF units with Vanguard, but may seek to sell Active ETF units on the ASX through their broker or adviser. Please refer to the section 'Withdrawal rights for investors other than Authorised Participants' for circumstances where investors other than Authorised Participants may have rights to redeem Active ETF units with Vanguard. In these circumstances, buy/sell spread or other costs may apply. Please refer to the section 'Additional explanation of fees and costs' for more information concerning these costs.

^C Please refer to section '8. How to transact with Vanguard' for an explanation of the net asset value for the Active ETF.

^D Indirect costs are based on an estimate as at the date of this PDS and may vary over time. Vanguard may update indirect cost information on its website where the overall change to the management cost is not materially adverse to investors.

Example of annual fees and costs

The following table provides an example of how the fees and costs can affect an investment in the Active ETF over a one year period. You should use this table to compare the products with other managed investment products.

Example Vanguard Global Minimum Volatility Active ETF (Managed Fund)	Amount	Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil ^A	For every \$5,000 you put in, you will be charged \$0
PLUS Management costs, comprising Vanguard's management fee: 0.28% p.a. Indirect costs: 0.00% p.a.	0.28% p.a.	And, for every \$50,000 you have in the ETF you will be charged \$140 each year.

EQUALS cost of Active ETF

If you had an investment of \$50,000 at the beginning of the year and you put in \$5,000 during that year you will be charged fees of \$140^{ABC}

^A A minimum creation unit size of 5,000 units applies for Cash Transactions by Authorised Participants and a buy spread cost also applies. Please refer to 'Buy/sell spread costs' for more information. These costs do NOT apply to investors buying or selling Active ETF units on the ASX.

^B Assumes that the \$5,000 investment occurs on the last business day of the year and that there is a constant investment of \$50,000 throughout the year.

^C This amount does not capture all fees and costs that may be applicable to an investor. It does not cover brokerage.

11. Additional explanation of fees and costs

Management costs

Management costs comprise the fees or costs that a unitholder incurs by investing in an Active ETF. Management costs are made up of Vanguard's management fee that is deducted from the returns of the Funds and may include indirect costs. The management costs shown do not include any potential extraordinary expenses. In addition, management costs do not include transactional and operational costs i.e. costs associated with investing the underlying assets, some of which may be recovered through buy/sell spreads.

Management fee

The management fee component is a fixed amount that Vanguard deducts from the assets of the Funds and comprises Vanguard's remuneration for managing and overseeing the operations of the Funds. The management fee is calculated as a percentage of a Fund's net asset value (or the relevant class of units where a Fund has multiple classes). The fee is accrued daily in the unit price and paid monthly in arrears. The fee for a month is paid on or after the first day of the following month. This fee is taken from the assets of the relevant Fund.

As at the date of this PDS, Vanguard pays any expenses that are recoverable from the Funds out of the management fee at no additional charge to you. The management fee includes Goods and Services Tax (GST) after taking into account any expected input tax credits.

Ordinary expenses of the Funds that Vanguard may recover through the management fee includes:

- custodian fees (excluding transaction based fees);
- accounting and audit fees;
- Fund administration expenses such as the cost of preparing and amending the constitution, the cost of producing the PDS, postage and other Fund administration expenses.

The management fee may not be used to cover extraordinary expenses (such as litigation, the cost of investor meetings or other costs if incurred in the future). Such extraordinary expenses may be recovered from the assets of the Fund as an additional expense to the management fee where permitted under the constitutions.

For any Funds that invest in an underlying Fund, Vanguard's management fee in the underlying Fund(s) is fully rebated back to the investing Fund.

The management fees of investing in the Active ETFs are capped until further notice.

In calculating taxable income for the Funds, all available tax deductions are taken into account. This means that the effective after-tax cost to investors of investing in a Fund may be lower than the amounts specified in the PDS for the Fund, to the extent that management costs are a tax deductible expense and reduce the taxable income of that Fund.

Indirect costs

Indirect costs are included as part of the management costs disclosed in the fee table for each Active ETF in the PDS. Indirect costs include the management costs of interposed vehicles (for example, the management fee of an underlying investment trust or exchange traded fund) and certain costs of over-the-counter derivatives. For any Funds that invest in an underlying Vanguard Fund which is managed by Vanguard, Vanguard's management fee in the underlying Fund(s) is fully rebated back to the relevant investing Fund and so does not need to be counted in indirect costs for the relevant Fund.

