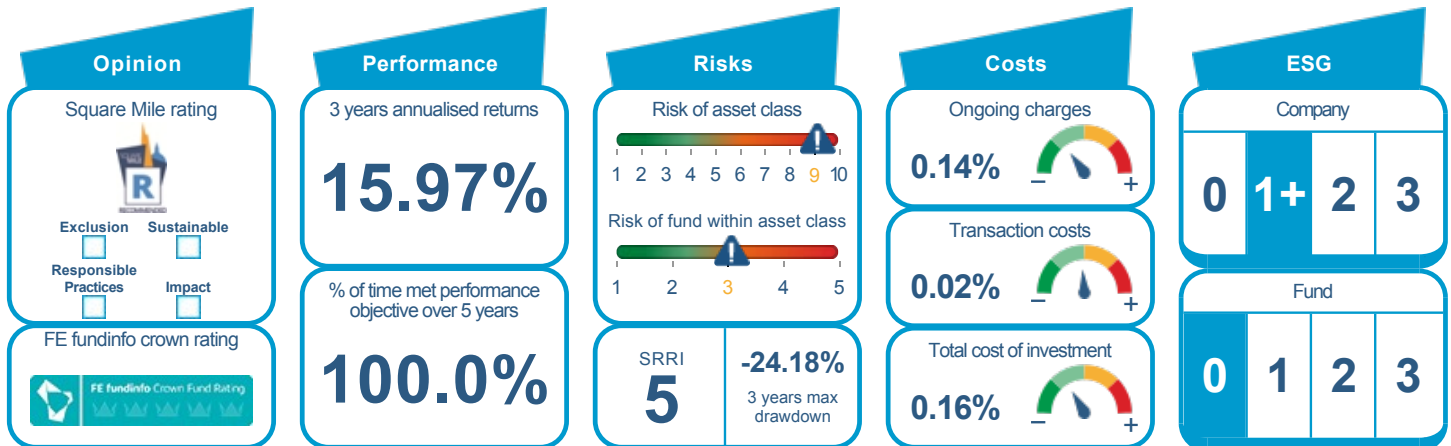


Vanguard FTSE Developed World ex-UK Equity Index Acc GBP

November 2021
Investment Research



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe a return that closely matches that of the FTSE Developed World ex UK Index is a reasonable expectation for this passive investment strategy.

Active/Passive: Passive	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global
Launch Date: 23/06/2009	Fund Size (as at 12 Nov 2021): £12019.5m
Yield: 1.29%	Distribution Pay Date: Nov 01 (Final)
Fund Manager: Vanguard Equity Index Group	Ongoing Charge Figure: 0.14%
	Transaction Cost ex Ante: 0.02%



Fund Opinion

We believe that Vanguard have a very strong commitment towards managing passive strategies.

Our rating on this fund is based upon our opinion of the suitability of the index tracked, the management group's commitment to operating passive strategies, the size of the fund, the fund's cost and its good historic record of tracking the index.

Investors should note that they are unlikely to attain exact index performance in this fund due to the payment of fees as well as any small tracking errors brought about by inefficiencies in the fund's management process, such as not being fully invested.

The FTSE Developed World ex UK index is made up of shares of companies listed on stock exchanges around the world excluding the UK. The index only includes exposure to developed stock markets. The UK makes up around 6% of the Developed World index and this index may therefore suffer, from a relative perspective, if the UK market performs strongly. Given the exclusion of the UK, the fund is likely to be most suitable for investors who are getting their exposure to UK equity markets through other means.

Fund Description

Vanguard is one of the world's largest managers of passive strategies. The organisation is mutually owned by investors in its US domiciled funds and the company has a policy to return profits to all its clients through lower charges. The firm offers an extensive range of index funds to its international client base.

The fund is structured as a UK domiciled OEIC. The fund invests in physical securities and it follows a full replication approach. A full replication process, as the name suggests, involves purchasing the same securities in the same weights as they appear in the index. In principle this sounds very straightforward but there are subtle differences in the way in which corporate actions, such as changes to the index composition and dividends, are handled by passive fund managers. The impact of these differences on performance is small and is captured in our analysis of the fund's returns.

The fund cut off for dealing is 12pm GMT, however the funds are not priced until the following close of business in the underlying market. This means that from a reporting perspective the fund continues to closely track its index. This removes any need to apply a fair value adjustment to the fund to align its price with that of the tracked index. We believe that this represents good practice for index funds investing overseas although investors should be aware of the short time delay in obtaining full exposure to a market as a result.

This fund operates with a full swing pricing policy. This means that units in the fund are bought and sold at the same price. The fund's management will apply a small spread if there are net flows into or out of the fund. This involves adding (in the case of net inflows) or subtracting (in the case of net outflows) the costs of creating or cancelling units in the fund and means that the incoming or exiting investors will bear these costs rather than the current investor base. Because Vanguard consider total daily net flows, an existing investor may benefit if they exist when there are net inflows as they are selling at a slightly higher price. Conversely when there are net outflows, a buyer will be buying shares at a slightly lower price. We consider this policy to be good practise, as it protects the interests of those who continue to hold the fund.

