

# Prospectus

Vanguard® Investments Money Market Funds

**(An open-ended investment company incorporated with limited liability and registered in England and Wales under registered number IC001124)**

This document constitutes the Prospectus for Vanguard Investments Money Market Funds which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated and is valid as at 22 March 2021.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary.

**Important: if you are in any doubt about the contents of this prospectus you should consult your professional adviser.**

Vanguard Investments UK, Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Vanguard Investments UK, Limited accepts responsibility accordingly.

## **Vanguard Investments Money Market Funds**

No person has been authorised by the Company to give any information or make any representations concerning the Company or in connection with the offering of Shares other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied on as having been given or made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes, including intermediaries who offer, distribute or sell the Shares, are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended. Subject to certain exceptions, the Shares may not be offered or sold in the US or offered or sold to US Persons. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended. The ACD has not been registered under the US Investment Advisers Act of 1940.

Shares in the Company are not listed or dealt on any investment exchange.

For purposes of the General Data Protection Regulation 2016 and the Data Protection Act 2018, the data controller in relation to any personal data supplied is the ACD.

The ACD is responsible for the personal data received on behalf of the Company. The ACD and its affiliates, take their data protection and privacy responsibilities seriously. For full details on how we collect, use and share personal data in the course of our business activities, what legal rights you have to help manage your privacy and how you can contact us for support, please follow the [link to our privacy policy](https://global.vanguard.com/portal/site/loadPDF?country=global&docId=16407) <https://global.vanguard.com/portal/site/loadPDF?country=global&docId=16407>.

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been issued and approved for the purpose of Section 21 of the Financial

Services and Markets Act 2000 by the ACD.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus, and investors should check with the ACD that this is the most recently published prospectus.

**The value of the Funds may go down as well as up, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Funds will achieve its investment objective. Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares. The Company makes no representations or warranties in respect of suitability.**

## **Brexit – interpretation of this Prospectus and implications for the Company and its Shareholders after 31 December 2020**

The U.K. left the EU on 31 January 2020. However, under the terms of the Withdrawal Agreement concluded between the U.K. and the EU, a transition period was agreed during which most E.U. law continued to apply to the U.K. This transition period will come to an end at 11.00 pm (U.K. time) on 31 December 2020. In this Prospectus the time and date at which the transition period ends is referred to as the “Transition End Date”.

On and after the Transition End Date, the European Union (Withdrawal) Act 2018 (as amended) (the “Withdrawal Act”) will, in general terms, preserve directly applicable EU law and EU-derived domestic law in order to ensure the proper functioning of the U.K. legal regime. This preserved law will be subject to amendments to address any deficiencies arising from the U.K.’s exit from the EU. These amendments are set out principally in secondary legislation and rules made by the FCA and include (without limiting the generality of the foregoing) the amendments made by the Collective Investment Schemes (Amendment) (EU Exit) Regulations 2018.

Subsequent to a trade agreement concluded between the U.K. and EU, further legislation and FCA rules may be required to give effect to the trade agreement. U.K. law and regulation may also be amended on or after the Transition End Date to reflect U.K. Government or FCA policy as it develops or changes after the U.K.’s exit from the EU.

Following the Transition End Date, an updated version or versions of this Prospectus will be published in order to reflect the relevant legal and regulatory changes that will apply on and after the Transition End Date. Until such time, and subject to the terms of the trade agreement concluded between the U.K. and EU, Shareholders and other investors in the Funds should note the following:

### 1. Status of the Company under U.K. law and under applicable FCA rules

The Company shall, from the Transition End Date, continue to be an authorised investment fund that may be marketed to all investor types (including retail investors) in the U.K. Whilst it will not be a “UCITS” for the purposes of EU law it shall be categorised by the FCA as a “U.K. UCITS” for the purposes of its rules and requirements. It is the intention of the ACD that the Company (including its Funds) shall, in general terms and subject to the terms of this Prospectus, continue to be managed in the same way on and after the Transition End Date as it was before the Transition End Date.