It is important to note that indirect costs are reflected in the unit price of an Active ETF. Indirect costs are not an additional fee paid to Vanguard. The indirect costs are based on an estimate as at the date of this PDS and may vary over time. Vanguard may update indirect cost information on its website where the overall change to the management cost is not materially adverse to investors.

Changes to management fees

Vanguard may alter the management fee in accordance with the constitutions of the Funds. The constitutions governing the Funds generally limit the amount of the management fee component (excluding GST) to 1.50% p.a. This limit does not apply to ordinary expenses of the Funds that Vanguard incurs and covers out of the management fee or to any extraordinary expense of the Fund that is otherwise able to be recovered. Any increase to the management fee above these maximums will generally require unitholder approval.

Transactional and operational costs

In addition to the management costs, there are transactional and operational costs incurred in managing the assets of the Funds. Most of these costs would be incurred by investing directly in the underlying securities. Such costs arise whenever the Funds buy or sell assets to invest applications, fund withdrawals or to generally manage the Funds in accordance with their investment objective. Where these costs arise as a result of applications and withdrawals, these costs will generally be covered by the inclusion of a buy/sell spread in the purchase or withdrawal price.

Transactional costs can include either "explicit costs", comprising those costs that are deducted from the assets of the Fund for a particular transaction, such as brokerage, commission and stamp duties, or "implicit costs", comprising those costs that are incurred in day-to-day trading of the Fund's assets and reflected in the unit price. Implicit costs can arise as a result of bid-offer spreads being applied by trading counterparties to securities traded by the Fund and are factored into the individual asset value and reflected in the unit price. They are an additional cost of investing to the investor and are not a fee paid to Vanguard.

These costs will depend on the actual turnover of assets.

There may occasionally be higher trading activity than usual, such as to implement an asset allocation change. In this case, there may be a higher than usual turnover of assets and consequently a temporary increase in transaction costs.

Further information about the Fund's transactional and operational costs, including the estimated costs for the last financial year, is contained in the Vanguard Transactional and Operational Costs Guide. This document should be read together with the current PDS for the Active ETFs, and is available on our website. It is also possible to obtain a copy free of charge, on request.

Buy/sell spread costs

Vanguard may include a buy spread component in the purchase price and a sell spread component in the withdrawal price. The buy/sell spread for each Active ETF is Vanguard's reasonable estimate of the transaction costs that the fund may incur to buy and sell assets when investing applications and funding withdrawals. The buy/sell spread is paid to the Funds to meet these expenses and is not received by Vanguard.

The purpose of the buy/sell spread is to protect existing investors from the costs generated by the transaction activity of Authorised Participants in the primary market. Authorised Participants who invest into an Active ETF will pay the purchase price calculated by adding the buy spread to the Active ETF's net asset value per unit. Authorised Participants who withdraw from an Active ETF will receive the withdrawal price calculated by deducting the sell spread from the Active ETF's net asset value per unit.

There may be circumstances where the buy spreads or sell spreads will be lower or higher - for example, they may be higher when there are large or prolonged withdrawals from the Fund. For further details on how buy/sell spreads are calculated, you can request a copy of Vanguard's policy on unit pricing discretion.

Vanguard will provide details of the buy/sell spread to Authorised Participants electronically.

Vanguard may vary the buy/sell spreads from time to time including increasing these costs without notice when it is necessary to protect the interests of existing investors and if permitted by law. The updated information will be provided to Authorised Participants electronically.

Withdrawal costs for investors other than Authorised Participants

In certain exceptional circumstances investors who are not Authorised Participants may have the right to redeem Active ETF units with Vanguard (please refer to the section 'Withdrawal rights for investors other than Authorised Participants'). In these circumstances, Vanguard may charge a sell spread to reflect Vanguard's reasonable estimate of the costs that the Fund incurs when processing the withdrawal request. The sell spread is an additional cost to the investor that is paid to the Fund and not received by Vanguard.

Investors who exercise their right to withdraw from the Fund in these circumstances will receive the withdrawal price calculated by deducting the sell spread from the Fund's net asset value per unit. The sell spread charged (per unit) to investors withdrawing from the Fund, will not be greater than the sell spread charged (per unit) to an Authorised Participant that redeems a creation unit amount of Active ETF units.

Details of any applicable sell spread will be provided by Vanguard on request from the Vanguard ETF Capital Markets Team on 1300 655 888.

