

Vanguard Diversified Investments

Managed account strategies

Vanguard®



What is a managed account?

A managed account is an investment account that is owned by an individual investor and overseen by a professional investment manager.

Managed accounts are often available to investors through an investor directed portfolio service (IDPS), superannuation trustee, or managed discretionary account (MDA) provider. They typically invest in a portfolio of direct equity or fixed interest securities, ETFs, or traditional managed funds.

Investors will generally select the investment portfolio from the platform menu. The portfolio is normally developed and updated by a fund manager (such as Vanguard), a third-party provider, or their financial adviser.

Investment approach

Depending on the investment philosophy and objectives of the manager or investor, a managed account may be a passive style of investment that tracks the return of an index, an active style where the manager seeks to outperform an index by selecting assets they believe will exceed the benchmark, or a combination of both passive and active.

Managed account portfolios are generally maintained by the platform, who are usually the responsible entity for the product. The rebalancing process typically follows a rules-based approach, which is typically determined by the manager but implemented by the platform.

Managed account structures

Managed accounts come in a range of legal structures. Two commonly used structures are separately managed accounts and individually managed accounts.

Separately managed accounts (SMAs)

- An SMA or professionally managed portfolio is a type of managed account where the investment decisions are completely outsourced to the investment manager. The manager makes ongoing investment decisions, and investors have no discretion to alter or influence these decisions. Vanguard's diversified managed account strategies are an example of a professionally managed portfolio.
- The investor and their adviser can choose a professionally managed portfolio to suit their investment objectives or goals, and this portfolio will be rebalanced or altered by the manager on an ongoing basis without

requiring additional advice. This can work well for busy investors who want the transparency and professional management of a managed account but don't need to be involved in every portfolio decision.

Individually managed accounts (IMAs)

- Managed accounts are also available as IMAs, which offer investors greater discretion and customisation than SMAs and can be fully tailored to specific needs. IMA investors invest in a portfolio that has been specifically created for them based on selected investment strategies and goals.
- An IMA manager may exercise discretion over the timing of trades for their investors. IMAs also provide the ability to manage individual security holdings, taking into account capital gain and loss positions and incorporating tax implications in the overall portfolio.



Key benefits

Portfolio diversification

Managed account strategies are generally diversified portfolios that invest across multiple asset classes, such as Australian and international shares and fixed interest, and cash. Including a broad range of assets in your portfolio helps smooth out performance fluctuations over time. Diversification can be one of the best ways to reduce exposure to market risk.

Greater efficiency

The portfolio allocations are usually determined by investment professionals and maintained by the product provider (platform). As the adviser doesn't need to construct or manage the portfolio, it allows them more time to focus on their clients.

Low cost

Managed account strategies are typically competitively priced when they are created using low-cost index or active products as the building blocks. Lower fees mean investors get to keep more of their returns, which can help them earn more over time. Refer to the relevant product issuer's offer documents for more details on the costs of investing.

Transparency

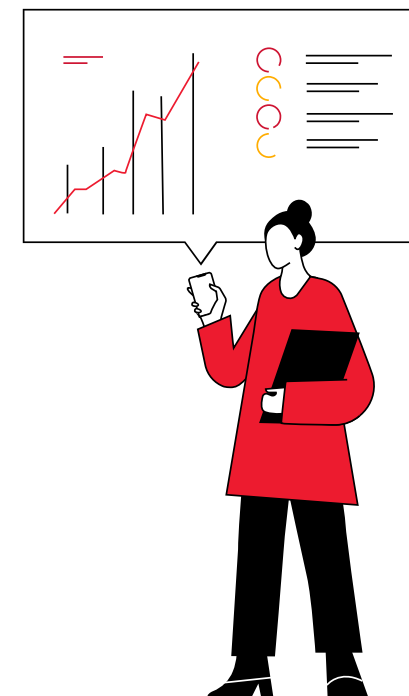
A managed account structure allows investors to see exactly where their money is invested and what investment decisions have been made on their behalf. This allows them to better understand the composition of their portfolio and how each asset allocation decision contributes to the overall investment performance.

Automatic re-balancing

Rebalancing a portfolio simply means adjusting the investments to keep them in line with the desired asset allocation. This process is managed for investors by the platform provider, typically through a rules-based process. Rebalancing back to the target asset mix also helps to effectively manage risk.