The fund can undertake stock lending activity, recently this has been negligible with a maximum of 15% on loan. Stock lending involves lending securities to another party and receiving income in return. Trades are undertaken with another entity, usually an investment bank, which introduces counterparty risk (the risk that the other party in the deal will renege on their agreement and fail to repay the stock in full) into the fund. Vanguard has strong controls in place to protect the fund in the event of a default on any stock lent, this includes strict over collateralisation requirement as well as third party indemnification agreement. We believe that these measures, amongst others, make the risk of loss to fund holders relating to stock lending very remote in this fund. The funds' performance benefits from the income generated by stock lending, though the overall impact on performance tends to be small.

Risk Summary

Global equities and their associated currencies (which will also be an important driver of returns) can be volatile investments. As such the fund may be more suitable for investors with a longer time horizon. In addition, investors should be aware that investing in passive funds, whilst eliminating many of the biases and potential for misjudgements inherent in actively managed strategies, brings risks of its own. This is largely due to the fact that the managers of the fund have little to no discretion as to the timing of trades and the selection and sizing of holdings. Investors should also be aware that in a sharp sell off the fund will fall in line with the index and that there is no flexibility for the managers to mitigate this.

Because this is a passive fund that tracks its benchmark, the funds risk score is a nature of funds in the peer group and not the fund. The funds risk score of 3, shows that the peer group generally has an equal number of funds that are more and less risky than the funds benchmark.

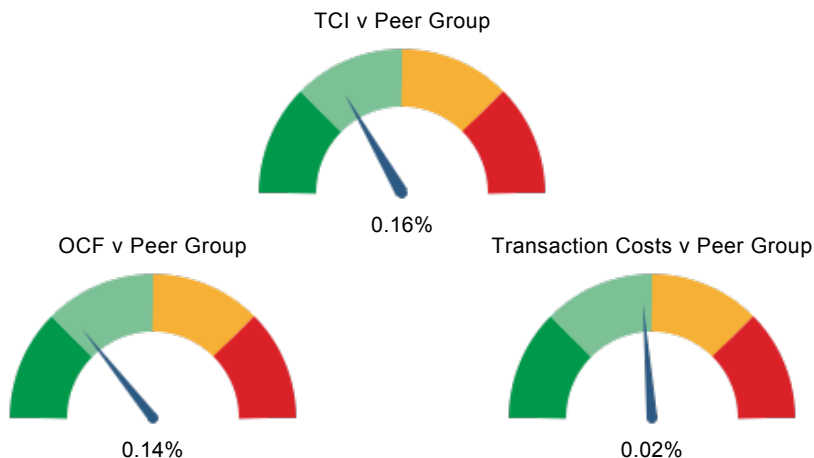
The performance, all else equal, is likely to lag the index slightly over time because of the impact of fees, although the managers will try to regain some of this by taking small views, where allowed, on the timing of purchases and sales.

Value for Money

The fund's Total Cost of Investing (TCI) is in the second quartile of passive funds in the Global peer group. Over the long term the fund has reasonably tracked its benchmark, therefore we believe that the fund represents good value for money.

A passive fund will buy and sell financial instruments when its benchmark is rebalanced and to meet investor inflows or outflows. The buying and selling of financial instruments incur explicit costs such as broker commissions, taxes and exchange fees which are all included in the fund's ex-ante transaction costs. We believe that the fund's ex-ante transactions costs are fair for the market it invests in.

Vanguard have adopted an all in fee structure, so the Annual Management Charge is equal to the OCF. The OCF will remain stagnant until reviewed by Vanguard, however the TCI will change depending on changes to the funds ex ante transaction costs.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
There is no discernible approach to, or consideration of ESG factors in the fund's investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	15.97%
Annualised Volatility	16.63%
Max Drawdown	-24.18%
Max Gain	11.87%
Max Loss	-24.18%
Sharpe Ratio	0.95
Sortino Ratio	0.89

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 11 Nov 2021)