Stockbroker fees for all other investors

Investors (other than Authorised Participants) may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell Active ETF units on the ASX) when buying and selling Active ETF units on the ASX. Please consult a stockbroker for more information in relation to their fees and charges.

12. Taxation of Active ETF units

The taxation information in this PDS is provided for general information only. It is a broad overview of some of the Australian tax consequences associated with investing in the Active ETFs, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in an Active ETF and should not be used as the basis upon which potential investors make a decision to invest in an Active ETF.

For example, the taxation information provided in this PDS:

- deals only with the Australian tax consequences of investing in Active ETF units for Australian tax residents;
- does not consider any non-Australian tax consequences of investing in Active ETF units;
- assumes that the Active ETF units will not be held as trading stock;
- assumes that the Active ETF units will not be subject to the fair value, hedging or financial reports elections under the rules affecting the taxation of financial arrangements; and
- does not apply to investors who are exempt from Australian income tax.

As each investor's circumstances are different, Vanguard strongly recommends that investors obtain independent professional tax advice concerning the tax implications of investing in and dealing in Active ETF units. This is particularly the case if the taxation information provided in this PDS does not apply to the investor, for example, where the investor is not an Australian tax resident.

The taxation information in this PDS has been prepared based on tax laws and administrative interpretations of such laws available at the time of publication of this PDS, which may change.

Attribution Managed Investment Trusts (AMIT)

A new regime for the taxation of managed investment trusts (MITs) has been enacted, referred to as the Attribution Managed Investment Trust (AMIT) rules. Subject to eligibility, Vanguard may elect for a Fund to be classified as an AMIT and be subject to the AMIT rules.

The AMIT rules also provide for qualifying AMITs that have multiple classes of units on issue to elect for each class to be treated as a separate trust for the purposes of determining and attributing the taxable income of the relevant trust to investors. Subject to eligibility and the election being in the best interests of investors, Vanguard may make this election for a multi-class Fund.

Vanguard has assessed the eligibility of each of the Funds to elect into the AMIT regime and has disclosed on our website whether or not the AMIT regime will apply to each of the Funds.

For Funds that are subject to the new AMIT regime:

- The amount and components of the taxable income of the Fund which investors will be assessed on should be determined by reference to a statement provided by Vanguard to investors after the end of the year, known as the AMIT Member Annual Statement ("AMMA statement"). The AMMA statement will set out the amount and character of each component of income of the relevant Fund which Vanguard attributes to the investor each year and which the investor should be assessed on.
- If the amount distributed to an investor exceeds the taxable income attributed to the investor, investors should be required to recognise a decrease in the tax cost base of their units in the relevant Fund. If the taxable income attributed to an investor exceeds the amount distributed, then investors should be entitled to an increase in the tax cost base of their units. Vanguard's estimate of these net cost base increase or decrease amounts will also be disclosed to investors through the AMMA statement.
- It is possible for the amount of taxable income that is attributed to an investor to differ from and potentially exceed the amount distributed to an investor. This is likely to arise if Vanguard determines to accumulate taxable income in accordance with the Fund constitution. In this instance, the investor should be entitled to a net increase in the cost base of their units, as discussed above.
- The constitutions for the Funds set out the basis upon which Vanguard will

attribute the taxable income of the Funds to investors. This should be based on the components of income that are reflected in the distributions made to investors during the year, and, in relation to income that is accumulated, based on a pro rata attribution of this income to investors at the time determined by Vanguard for this purpose. The constitutions also allow for attribution to investors who redeem their units in a Fund in certain circumstances (please refer to 'Redemption Income Entitlements' below for further information).

- Although Vanguard expects that the Funds will be taxed under the AMIT tax regime, the Constitutions for the Funds will also provide for a situation where the Funds are non-AMIT. The taxation of a non-AMIT Fund is discussed below.

Non-Attribution Managed Investment Trusts (non-AMIT)

A Fund that does not qualify or elect to be an AMIT will be subject to the ordinary trust taxation provisions in the tax legislation. Broadly, investors in a fund that is a non-AMIT will be distributed and made "presently entitled" to all of the income of the Fund each year, and will be assessed on their proportionate share of the taxable income of the Fund each year.

Investors will be provided with tax statements after the end of each financial year detailing the components, for income tax purposes, of any net taxable income of the relevant Fund that they may be assessed on for the financial year as a result of their entitlements to the income of the relevant Fund. This information should assist investors in preparing their tax return for the year.

