

Vanguard Active Global Credit Bond Fund

Key fund facts	
Management fee	0.40% p.a.
Indirect costs	0.00% p.a.
Buy spread	0.39%
Sell spread	0.00%
Inception date	18 September 2019
Income distribution	Quarterly
Fund size	\$1.0 million
Number of holdings	1,014

Trading information	
APIR code	VAN3932AU
Minimum investment	\$500,000 (No minimums apply for platforms)
Platform availability	For platform availability visit vanguard.com.au/mastertrust

Benchmark information	
Benchmark (Bmk)	Bloomberg Barclays Global Aggregate Credit Index hedged into Australian dollars
Number of holdings	16,626

Investment objective

Vanguard Active Global Credit Bond Fund seeks to provide a moderate and sustainable level of current income through exposure to investment grade global credit fixed income bonds.

Fund overview^D

The Fund will implement its investment strategy by investing into the AUD Hedged Class of the Vanguard Global Credit Bond Fund, domiciled in Ireland. The Fund will have exposure to investment grade global credit fixed income bonds predominantly made up of corporate and non-corporate obligations, with a credit rating of the equivalent of Baa3 and above by Moody's or another rating agency or, if unrated, are determined to be of comparable credit quality. The Fund may also have exposure of up to 10% of its total assets in high yield bonds.

The Vanguard active global fixed income team adopts a strategic and disciplined framework for analysing fixed income securities; focusing on the global market environment, the attractiveness of valuations available, and criteria including yield spread comparisons to determine the level of risk in the portfolio. Credit analysis of individual issuers focuses on cash generation, cash flow predictability and event risk analysis in respect of the issuer, as well as monitoring traditional credit statistics such as interest coverage ratios and leverage ratios. Prospective issuers are then subjected to a detailed analysis of their business and financial information.

Decisions regarding the interest rate structure (i.e. the types and diversity of interest rates the investments have) are based on multiple factors. These include the outlook for the global economy, an in-depth valuation of the level and direction of interest rates, the comparison of expectations of inflation reflected in the yields of fixed income debt securities and the prevailing level of inflation, as well as the impact of forecasted levels of real economic activity on inflation expectations.

Performance return^{A,B,C} (%)

	Fund gross	Bmk	Fund total	Distb'n	Growth
1 month	0.24	-0.01	0.20	1.36	-1.16
3 months	2.39	1.59	2.29	1.40	0.89
6 months	11.51	8.27	11.29	2.10	9.19
1 year	8.98	4.57	8.54	2.32	6.22
3 years (p.a.)	N/A	N/A	N/A	N/A	N/A
5 years (p.a.)	N/A	N/A	N/A	N/A	N/A
10 years (p.a.)	N/A	N/A	N/A	N/A	N/A
Inception (p.a.)	9.43	5.03	8.99	2.26	6.73

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

	Dec - Dec		June - June	
	Fund	Bmk	Fund	Bmk
YTD	8.30	4.27	2.39	1.59
2020	N/A	N/A	7.20	3.56
2019	10.00	10.77	N/A	N/A

Income distribution^C

Quarter ended	Amount (CPU)	Reinvestment price
30 September 2020	1.4791	\$1.0696

Notes

- ^A Past performance is not an indication of future performance.
- ^B Returns assume reinvestment of all distributions. Returns for periods longer than 1 year are annualised. Fund gross returns are before management fees and taxes, but after transaction and operational costs. Fund total return is the fund gross return less management fees. Index returns do not allow for taxes, management, transaction and operational costs.
- ^C Past distributions are not an indication of future distributions.
- ^D The Ireland-domiciled Vanguard Global Credit Bond Fund is a sub-fund within Vanguard Investment Series PLC, an investment company with variable capital constituted as an umbrella fund with segregated liability between sub-funds under the laws of Ireland authorised and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

Vanguard Active Global Credit Bond Fund

Characteristics

	Fund	Bmk
Number of issuers	544	4,043
Number of holdings	1,014	16,626
Yield to maturity	1.78%	1.55%
Weighted average coupon	3.2%	3.1%
Weighted average maturity	9.3 years	9.6 years
Effective duration	7.2 years	7.2 years
Running yield	2.66%	2.80%

Sector allocation (%)

	Fund	Bmk
Corporate	68.5	76.0
Government-Related	17.5	24.0
Treasury	10.0	0.0
Securitized	2.2	0.0
Cash	1.7	0.0
Other	0.1	0.0

Credit allocation (%)

	Fund	Bmk
AAA	10.6	9.7
AA	6.2	11.8
A	24.5	34.2
BBB	52.9	43.8
Less than BBB	4.1	0.0
Not rated	1.7	0.5

Market allocation (%)

	Fund	Bmk		Fund	Bmk
United States	53.5	43.3	Australia	1.3	1.4
United Kingdom	7.7	6.4	Japan	1.0	2.3
Germany	5.1	5.1	Bermuda	0.9	0.0
Colombia	2.8	0.3	Brazil	0.9	0.1
Canada	2.2	4.7	France	0.9	5.7
Finland	2.2	0.3	United Arab Emirates	0.9	0.8
Panama	1.9	0.2	Romania	0.7	0.3
Luxembourg	1.6	0.2	Russia	0.7	0.6
Mexico	1.4	1.1	Sweden	0.7	0.8
Netherlands	1.4	2.2	Other	12.2	24.2

Glossary

Yield to maturity is the rate of return an investor would receive if the fund's fixed income securities were held to their maturity dates.

Weighted average coupon is the average interest rate (coupon rate) of all the bonds in a fund.

Weighted average maturity is the time from today until a bond matures or is redeemed by its issuer. Within a portfolio, the statistic is calculated for each bond and weighted by each bond's market value. In general, the longer a fund's average weighted maturity, the more its unit price will fluctuate in response to changing interest rates.

Weighted average credit quality is an indicator of credit risk. This figure is the average credit ratings assigned to a fund's holdings by credit rating agencies. Agencies assign credit ratings after appraising an issuer's ability to meet its obligations. Quality is graded on a scale, with Aaa or AAA indicating the most creditworthy bond issuers.

Effective duration is an option-adjusted measure of a portfolio's sensitivity to a change in interest rates. For example, if a bond has a duration of two years, its price would fall about 2% when interest rates rose one percentage point. On the other hand, the bond's price would rise by about 2% when interest rates fell by one percentage point.

Running yield for an individual bond is the annual dollar interest payment (coupon) of the bond divided by its market price. Within a portfolio, the statistic is calculated for each bond and weighted by each bond's market value.

For more information:

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