

Economic review

The first quarter (Q1) of 2022 was dominated by the Russian invasion of Ukraine. The West reacted with sweeping sanctions against Russia. These included the removal of Russia from the SWIFT (Society for Worldwide Interbank Financial Telecommunications) payments system, sanctions targeted at specific individuals, companies and banks as well as restrictions on the Russian central bank. Multiple countries, including the US and the UK, have announced a ban on Russian energy imports. Energy prices were highly volatile in Q1 2022 and remained far above the levels seen in Q4 2021. These geopolitical events have added uncertainty to an environment that was already characterised by central banks starting to remove the extraordinary policy accommodation¹ of recent years.

In the UK, GDP grew by 1.30% quarter on quarter (QoQ) in Q4 2021 which left the UK economy 0.10% below pre-crisis levels. Since then, conditions have deteriorated on the back of geopolitical events. For instance, UK consumer confidence fell to a 16-month low², and the Office for Budget Responsibility (OBR) expects real living standards to fall by a record 2.20% this financial year³. Headline inflation rose to 6.20% year on year (YoY) in February, a new 30-year high. While record energy prices were a major driver of this increase, the figures also reflected broad-based gains. Core inflation rose to 5.20% (YoY). The UK labour market remained tight, with the number of job vacancies hitting a new record. Medium-term inflation expectations rose further in Q1. The Bank of England continued to raise interest rates by 0.50% to 0.75% in Q1. On

fiscal policy, the Chancellor announced £9 billion of measures to counteract the negative effects on real incomes, including a cut in the fuel tax and the basic income tax rate.

The euro area economy grew by 0.30% (QoQ) in Q4 2021 and is now back at its pre-crisis level. Similar to the UK, conditions have deteriorated since then. The energy impact from the Ukraine war will be felt most acutely in the euro area, as it is highly reliant on Russian energy imports: 40% of its natural gas and 25% of its oil are imported from Russia. Headline inflation accelerated to 7.50% (YoY) in March. Gains were also broad based, with core inflation reaching 3% (YoY). While medium-term inflation expectations have increased, they remain anchored. Labour market pressures are building as well, but not to the same extent as in the US or UK. The European Central Bank (ECB) meeting in March was relatively hawkish. It laid out a quicker reduction in its quantitative easing programme. This implied that recent events have not led the ECB to deviate from policy normalisation. National fiscal policy has been stepped up in response to the Ukraine war, with Germany, for instance, announcing a €100 billion fund to modernise the military.

The US economy grew by 6.90% (QoQ, seasonally adjusted annual rate) in Q4, having already reached its pre-pandemic level in Q2 2021. Headline inflation accelerated further, reaching 7.90% (YoY), marking a 40-year high. Core inflation rose to 6.40% (YoY). The US labour market remained strong, even though job creation in March was lower than expected. The unemployment rate fell to 3.60%, just above its pre-pandemic low. The

US Federal Reserve raised the target for its fed funds rate by 0.25% in March, the first interest rate hike since 2018. It also signalled additional interest rate hikes this year despite slower economic growth.

In China, headwinds to growth from geo-political developments and Omicron outbreaks clouded the outlook for 2022. China's zero-Covid-19 strategy continues despite mounting economic costs due to China's fragile health system. Worsening Omicron outbreaks have meant that more people were in lockdown in Q1 than at any point since early 2020. The impact from the Ukraine war on the Chinese economy has been more moderate compared with other regions. As a major oil importer, China has continued to buy Russian crude at a discount to global prices, implying commodity price pressures were more limited. Inflation in China remained below target.

Source: Vanguard, underlying data from Bloomberg. As at 5 April 2022.

Key takeaway

What should investors do in response to these developments?

Many investors change their portfolios in a bid to take advantage of the latest news. However, it's very difficult to time these changes effectively. In practice, shifting your portfolio in response to short-term events may lead to little more than increased trading costs.

At Vanguard, we believe that investors will usually be better served by taking a long-term view to their asset allocation and tuning out short term noise. See the back page for more on Vanguard's principles for investing success.

¹ When central banks expand the money supply to boost the economy. Measures include reducing interest rates, and for some central banks, the ultra-low interest-rate environment was reinforced with large-scale asset purchase programmes.

² The GFK UK Consumer Confidence Indicator fell to -31 in March.

³ OBR March 2022 Economic and Fiscal Outlook.

Portfolio commentary

During Q1 2022, the three LifeTarget models posted losses of -5.05% for Vanguard LifeTarget Defensive Model Portfolio, -4.34% for Vanguard LifeTarget Cautious Model Portfolio and -3.70% for Vanguard LifeTarget Moderate Model Portfolio.