Categories of income from the Funds

Franking credits

Where a Fund invests in Australian equities, the tax components on which you are assessed as a result of your investment in a Fund may include franking credits attached to franked dividends derived by the Fund in respect of Australian equities. Subject to the relevant qualification requirements (including 45 day holding period and related payments rule) these franking credits do not form part of your cash receipts but will need to be included in your taxable income and, depending on your particular circumstances, may be available to offset your tax liability. Certain investors may also be entitled to a refund if the franking credits exceed your total income tax liability.

Foreign income

Income received by a Fund from sources outside Australia may be subject to tax in the country of source. Australian tax resident investors may be entitled to claim a foreign income tax offset against their Australian tax liability in respect of their share of the foreign tax paid.

Capital gains

Where you become assessed on a net capital gain from a Fund, to the extent the net capital gain includes a discounted gain, you may be required to gross up the net capital gain by doubling the discounted gain component. You may then apply any of your current or prior year capital losses to reduce the grossed up capital gain.

Depending on your circumstances, you may be able to apply the capital gains tax (CGT) discount (50 percent for individuals and certain trusts and 33.33 percent for complying superannuation funds) to arrive at your net capital gain. This amount should be included in the calculation of your taxable income.

As the Funds are trusts and are eligible for the discount capital gains concession, they may distribute (where a Fund is not an AMIT) or attribute (where a Fund is an AMIT) amounts that are referable to the discount capital gains concession. Depending on your circumstances, the receipt or attribution of those amounts may not be assessable and may not result in a reduction in the cost base of your units in the Funds.

CGT tax election

There are tax rules that allow an eligible "managed investment trust" to make an irrevocable election to apply the CGT rules as the primary code for the taxation of gains and losses on disposal of certain assets by a Fund. Vanguard has made this election for the Funds that are eligible.

Non-assessable distributions

A Fund may make distributions of amounts which are non-assessable to the investor, such as amounts that are referable to the discount capital gains concession. Receipt of certain non-assessable amounts may have CGT consequences, including the potential for cost base adjustments for investors, depending on their circumstances, and subject to the discussion above regarding capital gains concession amounts. The way in which these cost base adjustments operate can differ depending on whether a Fund is an AMIT or non-AMIT.

Other gains

Gains and losses in relation to investments of certain Funds, including foreign currency gains arising from the investment of the Funds, may be assessed as income under provisions other than the capital gains tax provisions of the Income Tax Assessment Act 1997 (Cth). The net taxable income of a Fund on which you are assessed may include a component of assessable income which is referable to those gains.

Selling or transferring units

If an investor in an Active ETF disposes of Active ETF units by selling or transferring the units to another person (e.g. selling Active ETF units on-market), the investor may be liable for tax on any gains realised on that disposal of units.

If an investor is assessed otherwise than under the capital gains tax provisions on a disposal of Active ETF units (e.g. if the investor is in the business of dealing in securities like Active ETF units), any profits or gains realised on the sale or transfer of

the units should be assessable as ordinary income. Those investors may be able to deduct any losses made on the sale or transfer of Active ETF units against current or future assessable income amounts, subject to certain integrity requirements.

For investors who are assessed under the capital gains tax provisions on the disposal of Active ETF units, a capital gain or loss may be made on the disposal of Active ETF units. Where a capital gain has been made, some investors may be eligible for the discount capital gains concession (50% for individuals and certain trusts and 33.33% for complying superannuation funds) which can be applied to reduce the investor's net capital gains on the disposal of Active ETF units after capital losses are applied. In order for the discount capital gains concessions to be available, certain requirements may need to be satisfied (such as the units being held for at least 12 months before they are disposed of). Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of Active ETF units may only be offset against capital gains made in that year or subsequent years.

Goods and Services Tax ("GST")

The issue and withdrawal of Active ETF units will not be subject to GST. However, fees and expenses, such as management costs, incurred by a Fund will attract GST.

Given the nature of the activities of the Funds, the Fund may not be entitled to claim input-tax credits for the full amount of the GST incurred. However, a Reduced Input-Tax Credit ("RITC") should be available to be claimed against the GST paid on the expenses incurred by the relevant Fund.

The GST and expected RITC relating to fees and expenses are incorporated in the management cost for each Fund.