### 2. Interpretation of this Prospectus generally

The terms of this Prospectus shall, on and after the Transition End Date, be read so as to: (a) reflect the status of the Company as a “U.K. UCITS” under U.K. law and under applicable FCA rules; and (b) ensure that the operation of the Company and its Funds continues to be the same on and after the Transition End Date as it was immediately before the Transition End Date. This is subject to anything to the contrary specified, or required to be complied with, in any amendments made to relevant legislation and FCA rules on or after the Transition End Date. This means, for example, that the investment powers of the Company shall remain broadly the same on and after the Transition End Date as they were immediately before the Transition End Date (save for any specific provisions in the FCA rules).

### 3. Interpretation of EU law referred to in this Prospectus

In addition to paragraph 2 above, all references in this Prospectus to EU legislation and guidance

(including, without prejudice to the generality of the foregoing, the UCITS Directive, SFTR, EMIR, Regulation (EU) 2016/1011 (the “Benchmark Regulation”) shall, on and after the Transition End Date, be read as follows:

(a) a reference to an EU Regulation shall be read as a reference to that EU Regulation as it forms part of the domestic law of the United Kingdom pursuant to section 3 of the Withdrawal Act, and as amended from time to time;

(b) a reference to an EU Directive shall be read as a reference to the provision or provisions of U.K. law which implemented that EU Directive in U.K. law immediately before the Transition End Date, and as amended from time to time; and

(c) a reference to guidance issued by the EU (including any guidance issued by the European Securities and Markets Authority) shall be read as a reference to that guidance as it stood immediately before the Transition End Date, and read in light of the U.K.’s withdrawal from the EU and any amendments made to associated legislation or rules.

In each case, this will be subject to any grandfathering provisions.

#### 4. Change of status of the Scheme for EU law purposes

The interpretative provisions of paragraph 3 do not apply to the reference to the UCITS Directive in this paragraph.

The Company shall, from the Transition End Date, cease to be a “UCITS” for the purposes of the UCITS Directive. It is not expected that existing Shareholders resident in the U.K. or outside the EEA will be affected adversely by this. If there are existing Shareholders resident in the EEA, they may wish to consider or take advice on the extent to which this may impact their investment in the Company.

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## Terms Used in this Document

<b>‘ACD’</b>	Vanguard Investments UK, Limited, the authorised corporate director of the Company;
<b>‘Accumulation Shares’</b>	Shares (of whatever Class) in the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the COLL Sourcebook net of any tax deducted or accounted for by the Company;
<b>‘Administrator and Registrar’</b>	both DST Financial Services Europe Limited and DST Financial Services International Limited or such other person or persons to whom the ACD may delegate such functions from time to time;
<b>‘BACS’</b>	Bankers’ Automated Clearing Services;
<b>‘Business Day’</b>	every day on which the London Stock Exchange is open for trading, provided, however, that if for any reason ( in the sole determination of the ACD) the fair and accurate valuation of the relevant Fund’s portfolio of securities, or a significant portion thereof, in accordance with the COLL Sourcebook, this Prospectus and the Instrument of Incorporation of the Company is impeded, the ACD may decide that any Business Day shall not be construed as such;
<b>‘Class’</b>	all of the Shares relating to a single Fund or a particular class or classes of Shares relating to a single Fund;
<b>‘COLL’</b>	refers to the appropriate chapter, section or rule in the COLL Sourcebook;
<b>‘COLL Sourcebook’</b>	the rules contained in the Collective Investment Schemes Sourcebook, as amended from time to time, issued by the FCA as part of the FCA Handbook, which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in the said sourcebook;
<b>‘Company’</b>	Vanguard Investments Money Market Funds;
<b>‘Custodian’</b>	State Street Bank and Trust Company or such other person to whom the Depositary may delegate the function of custody from time to time;
<b>‘Cut-Off Time’</b>	the point on a Dealing Day prior to which a transaction must be received by the Administrator and Registrar in order to permit the transaction to receive that Dealing Day’s Valuation Point for each Fund as set out in <b>Appendix 1</b> ;
<b>‘Dealing Day’</b>	any day that the Company accepts subscription or redemption orders, or any such other day or days as may be determined by the ACD and notified to Shareholders in advance, details of which for each Fund are set out in <b>Appendix 1</b> ;