Since inception, both Vanguard LifeTarget Cautious and Vanguard LifeTarget Moderate models have maintained positive absolute returns, delivering 0.59% and 2.92%, respectively. Over the same period, Vanguard LifeTarget Defensive model lagged its peer group and returned -2.61%.

During the quarter, both equity and fixed income markets found themselves navigating an

increasingly uncertain backdrop. The Russian invasion of Ukraine in late February resulted in a significant fall in Europe ex-UK equities, which detracted from model performance given its overweight exposure. As a critical supplier of oil and gas, the sanctions placed on Russia by governments around the world sent commodity prices to decade highs. This benefited markets with larger commodity and energy exposures, such as the UK and Asia Pacific ex-Japan, which both remained an overweight in the models.

Alternatively, technology-heavy markets, such as the US, fell as concerns remained over the broader macro-economic environment. This benefited the model portfolios,

which had an underweight exposure to the US.

Within fixed income markets, bond returns suffered as the market priced in aggressive interest rate hikes by central banks around the world in response to elevated inflation levels. This was headlined by the US, UK and Europe. When combined with current geopolitical risks, there were significant headwinds to the model portfolios' overall fixed income allocation.

Source: Vanguard, as at 31 March 2022.

Annual Commentary

Following the one-year anniversary of the launch of the LifeTarget suite of model portfolios, the fund weights of each model have been updated to best capture the forward-looking expectations for each relevant exposure. The changes in the weights are driven by modelling forecasts from the Vanguard Capital Markets Model ("VCMM") and Vanguard Asset Allocation Model ("VAAM"), while continuing to ensure broad diversification.

The largest change to the allocations since the 2021 launch was in UK credit, which increased by 12 to 19 percentage points across the three portfolios due to the higher return expectations from VCMM with only a minor increase in

volatility. This was mostly due to the rise in UK interest rates amid higher inflation expectations.

The movement in credit has had an impact for overall equity allocations, which decreased by 3 to 13 percentage points, mostly because of sustained high valuations across most global equity markets. Additionally, all three portfolios are now close to the minimum allocation constraint for UK government bonds. The minimum allocation for the UK government bond exposure is its market cap weight. This weighting to the minimum is due to the increased volatility and broader range of return outcomes for the asset class. We also see a decrease in international bond exposure,

which fell between 0.46 and 9.29 percentage points, driven by higher volatility expectations.

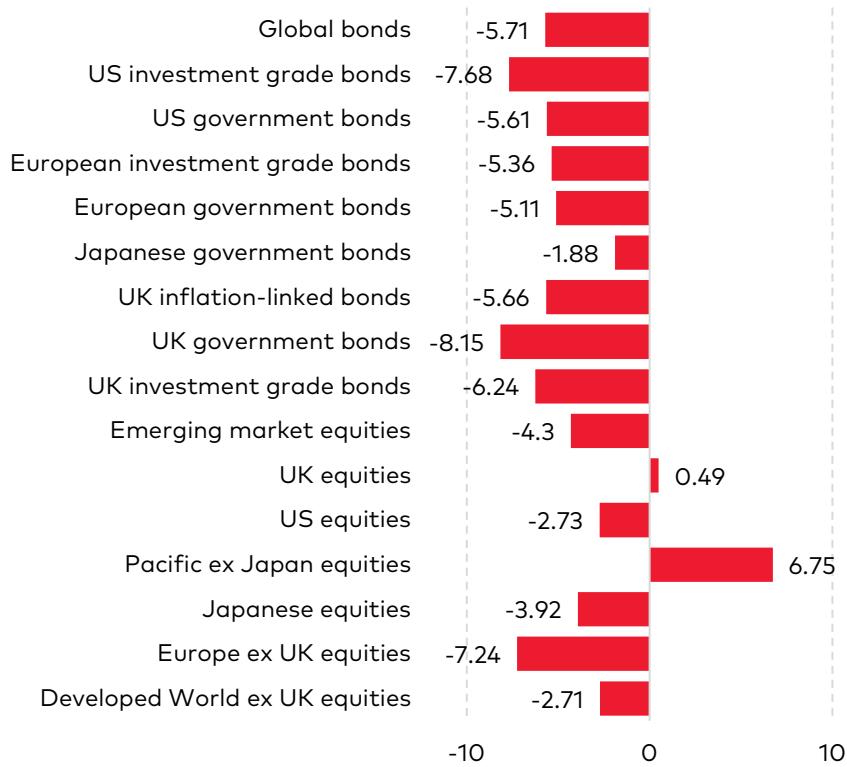
The one equity asset class with improved expectations is EM equity, which has an improved median outlook of 80bps for approximately the same level of volatility as a year ago. Previously, EM equity was sitting at around 8% of total equity, but it now reaches the upper bound of 20% for all three portfolios. US equity continues to have ever-lower return expectations, remaining at the lower end of 20% of total equity.