£548.8

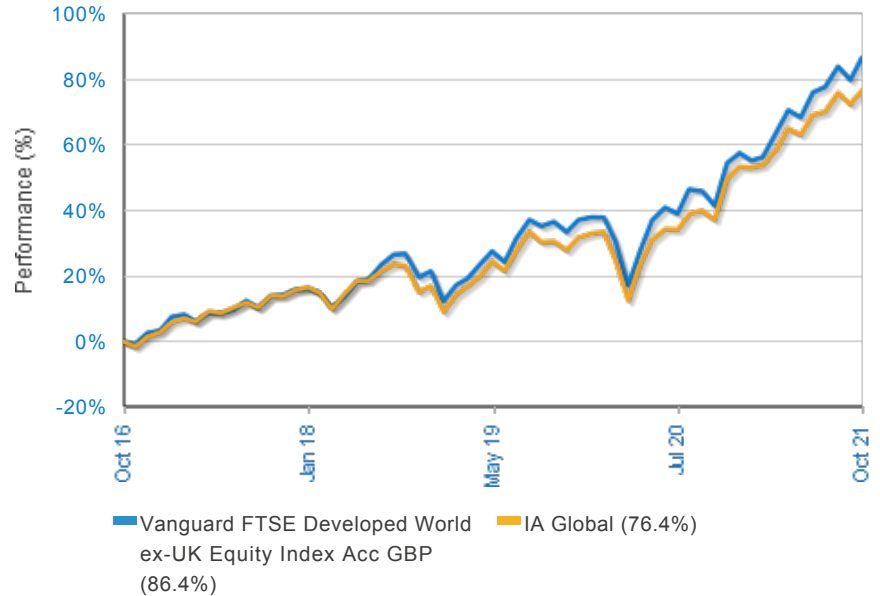
Benchmark

FTSE Developed ex - UK index

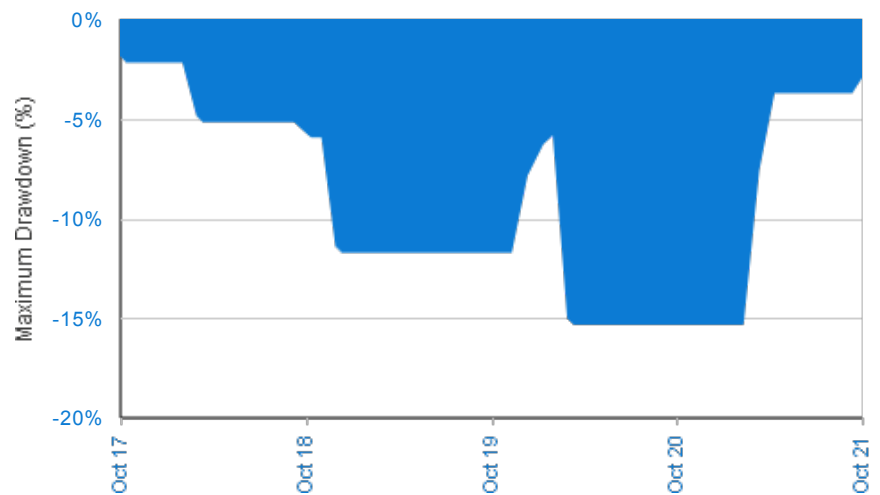
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	23.2	23.2	2
12-24m	6.8	7.2	2
24-36m	7.7	6.0	1
36-48m	14.9	11.6	1
48-60m	15.3	14.9	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
APPLE INC	3.8
MICROSOFT CORP	3.7
ALPHABET INC. CLASS A	2.7
AMAZON.COM INC	2.5
META PLATFORMS INC	1.4
TESLA INC	1.1
BERKSHIRE HATHAWAY INC	0.9
NVIDIA CORP	0.9
JPMORGAN CHASE & CO	0.8
JOHNSON & JOHNSON	0.7

Sector Breakdown

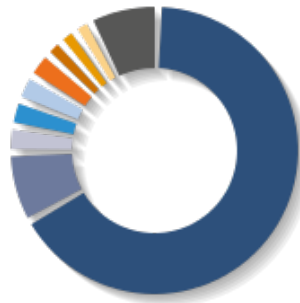
(Data as at 30 Sep 2021)



- Technology (24%)
- Consumer Discretionary (15%)
- Industrials (14%)
- Financials (13%)
- Health Care (12%)
- Consumer Staples (5%)
- Telecommunications (3%)
- Basic Materials (3%)
- Energy (3%)
- Other (7.2%)

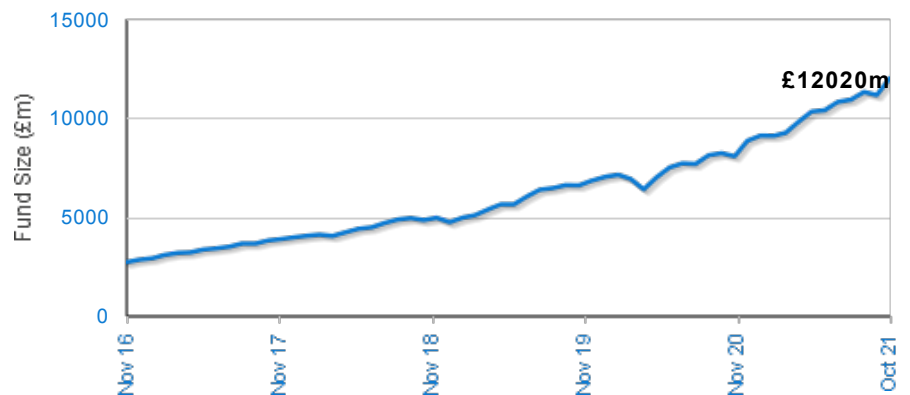
Geographic Breakdown

(Data as at 30 Sep 2021)



- USA (67%)
- Japan (8%)
- France (3%)
- Canada (3%)
- Switzerland (3%)
- Germany (3%)
- Australia (2%)
- Korea (2%)
- Money Market (2%)
- Other (7.9%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk			●

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The fund is managed using a team-based approach and no one individual is seen as a critical element in Square Mile's rating on the fund.

FE Risk Rating: 82.00

SRRI: 5

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