Applying for and redeeming Active ETF units

A person will only be eligible to apply for and redeem Active ETF units in the ordinary course if they are an Authorised Participant.

This section seeks to provide a summary of the income tax consequences of applying for and redeeming Active ETF units by Authorised Participants who are assessed on the disposal of Active ETF units otherwise than under the capital gains tax provisions.

We recommend Authorised Participants obtain independent professional tax advice regarding the tax consequences of applying for and redeeming Active ETF units, particularly if they may be assessed on the disposal of Active ETF units under the capital gains provisions.

Applications

The Active ETF units which an Authorised Participant acquires on an application for Active ETF units should be taken to have been acquired at a cost equal to the purchase price of those units.

Redemption Income Entitlements

An Authorised Participant who redeems Active ETF units will become entitled to receive the withdrawal amount on the redemption.

The redemption of Active ETF units by an Authorised Participant may result in the Authorised Participant being assessed on some of the taxable income of the Fund, through a distribution of income or an attribution under the AMIT regime. This includes, but is not limited to, income (including capital and other gains) realised by a Fund to fund the redemption of Active ETF units by the Authorised Participant.

An Authorised Participant who redeems Active ETF units should also be assessed on any profit arising on the redemption of the Active ETF units. An Authorised Participant who redeems Active ETF units may be entitled to a deduction for any loss arising from the redemption of Active ETF units.

The tax consequences for an Authorised Participant will depend on their particular circumstances.

Vanguard will notify an Authorised Participant of the amount of the taxable income of the Funds on which they are assessed as a result of redeeming Active ETF units after the end of the financial year in which the Active ETF units are redeemed.

The provisions in the Constitutions for the Funds that provide for an Authorised Participant who redeems Active ETF units to be assessed on part of the taxable income of the Funds seek to ensure that any taxable income that arises for a Fund as a result of the redemption of Active ETF units by the Authorised Participant should be allocated to the Authorised Participant, rather than continuing investors in Active ETF units.

Vanguard may withhold tax on any redemption amount payable to a non-resident unitholder.

13. Other information you need to know

Vanguard as the responsible entity

Vanguard, as the responsible entity, is solely responsible for the management and administration of the Funds. Vanguard holds an Australian Financial Services Licence (AFSL 227263) that authorises it to act as the responsible entity of the Funds. The powers and duties of Vanguard are set out in the constitution of each Fund, the *Corporations Act* and general trust law. The duties of Vanguard under the *Corporations Act* include:

- acting in the best interests of investors and, if there is a conflict between investors' interests and Vanguard's interests, giving priority to investors' interests
- ensuring that Fund property is clearly identified as Fund property and held separately from property of Vanguard and property of any other fund, and is valued at regular intervals
- ensuring that payments out of Fund property are made in accordance with the *Corporations Act*
- reporting to ASIC any significant breach or likely breach of an obligation under the general AFSL conditions under section 912A of the *Corporations Act* and any breach of the *Corporations Act* that relates to the Fund and has had, or is likely to have, a materially adverse effect on the interests of investors

Vanguard has the power to appoint an agent, or otherwise engage a person, to do anything that it is authorised to do in connection with the Funds. Vanguard has appointed other entities within the Vanguard group of companies to provide investment management related services to the Underlying Funds.

The custodian

Vanguard has appointed JP Morgan Chase Bank, N.A. (Sydney branch) (ABN 43 074 112 011) to provide custodial, settlement and other related services in relation to the Funds.

In their capacity as custodian, JP Morgan provides custodial services to Vanguard (as responsible entity) and is responsible for the safekeeping of the assets of the Funds.

The role of the custodian is generally limited to holding the assets of the Funds and acting on behalf of the responsible entity in accordance with proper instructions (except in limited circumstances where the custodian has a discretion to act without instructions).

The custodian has no supervisory obligation to ensure that Vanguard complies with its obligations as responsible entity of the Funds. The custodian may change from time to time but must satisfy any relevant regulatory requirements.

JPMorgan Chase Bank N.A. (Sydney branch) Level 18
85 Castlereagh Street
Sydney NSW 2000

The Registrar

The role of the registrar is to keep a record of the investors in the Active ETFs. This includes details such as the quantity of the securities held, tax file numbers (if provided) and details of distribution reinvestment plan participation (where this is offered).