Note: Forecasts correspond to the distribution of 10,000 VCMM simulations for 10-year annualised nominal returns in GBP for the asset classes highlighted. Forecast source: Vanguard calculations, as at 31 March 2022.

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Market performance

Equity and bond market total returns in Q1 2022 (%)



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Source: Vanguard as at 31 March 2022.

Total returns in GBP. Indices used:

Bloomberg Barclays EUR Government Float Adjusted Bond Index Hedged; Bloomberg Barclays EUR Non Government Float Adjusted Bond Index Hedged; Bloomberg Barclays Global Aggregate Float Adjusted Index Hedged; Bloomberg Barclays Global Aggregate USD Credit Float Adjusted Bond Index Hedged; Bloomberg Barclays GBP Non Government Float Adjusted Bond Index; Bloomberg Barclays Japan Government Float Adjusted Bond Index Hedged; Bloomberg Barclays U.K. Government Float Adjusted Bond Index; Bloomberg Barclays U.K. Government Inflation Linked Float Adjusted Bond Index; Bloomberg Barclays U.S. Government Float Adjusted Bond Index Hedged; FTSE All Share Index; FTSE Developed Europe ex U.K. Index; FTSE Developed ex U.K. Index; MSCI Emerging Markets Index; MSCI Japan Index; MSCI Pacific ex Japan Index; S&P Total Market Index Net TR.



Flexible

Aim to generate sufficient long-term return for advisers to draw on as part of a personalised spending or growth plan



Targeted

Managed around realistic long-term minimum return¹



Intelligent

Allocations adapt each year or after major market events according to Vanguard's latest models



Low-cost

An all-in cost of just 0.32% to 0.33% per year means investors keep more of their returns²

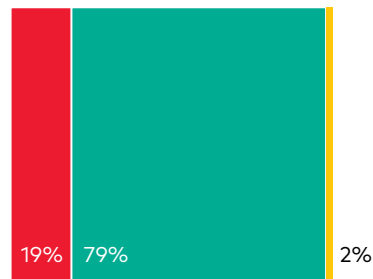
¹ Minimum long-term return targets are not guaranteed and are subject to the performance of the bonds and equities in which the model portfolio invest.

² Source: Vanguard. Data as at 31 March 2022. All-in costs include the weighted Ongoing Charges Figures (OCF) and an annual portfolio management fee that covers the discretionary management of the managed portfolio service, ongoing oversight, and regular rebalancing of the portfolios. The portfolio management fee is exclusive of VAT and any adviser, platform, or dealing charges. The OCF covers the fund manager's costs of managing the underlying funds. It does not include dealing costs or additional costs such as audit fees. Minimum long-term return targets are not guaranteed and are subject to the performance of the bonds and equities in which the model portfolio invests. For a full disclosure of all fund costs and charges, please visit our website: global.vanguard.com/portal/site/portal/ucits_mifid_priips.

LifeTarget Model Portfolios

Defensive

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.33%
Number of holdings	21,470

Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	53.4%
Vanguard U.K. Investment Grade Bond Index Fund	25.2%
Vanguard FTSE U.K. All Share Index Unit Trust	5.7%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	5.0%
Vanguard U.S. Equity Index Fund	3.7%
Vanguard Japan Stock Index Fund	2.1%
Cash	2.0%
Vanguard Emerging Markets Stock Index Fund	1.5%
Vanguard Pacific ex-Japan Stock Index Fund	1.0%
Vanguard U.K. Government Bond Index Fund	0.7%

Credit rating breakdown bonds (%)

AAA	35.5%
AA	14.7%
A	23.4%
BBB	25.2%
Less than BBB	0.0%
NR	1.2%

Underlying asset classes



Global Fixed Income (GBP-hedged)	53.4%
UK Corporate Bonds	25.2%
U.K. Equity	5.7%
European ex U.K. Equity	5.0%
US Equity	3.7%
Japanese Equity	2.1%
n/a	2.0%
Emerging Markets Equity	1.5%
Asia ex Japan Equity	1.0%
UK Gilts	0.7%

Sector breakdown (equities)



Financials	18.1%
Industrials	13.2%
Consumer Discretionary	12.2%
Health Care	12.0%
Consumer Staples	9.4%
Information Technology	8.7%
Other	8.3%
Energy	5.4%
Communication Services	3.6%
Real Estate	3.2%
Utilities	3.2%
Materials	2.7%

Past performance as at 31 March 2022

1 Apr 2017 - 31 Mar 2018	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020	1 Apr 2020 - 31 Mar 2021	1 Apr 2021 - 31 Mar 2022	YTD	Since inception
-	-	-	-	-2.66%	-5.05%	-2.61%

Past performance is not a reliable indicator of future results.