Vanguard's more than 45 years of experience

Vanguard's diversified managed account strategies allow investors to access Vanguard's global expertise in asset allocation, rebalancing and portfolio management.



Vanguard's diversified managed account strategies

Vanguard's diversified managed account strategies encompass four multi-sector index portfolios.

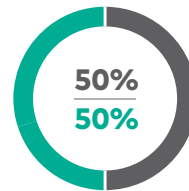
Using Vanguard's diversified managed account strategies allows investors to strengthen and diversify their portfolio at a low cost. And the straightforward nature of the strategies means they can spend more time with their adviser focusing on a broader range of advice needs beyond investment selection.

The risk profiles range from Conservative through to High Growth, each with an exposure to Vanguard's high-quality ETFs. Depending on the investor's timeframe and the level of risk they are comfortable with, their adviser can help them decide which one suits their needs best.

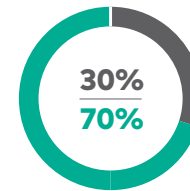
Each strategy is incredibly diversified and offers exposure to over 16,000 securities spread across a range of investments including Australian and international shares and fixed income, and cash.



Conservative



Balanced



Growth



High Growth

● Growth ● Defensive

Source: Vanguard

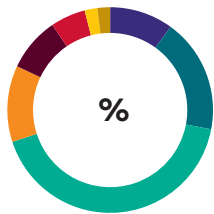
Vanguard's diversified managed account strategies are currently available to invest through external SMA products. As the investment manager, Vanguard provides the external managed account provider with the portfolio asset allocations, security selection and rebalancing ranges. The external provider is then responsible for ongoing administration, reporting and implementation of the portfolios. The external provider is the Responsible Entity of the product, which is issued under their PDS.

A focus on product design and suitability

Conservative strategy

Risk profile

70% Income | **30%** Growth

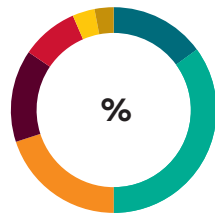


- 10.0 Cash
- 18.0 Australian Fixed Interest
- 42.0 International Fixed Interest (Hedged)
- 12.0 Australian Shares
- 8.5 International Shares
- 5.5 International Shares (Hedged)
- 2.0 International Small Companies
- 2.0 Emerging Markets

Balanced strategy

Risk profile

50% Income | **50%** Growth

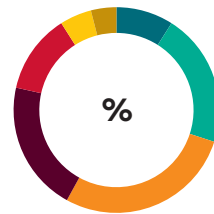


- 15.0 Australian Fixed Interest
- 35.0 International Fixed Interest (Hedged)
- 20.0 Australian Shares
- 14.5 International Shares
- 9.0 International Shares (Hedged)
- 3.5 International Small Companies
- 3.0 Emerging Markets

Growth strategy

Risk profile

30% Income | **70%** Growth

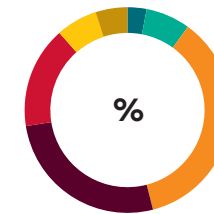


- 9.0 Australian Fixed Interest
- 21.0 International Fixed Interest (Hedged)
- 28.0 Australian Shares
- 20.5 International Shares
- 12.5 International Shares (Hedged)
- 5.0 International Small Companies
- 4.0 Emerging Markets

High Growth strategy

Risk profile

10% Income | **90%** Growth



- 3.0 Australian Fixed Interest
- 7.0 International Fixed Interest (Hedged)
- 36.0 Australian Shares
- 26.5 International Shares
- 16.0 International Shares (Hedged)
- 6.5 International Small Companies
- 5.0 Emerging Markets

Note: Data as at 1 June 2023. There may be small variations in the underlying portfolio exposures depending on the requirements of the external product issuer. Please refer to the product issuer's relevant offer documents.

Source: Vanguard.

How to access Vanguard's diversified managed account strategies

The asset allocations for Vanguard's diversified managed account strategies are created and maintained by our Investment Strategy Group, which is responsible for overseeing Vanguard's investment approach, portfolio construction and asset allocation.

However, rather than being available directly through Vanguard, you can invest in our diversified managed account strategies via external managed account providers such as Macquarie Wrap where the strategies are implemented and administered.

Vanguard: Putting investor interests first

With more than AUD \$11.4 trillion in global assets under management as of 31 March 2023, including more than AUD \$3.2 trillion in ETFs, Vanguard is one of the world's largest global investment management companies. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for over 25 years.

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