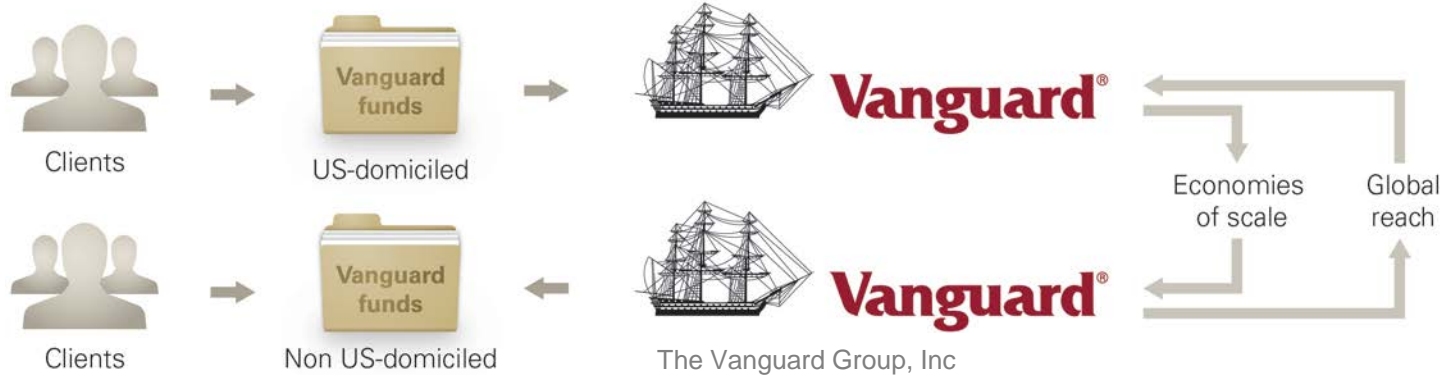


Vanguard structure

Typical investment firm structure



Vanguard's structure



The Vanguard Group is owned by Vanguard's U.S.-domiciled funds. Those funds, in turn, are owned by their shareholders.

Important information

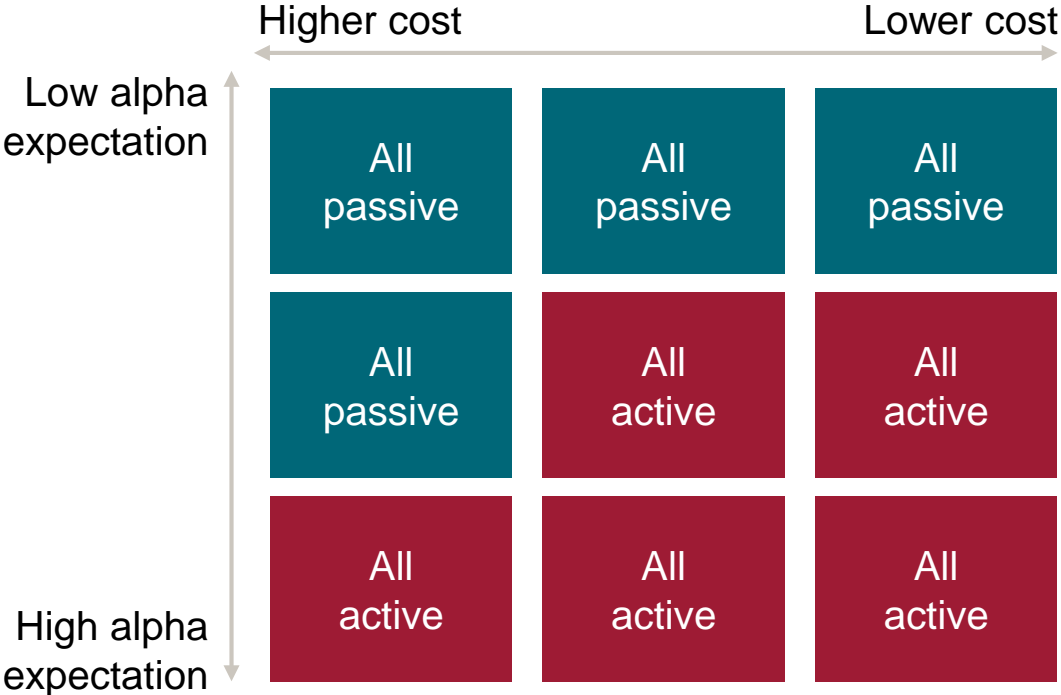
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The results is an “all-or-nothing” approach