Source: Vanguard as at 31 March 2022.

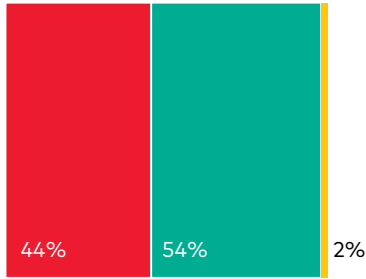
Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV with gross income reinvested. All performance is calculated in GBP, net of fees. Numbers relating to rating, asset class or sector exposure may not add up to 100% due to rounding.

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LifeTarget Model Portfolios

Cautious

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.33%
Number of holdings	21,470

Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	40.5%
Vanguard FTSE U.K. All Share Index Unit Trust	13.0%
Vanguard U.K. Investment Grade Bond Index Fund	11.6%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	11.5%
Vanguard U.S. Equity Index Fund	8.5%
Vanguard Japan Stock Index Fund	4.8%
Vanguard Emerging Markets Stock Index Fund	3.1%
Vanguard U.K. Government Bond Index Fund	2.8%
Vanguard Pacific ex-Japan Stock Index Fund	2.2%
Cash	2.0%

Credit rating breakdown bonds (%)

AAA	36.1%
AA	18.8%
A	21.9%
BBB	22.0%
Less than BBB	0.0%
NR	1.2%

Underlying asset classes



Global Fixed Income (GBP-hedged)	40.5%
U.K. Equity	13.0%
UK Corporate Bonds	11.6%
European ex U.K. Equity	11.5%
US Equity	8.5%
Japanese Equity	4.8%
Emerging Markets Equity	3.1%
UK Gilts	2.8%
Asia ex Japan Equity	2.2%
n/a	2.0%

Sector breakdown (equities)



Financials	18.1%
Industrials	13.3%
Consumer Discretionary	12.3%
Health Care	12.1%
Consumer Staples	9.4%
Information Technology	8.6%
Other	8.4%
Energy	5.4%
Communication Services	3.6%
Real Estate	3.2%
Utilities	3.2%
Materials	2.6%

Past performance as at 31 March 2022

1 Apr 2017 - 31 Mar 2018	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020	1 Apr 2020 - 31 Mar 2021	1 Apr 2021 - 31 Mar 2022	YTD	Since inception
-	-	-	-	0.66%	-4.34%	-0.59%

Past performance is not a reliable indicator of future results.

Source: Vanguard as at 31 March 2022.

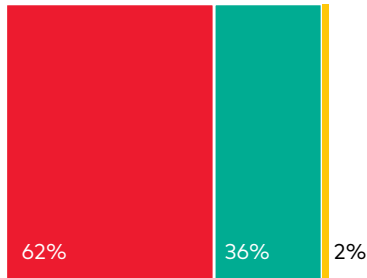
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LifeTarget Model Portfolios

Moderate

Target weighting



● Equities ● Bonds ● Cash

All in cost	0.32%
Number of holdings	21,470

Underlying funds

Product	Weighting
Vanguard Global Bond Index Fund	26.3%
Vanguard FTSE U.K. All Share Index Unit Trust	18.6%
Vanguard FTSE Developed Europe ex-U.K. Equity Index Fund	15.6%
Vanguard U.S. Equity Index Fund	12.2%
Vanguard U.K. Investment Grade Bond Index Fund	9.5%
Vanguard Japan Stock Index Fund	6.5%
Vanguard Emerging Markets Stock Index Fund	6.1%
Vanguard Pacific ex-Japan Stock Index Fund	3.0%
Cash	2.0%
Vanguard U.K. Government Bond Index Fund	0.3%

Credit rating breakdown bonds (%)

AAA	36.8%
AA	14.9%
A	23.2%
BBB	24.0%
Less than BBB	0.0%
NR	1.2%

Underlying asset classes



Global Fixed Income (GBP-hedged)	26.3%
U.K. Equity	18.6%
European ex U.K. Equity	15.6%
US Equity	12.2%
UK Corporate Bonds	9.5%
Japanese Equity	6.5%
Emerging Markets Equity	6.1%
Asia ex Japan Equity	3.0%
n/a	2.0%
UK Gilts	0.3%

Sector breakdown (equities)



Financials	18.2%
Industrials	13.0%
Consumer Discretionary	12.2%
Health Care	11.8%
Consumer Staples	9.3%
Information Technology	9.1%
Other	8.1%
Energy	5.5%
Communication Services	3.8%
Real Estate	3.2%
Utilities	3.2%
Materials	2.8%

Past performance as at 31 March 2022

1 Apr 2017 - 31 Mar 2018	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020	1 Apr 2020 - 31 Mar 2021	1 Apr 2021 - 31 Mar 2022	YTD	Since inception
-	-	-	-	-3.02%	-3.70%	2.92%

Past performance is not a reliable indicator of future results.