<b>‘Depository’</b>	State Street Trustees Limited, the depository of the Company, or such other entity as is appointed to act as Depository;
<b>‘EEA’</b>	the European Economic Area;
<b>‘EEA State’</b>	a member state of the EEA;
<b>‘ESMA’</b>	the European Securities and Markets Authority;
<b>‘EU’</b>	the European Union;
<b>‘Euro’ or ‘€’</b>	the European euro, the lawful currency of the Economic and Monetary Union of the EU from time to time;
<b>‘Excess Return’</b>	the difference between the performance of a passively-managed Fund and the performance of the index tracked by the Fund or an actively-managed Fund where returns are in excess of the returns of the index over a stated period of time, as further described in the “Excess Return and Tracking Error” section of this Prospectus;
<b>‘FCA’</b>	the Financial Conduct Authority or any successor body thereto;
<b>‘FCA Handbook’</b>	the FCA Handbook of rules and guidance, as amended from time to time;
<b>‘FDI’</b>	financial derivative instruments;
<b>‘FSMA’</b>	the Financial Services and Markets Act 2000;
<b>‘Fund’</b>	a sub-fund of the Company (being part of the scheme property which is pooled separately and to which specific assets and liabilities of the Company may be allocated), which is invested in accordance with the investment objective applicable to such sub-fund;
<b>‘HMRC’</b>	HM Revenue & Customs;
<b>‘Income Shares’</b>	Shares (of whatever Class) in the Company as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the COLL Sourcebook net of any tax deducted or accounted for by the Company;
<b>‘Instrument of Incorporation’</b>	the instrument of incorporation of the Company as amended from time to time;
<b>‘Investment Adviser’</b>	Vanguard Global Advisers, LLC;
<b>‘Member State’</b>	a member state of the EU;
<b>‘MiFID II’</b>	means Directive 2014/65/EU on markets in financial instruments;

<b>‘MMFR’</b>	Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds together with Commission Delegated Regulation (EU) of 10 April 2018 supplementing Regulation (EU) 2017/1131;
<b>‘Money Market Instruments’</b>	means transferable instruments normally dealt in on the money market and include treasury and local authority bills, certificates of deposits, commercial papers, bankers’ acceptances, and medium- or short-term notes;
<b>‘Net Asset Value or NAV’</b>	the value of the scheme property attributable to a Fund (or the Company) less the liabilities of the Fund (or the Company) as calculated in accordance with the Company’s Instrument of Incorporation and the FCA Handbook;
<b>‘OEIC Regulations’</b>	the Open-Ended Investment Companies Regulations 2001, as amended or re-enacted from time to time;
<b>‘OTC derivative’</b>	an FDI dealt over-the-counter (off exchange);
<b>‘Register’</b>	the register of Shareholders kept on behalf of the Company;
<b>‘Regulations’</b>	the OEIC Regulations, the COLL Sourcebook and the MMFR;
<b>‘Relevant Institution’</b>	a credit institution which is authorised in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand;
<b>‘Scheme Property’</b>	the property of the Company or a Fund, as the context may require, required under the COLL Sourcebook to be given for safekeeping to the Depositary;
<b>‘Share’ or ‘Shares’</b>	a share in the capital of the Company (including larger denomination and smaller denomination shares equivalent to one ten-thousandth of a larger denomination share);
<b>‘Shareholder’</b>	a holder of registered Shares;
<b>‘Sterling’ or ‘£’</b>	U.K. pounds sterling, the lawful currency of the U.K.;
<b>‘Tracking Error’</b>	the volatility of the difference between the return of a passively-managed Fund and the return of the index tracked by the Fund, as further described in the “Excess Return and Tracking Error” section of this Prospectus;
<b>‘UCITS Directive’</b>	European Parliament and Council Directive No. 2009/65/EC of 13 July 2009 as amended;
<b>‘UCITS Scheme’</b>	a collective investment scheme complying with the requirements of the UCITS Directive;
<b>‘U.K.’</b>	the United Kingdom;

<b>'U.S.'</b>	the United States of America, its possessions and territories, including any state of the United States of America and the District of Columbia;
<b>'U.S. Person'</b>	any person falling within the definition of the term U.S. Person under Regulation S promulgated under the U.S. Securities Act of 1933, as amended;
<b>'Valuation Point'</b>	the point on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed, as set out for each Fund in <b>Appendix 1</b> ;
<b>'Vanguard Group of Companies'</b>	the group of companies of which The Vanguard Group, Inc. is the ultimate parent; and
<b>'VNAV'</b>	Variable Net Asset Value.