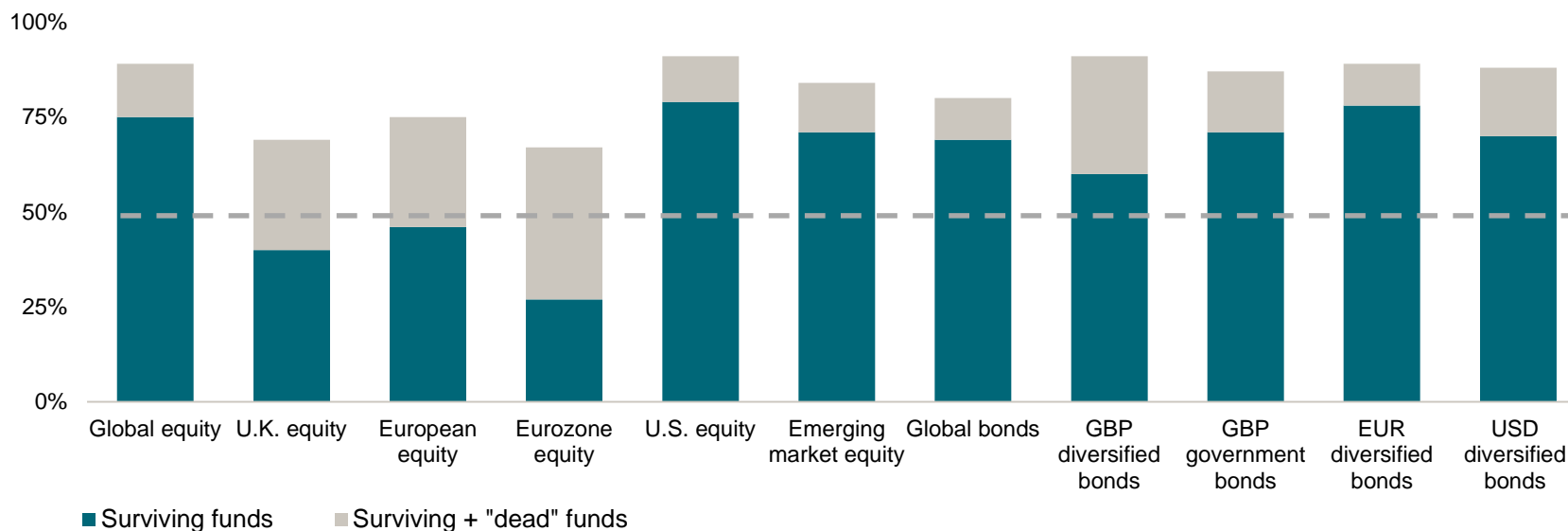
Source: Vanguard

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Active tends to underperform on average

Underperforming active funds

Percentage of active equity managers underperforming their benchmark, 10 years to end-2016