Computershare Investor Services Pty Limited Yarra Falls
452 Johnston Street
Abbotsford Vic 3067

Material contracts

Vanguard has entered into a number of contracts in relation to the offer of the Fund as follows:

JPMorgan Chase Bank N.A. (Sydney branch)	Custodian Agreement which sets out the services provided by the custodian on an ongoing basis.
Computershare Investor Services Pty Ltd	Registry Services Agreement which sets out the services provided by the share registrar on an ongoing basis.

Market maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for Active ETF units. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as buyer and seller of Active ETF units throughout the day; and
- Acting as or through an Authorised Participant relationship and applying for and redeeming Active ETF units, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The market maker uses information such as the daily Pricing Basket and NAV prices to determine the price of Active ETF units and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either use a market order to trade with the market maker or send a limit order to the exchange and wait for someone else to trade with them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the Active ETFs have been selected on the basis of their experience in trading and market making in both Australia and international markets. Importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted Exchange Traded Products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) also have global experience in trading exchange traded fund securities in other markets. Vanguard may change the lead market maker or appoint additional market makers.

The constitution

The Funds are each a registered managed investment scheme and each governed by a constitution. Under the constitutions, Vanguard has all the powers of a natural person in respect of the Funds. The constitutions for the Funds set out the rights and obligations of the unitholders and Vanguard (as responsible entity of the Funds). This PDS outlines some of the more important provisions of the constitution.

Under the constitution of the Funds, Vanguard is permitted to establish different classes of units and may create additional classes of units in the Funds in the future.

A copy of the constitution for each Fund may be inspected by unitholders at Vanguard's office, during business hours. Vanguard will provide unitholders with a copy of each constitution upon request.

Amendments to the constitution

Vanguard may amend the constitutions of the Funds from time to time, subject to the provisions of the relevant constitution and the *Corporations Act*. Generally, Vanguard can only amend a constitution where Vanguard reasonably believes that the change will not adversely affect the rights of a unitholder. Otherwise a constitution can only be amended if approved at a meeting of unitholders.

The compliance plan

Vanguard has prepared and lodged a compliance plan for each Fund with ASIC. The compliance plan sets out the key criteria that Vanguard will follow to ensure that it is complying with the *Corporations Act* and the Fund's constitutions. Each year compliance with the compliance plans are independently audited, as required by the *Corporations Act*, and the auditor's report is lodged with ASIC.

The compliance committee

Vanguard is required to and has established a compliance committee with a majority of members that are external to Vanguard. The compliance committee's functions include:

- Monitoring Vanguard's compliance with the compliance plans and reporting its findings to Vanguard;
- Reporting breaches of the *Corporations Act* or the constitutions to Vanguard;
- Reporting to ASIC if the committee is of the view that Vanguard has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- Assessing the adequacy of the compliance plan, recommending any changes and reporting these to Vanguard.

Reporting and disclosure obligations

Vanguard, as responsible entity of the Funds will comply with the provisions of the *Corporations Act*, including the continuous disclosure requirements that apply to an unlisted disclosing entity as if the Funds were unlisted disclosing entities. As disclosing entities, the Funds are subject to regular reporting and disclosure obligations. We will meet our continuous disclosure obligations by disclosing new material information on our website in accordance with ASIC's good practice guidance. Copies of documents lodged with ASIC in relation to the Funds may be obtained from, or inspected at, an ASIC office. Vanguard can also provide you with a copy (free of charge) of:

- the Annual Financial Report most recently lodged with ASIC for the Funds;
- any half-yearly fund financial reports lodged with ASIC in relation to the Funds after the lodgement of the Annual Financial Report and before the date of the PDS;
- any continuous disclosure notices given for the Funds after the lodgement of the Annual Financial Report and before the date of the PDS; and
- a transaction statement detailing holdings and transactions will be provided to Active ETF investors at least once a year.

Rights of a unitholder

A unit confers a beneficial interest on a unitholder in the assets of a fund but not an entitlement or interest in any particular part of the fund or any asset. The terms and conditions of the Fund constitutions are binding on each unitholder in the relevant Fund and all persons claiming through them respectively, as if the unitholder or person were a party to the constitutions.

Reimbursement of expenses

In addition to any other indemnity which Vanguard may have under the Fund constitutions or at law, Vanguard is indemnified and entitled to be reimbursed out of, or paid from, the assets of the Funds for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as responsible entity of the relevant Fund.