## Directory

**Company's Head Office and Registered Office**

4<sup>th</sup> Floor, The Walbrook Building  
25 Walbrook  
London EC4N 8AF  
UK.

**Company's address for service of notices**

P.O. Box 10315  
Chelmsford CM99 2AT  
UK.

**Authorised Corporate Director**

Vanguard Investments UK, Limited  
4<sup>th</sup> Floor, The Walbrook Building  
25 Walbrook  
London EC4N 8AF  
UK.

**Depository**

State Street Trustees Limited  
20 Churchill Place  
London E14 5HJ  
UK.

**Administrator and Registrar**

DST Financial Services Europe Limited and  
DST Financial Services International Limited  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS  
UK.

**Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
UK.

**Investment Adviser**

Vanguard Global Advisers, LLC  
P.O. Box 2600  
Valley Forge, PA 19482  
USA.

# The Company

## General

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Vanguard Investments Money Market Funds is an investment company with variable capital incorporated with limited liability and registered in England and Wales under number IC001124. The Company was authorised by the FCA on 5 October 2018 (FCA Product Reference Number: 815899). The Company is of unlimited duration.

## Share capital

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The maximum share capital of the Company is £500,000,000,000 and the minimum share capital is £1. Shares have no par value. Shareholders are not liable for the debts of the Company.

Shares in the Company may be marketed in the U.K., EEA States and in countries outside the EU and the EEA, subject to the Regulations, and any regulatory constraints in those countries, if the ACD so decides.

## Base currency

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The base currency for the Company is Sterling or such other currency or currencies as shall be the lawful currency of the UK.

## Category of scheme

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The Company is a UCITS Scheme.

## Further information

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Further general information concerning the Company, Shareholder meetings and voting rights, provisions relating to the winding up of the Company for a Fund and other matters is contained in Appendix 5.

# Management and Administration

## Authorised Corporate Director (ACD)

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### General

The Authorised Corporate Director (ACD) of the Company is a private limited company incorporated in England and Wales on 8 May 2001 with registered number 4212659. Its registered office address is 4th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF.

The ACD's ultimate parent company is The Vanguard Group, Inc., which is incorporated in Pennsylvania, U.S. The ACD is the sole director of the Company.

### Share Capital

The ACD has an issued and fully paid-up share capital of £5,200,000.

### Regulatory status

The ACD is authorised and regulated by the FCA.

### Directors of the ACD

The directors of the ACD are:

- Sean Hagerty
- Katie Smith
- Maureen Erasmus
- Dan Waters
- Kathleen Bock
- John Bendl

No director of the ACD is engaged in any business activity of significance to the Company's business that is not connected with the business of the ACD, its ultimate parent company or other affiliated companies.

### Terms of Appointment

The ACD is responsible for managing and administering the Company's affairs pursuant to the terms of an ACD Agreement between the Company and the ACD dated 12 July 2019 (the "ACD Agreement"). Under the terms of the ACD Agreement, the ACD is to provide investment management services, administrative, accounting, consultancy, distribution, advisory, secretarial services and registrar services to the Company. The ACD may delegate all or some of its powers and duties, subject to conditions set out in the Regulations and the FSMA, and has delegated certain administrative functions and the function of registrar to the Administrator and Registrar, the function of accounting to State Street Bank and Trust Company, and the function of investment management to the Investment Adviser.

The ACD may provide similar services for other clients.

The ACD Agreement provides that the ACD's appointment is terminable upon six months' written notice by either the ACD or the Company or, subject to the Regulations and the FSMA, by the mutual written consent of both parties. The ACD Agreement also terminates automatically if the ACD is removed as a director of the Company by a resolution of shareholders of the Company. No termination of the ACD's appointment, on notice or otherwise, can take effect until the FCA has approved the change of the ACD as the authorised corporate director.

To the extent permitted by the Regulations and FSMA, the Company indemnifies the ACD in respect of liabilities incurred by the ACD by reason of the ACD's performance of its duties in accordance with the ACD Agreement, save where such liabilities arise as a direct consequence of the ACD's or, as the case may be, its directors', officers' or employees' negligence or wilful default in relation to the Company.

Details of the remuneration provisions under the ACD Agreement are summarised under the heading “ACD’s Charges and Expenses” in the “Charges and Expenses” section of this Prospectus.