Source: Vanguard as at 31 March 2022.

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Vanguard's principles for investing success

It's easy to be swayed by the latest developments in the markets or the economy, manager ratings or the performance of an individual security or strategy. However, instead of getting caught up in investment noise, we believe that investors stand a better chance of success if they remain focused on the things they can control. We believe there are four fundamental principles that can help investors stay on track. Vanguard's LifeTarget Model Portfolios embody these principles and have been carefully constructed to give investors of all risk appetites the best chance of investment success.

Goals

Create clear, appropriate investment goals

An appropriate investment goal should be measurable and attainable. Success should not depend upon outsized investment returns, nor upon impractical saving or spending requirements.

Balance

Develop a suitable asset allocation using broadly diversified funds

A sound investment strategy starts with an asset allocation suitable for the portfolio's objective. The allocation should be built upon reasonable expectations for risk and returns and should use diversified investments to avoid exposure to unnecessary risks.

Costs

Minimise cost

You can't control the markets, but you can control the bite of costs and taxes. The lower your costs, the greater your share of an investment's return. In addition, Vanguard research suggests that lower cost investments have tended to outperform higher cost alternatives.

Discipline

Maintain perspective and long term discipline

Investing can provoke strong emotions. In the face of market turmoil, some investors may find themselves making impulsive decisions or, conversely, becoming paralysed, unable to implement an investment strategy or to rebalance a portfolio as needed. Discipline and perspective can help investors remain committed to their long-term plans.

This quarterly newsletter is designed to give Vanguard LifeTarget Model Portfolio investors an insight into how the portfolios are constructed, how they have performed over the last quarter and to provide an overview of current market and economic conditions.



The Vanguard LifeTarget Model Portfolios are managed portfolio solutions designed to help investors achieve their retirement goals. The portfolios take a long-term approach to asset allocation based on research and forecasts for return, risk, income and correlation, both within and between asset classes. Each of the three portfolios (defensive, cautious, and moderate) has a different weighting of equities and bonds, with the aim of maximising their risk-adjusted return to deliver a minimum return target for investors.



The LifeTarget range utilises a "time-varying" approach to asset allocation, which means that as market conditions change, and with them, the long-term forecasts for bonds and equities, the portfolio allocation can be adjusted to take advantage of the new market conditions.



This involves recalibrating the portfolios at least annually, or after major market events, in order to ensure that the asset allocation remains on track with a view to giving investors the best chance of maximising their risk-adjusted return and achieving their minimum return target. The range is also rebalanced quarterly back to the equity/bond mix at the start of each 12-month period to ensure portfolios do not drift over time.

Vanguard believe that a a minimum long-term return, alongside appropriate asset allocation and broad diversification across sub-asset classes, allows advisers to more confidently help investors navigate their financial plan and assess if they are on track to meet their long-term portfolio objectives.

Investment Risk Information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

The model portfolio aims to achieve at least the minimum target return on an annualized basis over a rolling 5-year period. Achieving the minimum target return is not guaranteed and is subject to the performance of the underlying bonds and equities in which the model portfolio invests. In any given year the performance of the model portfolio may be higher, or lower than the minimum target return and an investor may not get back the full amount invested.

Past performance is not a reliable indicator of future results.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks relating to the underlying funds please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

IMPORTANT: The projections or other information generated by the Vanguard Capital Markets Model® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. VCMM results will vary with each use and over time.

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The Manager of the Ireland domiciled funds may determine to terminate any arrangements made for marketing the shares in one or more jurisdictions in accordance with the UCITS Directive, as may be amended from time-to-time.

For investors in UK domiciled funds, a summary of investor rights can be obtained via <https://global.vanguard.com/portal/site/portal/ucits-investing-with-us> and is available in English.

For investors in Ireland domiciled funds, a summary of investor rights can be obtained via <https://global.vanguard.com/portal/site/portal/ucits-investing-with-us> and is available in English, German, French, Spanish, Dutch and Italian.

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