Retirement of Vanguard

Vanguard may retire as responsible entity of the Fund(s) by calling a meeting of unitholders to enable unitholders to vote on a resolution to choose a company to be the new responsible entity. Vanguard may be removed from office by an extraordinary resolution (i.e. 50% of all units in the relevant Fund entitled to vote, including members who are not present in person or by proxy) passed at a meeting of unitholders, in accordance with the *Corporations Act*.

Termination

Vanguard may wind up a Fund at any time on giving notice to unitholders. Following winding up, the net proceeds will be distributed to unitholders.

Limitation of liability of unitholders

The Fund constitutions provides that the liability of each unitholder is limited to its investment in the relevant Fund and that a unitholder is not required to indemnify Vanguard or a creditor of Vanguard against any liability of Vanguard in respect of the relevant Fund, except as otherwise set out in the constitution, including that:

- a person applying for units indemnifies Vanguard against any liability in respect of the applicant paying or failing to pay the application amount; and
- an Authorised Participant who redeems units indemnifies Vanguard against any liability in respect of a withdrawal amount otherwise than as required by the constitution.

However, no complete assurance can be given in this regard, as the ultimate liability of a unitholder has not been finally determined by the courts.

Meeting of unitholders

Vanguard may convene a meeting of unitholders of a Fund at any time (e.g. to approve certain amendments to a Fund's constitution or to wind up a Fund(s)). Unitholders also have limited rights to call meetings and have the right to vote at any unitholder meetings. Except where the Funds constitutions provides otherwise, or the *Corporations Act* requires otherwise, a resolution of unitholders must be passed by unitholders who hold units exceeding 50% in value of the total value of all units held by unitholders who vote on the resolution.

A resolution passed at a meeting of investors held in accordance with the relevant Fund's constitution binds all investors of that Fund.

Indemnities and limitation of liability of Vanguard

In general, Vanguard may act on the opinion of, advice of and information obtained from advisers and experts. In those cases, Vanguard is not liable for anything done in good faith in reliance on that opinion, advice or information. Vanguard is indemnified out of the relevant Fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of its duties or prosecuting or defending any action or suit in connection with the relevant Fund other than if it arises out of Vanguard's fraud, negligence or breach of trust.

Vanguard is not liable personally to unitholders or other persons for failing to act except in the case of fraud, negligence or breach of trust or duty.

Borrowings

Vanguard is empowered by the constitutions of the Funds to borrow or raise money for each Fund. Where a Fund borrows, it will typically be for short term needs on a secured or unsecured basis. Fund assets may be used as security to support borrowings and other fund transactions. Any borrowing costs are borne by the Fund. It is not currently Vanguard's intention to borrow for the purposes of gearing.

If you have a complaint

If investors have a complaint regarding the Funds or services provided by Vanguard, please contact Vanguard Client Services on 1300 655 102 from 8:00am to 6:00pm AEDT/AEST, Monday to Friday.

If the complaint is not satisfactorily resolved, you can refer the matter in writing to:
Client Services Manager, Vanguard Investments Australia Ltd, GPO Box 3006, Melbourne Vic 3001.

Vanguard will try to resolve your complaint and get back to you as soon as possible, but in any event we will provide a final response within 45 days of receipt.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides a fair and independent financial services complaint resolution service that is free to consumers. You can contact AFCA on 1800 931 678 (free call) or email on info@afca.org.au.

Privacy policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard collects personal information in the Active ETF Application/Redemption Form and may collect personal information from external sources, such as the share registrar. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers for certain related purposes (as described under the Privacy Act 1988 (Cth)) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

FATCA is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS).

Similarly, the Organisation for Economic Cooperation and Development (OECD) has established a reporting regime (CRS), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions as of 1 July 2017.

Under FATCA, the Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA and CRS status, including self-certification forms. The Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, CRS or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax adviser to determine what actions investors may need to take in order to comply with FATCA and CRS.

Anti-money laundering and counter-terrorism financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* ("AML/CTF Laws"). By completing the Application/Redemption form, the investor agrees that:

- they do not apply for or redeem Active ETF units under an assumed name;
- money used to acquire the securities is not derived from or related to any criminal or terrorist financing activities;
- any proceeds of the investment will not be used in relation to any criminal or terrorist financing activities; and
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the units).