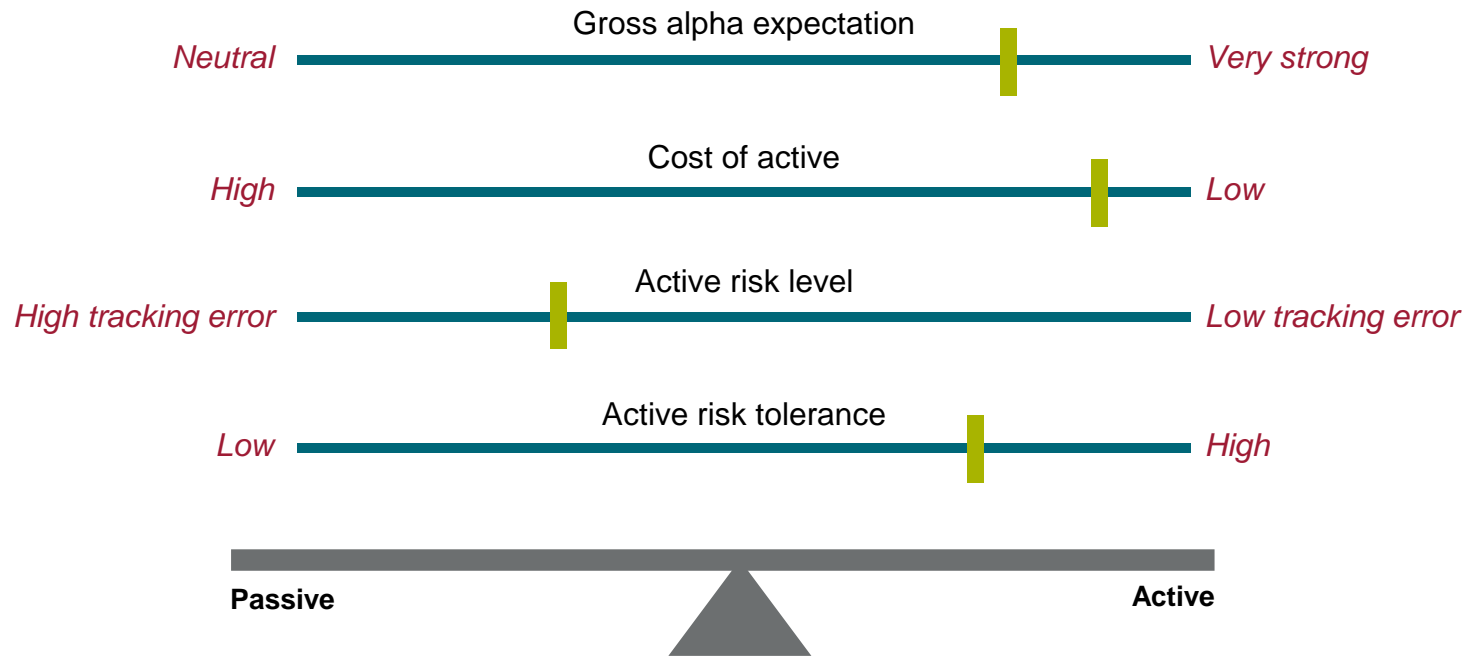


Past performance is not a reliable indicator of future results.

Sources: Vanguard calculations, using data from Morningstar, Inc.

Notes: Fund universe includes funds available for sale in the UK, filtered according to the description above, from the following Morningstar categories: UK equity – flex cap, large-cap blend, large-cap growth, large-cap value, mid-cap, small-cap; Europe equity – Europe OE: flex-cap, large-cap blend, large-cap growth, large-cap value, mid-cap, small-cap; Euro zone equity – flex-cap, large-cap, mid-cap, small-cap; Global – flex-cap, large-cap blend, large-cap growth, large-cap value, mid-cap, small-cap; US equity – flex-cap, large-cap blend, large-cap growth, large-cap value, mid-cap, small-cap; Emerging markets equity – emerging markets; Europe bond – EUR diversified; US bond – USD diversified; Global bond – global un-hedged bond; UK bonds – UK diversified, UK government. Performance is for periods ending on 31 December 2016. Performance is calculated relative to prospectus benchmark. Fund performance is shown in GBP terms, net of fees, gross of withholding tax, with income reinvested, based on closing NAV prices.

Determining the active allocation based on expectations, costs and risk tolerance



4 measurable factors