Vanguard may obtain information about the investor or any beneficial owners from third parties if it is believed this is necessary to comply with AML/CTF Laws. Additionally, in order to comply with these laws, Vanguard may be required to disclose information to relevant regulators of AML/CTF Laws (whether in or outside of Australia).

Under AML/CTF Laws applications and or redemption requests made without providing all the information and supporting identification documentation requested cannot be processed until this information has been provided and, as a result, delays in processing may occur.

Interest on amounts awaiting investment or withdrawal

Amounts paid to a Fund may accrue interest in the Fund's accounts pending the issue of Active ETF units or the return of application monies. Similarly, amounts made available to satisfy a withdrawal request may also accrue interest pending payment. Any such interest will be retained for the benefit of investors.

Consents to lodge PDS

The directors of Vanguard have consented to the lodgement of this PDS with ASIC.

ASIC relief

Equal treatment relief

ASIC has granted relief under section 601QA(1) of the *Corporations Act* from the equal treatment requirement in section 601FC(1) to the extent necessary to allow the responsible entity to permit only Authorised Participants to withdraw from the Funds.

Ongoing disclosure of material changes and significant events

ASIC has granted relief under section 1020F(1) of the *Corporations Act* from the ongoing disclosure requirements in section 1017B on condition that the responsible entity complies with the continuous disclosure requirements in the *Corporations Act* as if the Fund were an unlisted disclosing entity.

Relevant interest relief

Where a fund holds listed Australian securities, ASIC has granted modification relief under section 655A(1) and 673(1) of the *Corporations Act* with respect to relevant interest provisions in section 609 so that where an authorised participant makes a redemption request, this does not give rise to an authorised participant holding a relevant interest in the securities held by a fund for the purposes of the takeovers provisions of Chapter 6 and the substantial holding provision of Chapter 6C of the *Corporations Act*.

Periodic statements

ASIC Class Order [13/1200] grants relief to Active ETF issuers under sections 1020F(1)(a) and 1020F(1)(c) of the *Corporations Act* so that where a unitholder has acquired or disposed of Active ETF Units during the period and the Active ETF issuer does not know the price at which the Active ETF Units were transferred, periodic statements and exit statements do not need to include the amounts paid in relation to the transfer or the return on investment during the reporting period (provided that the Active ETF issuer is not able to calculate the return on investment and the periodic

statement explains why this information was not included and describes how it can be obtained or calculated). The Active ETF issuer must also provide information about the performance of the Active ETF relative to the investment objectives of the Active ETF that the issuer believes is sufficient for the investor to make an informed assessment of the performance of the Active ETF for the relevant prescribed periods.

14. Glossary

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

AQUA Rules means the rules that apply to AQUA products and the trading of AQUA products as set out in Schedule 10A of the ASX Operating Rules.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Authorised Participant means a person who has executed an Authorised Participant agreement with Vanguard.

Benchmark in relation to the Vanguard Global Minimum Volatility Active ETF (Managed Fund) means the FTSE Global All-Cap Index (AUD hedged), and in relation to the Vanguard Global Value Equity Active ETF (Managed Fund) and Vanguard Multi-Factor Active ETF (Managed Fund) means the FTSE Developed All-Cap in Australian dollars Index.

Cash Transaction means a Cash Application or Cash Redemption.

Cash Application means an application made by an Authorised Participant by exchanging an amount of cash for Active ETF units.

Cash Redemption means a redemption made by an Authorised Participant by exchanging an amount of Active ETF units for cash.

CHES means the Clearing House Electronic Sub-register System.

Active ETF means the Vanguard Global Minimum Volatility Active ETF (Managed Fund), the Vanguard Global Value Equity Active ETF (Managed Fund) and the Vanguard Multi-Factor Active ETF (Managed Fund) offered in this PDS.

Fund means the Vanguard Global Minimum Volatility Fund ARSN 165 787 708, the Vanguard Global Value Equity Fund ARSN 613 053 062 and the Vanguard Multi-Factor Fund ARSN 630 597 929 each an Australian registered managed investment scheme.

Primary Market is where Active ETF units are created or redeemed, and represents the transactions between Vanguard as the issuer of ETFs and Authorised Participants.

Secondary Market is the trading venue for buyers and sellers of existing Active ETFs. This is usually performed on a securities exchange (for example the ASX) or 'over the counter'.

Pricing Basket means a basket of securities that displays the securities holdings of the fund. The basket is intended to assist with the intra-day pricing and is not for transactional purposes.

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263).

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