#### **Other schemes managed/operated by the ACD**

The ACD also serves as the authorised corporate director of Vanguard Investments Funds ICVC and Vanguard LifeStrategy® Funds ICVC and as the unit trust manager of Vanguard FTSE UK All Share Index Unit Trust and Vanguard FTSE 100 Index Unit Trust.

#### **Remuneration Policies and Practices**

Vanguard personnel providing services to the ACD are subject to the Vanguard European Remuneration Policy (the “Remuneration Policy”). The Remuneration Policy has been designed to ensure that Vanguard’s European remuneration policies and practices are consistent with, and promote, sound and effective risk management, and are in line with the business strategy and objective of the Vanguard group of European companies (“Vanguard Europe”) and the interests of the group and its stakeholders. The Remuneration Policy complies with the requirements of the UK IFPRU Remuneration Code and the UCITS V Directive (2014/91/EU), and is overseen by Vanguard’s European Remuneration Committee.

The Remuneration Policy provides for an appropriate balance of fixed salary; benefits, such as pension, life assurance and health insurance; and bonus arrangements, based on the overall business performance of the Vanguard Group, or individual, team, business unit and fund performance, together with certain qualitative criteria, such as compliance with policies and procedures.

Details of the Remuneration Policy are available through <https://global.vanguard.com/portal/site/portal/ucits-investment-information>, which will be updated periodically to reflect changes to the Policy. A paper copy of these details may be obtained, free of charge on request, from the Head of Human Resources, Europe; Vanguard Asset Services, Limited; 4<sup>th</sup> Floor; The Walbrook Building; 25 Walbrook; London EC4N 8AF.

#### **Investment Adviser**

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The Investment Adviser to the Funds is a private limited company incorporated in Pennsylvania, U.S. and is part of the Vanguard Group of Companies. The Investment Adviser is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser under the U.S. Investment Advisers Act of 1940. The Investment Adviser currently provides investment management and advisory services to collective investment schemes domiciled in the U.K. and Ireland as well as non-U.S. separate account clients.

The Investment Adviser or the ACD may, from time to time, appoint other companies, including without limitation companies connected with the Vanguard Group of Companies, as sub-investment advisers with responsibility to provide investment management and advisory services with respect to any Fund. Details of sub-investment advisers will be disclosed in the Company’s periodic reports. If a sub-investment adviser is not connected with the Vanguard Group of Companies, details will be provided in this Prospectus.

#### **Terms of Appointment**

The Investment Adviser provides its services under the terms of an investment advisory agreement between the ACD and Vanguard Global Advisers, LLC dated 12 July 2019 (the “Advisory Agreement”). The Advisory Agreement provides that the Investment Adviser will have discretionary authority to manage the Scheme Property of each Fund within the investment objectives, investment policy and any restrictions set out in the Instrument of Incorporation, this Prospectus, the OEIC Regulations, the MMFR and FSMA. The Advisory Agreement may be

terminated by the mutual written agreement of the parties or earlier upon the happening of certain specified events.

The Investment Adviser is entitled to a fee for its services, which is paid out of the annual management charge made by the ACD. The Investment Adviser has authority to delegate certain functions to sub-advisers, and such sub-advisers are remunerated by the Investment Adviser out of its own fee.

## **The Administrator and Registrar**

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The ACD has appointed the Administrator and Registrar, with the responsibilities to act as registrar to the Company and to provide services to it including certain administration functions.

The registered office of the Administrator and Registrar is at St. Nicholas Lane, Basildon, Essex SS15 5FS. The Administrator and Registrar is an affiliated company of the Depositary.

The Register of Shareholders will be maintained by the Administrator and Registrar at the address of its registered office as noted above, and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The Administrator and Registrar will receive a fee paid by the ACD out of its remuneration received from the Funds.

## **The Depositary**

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### **General**

The Company's Depositary is a private limited company incorporated in England and Wales. Its registered office is at 20 Churchill Place, London E14 5HJ and its head office is at Quatermile 3, 10 Nightingale Way, Edinburgh, EH3 9EG. The ultimate holding company of the Depositary is State Street Corporation, which is incorporated in Massachusetts, U.S. The principal business activity of the Depositary is to provide trustee and depositary services to collective investment schemes. The Depositary is authorised and regulated by the FCA.

The Depositary provides its services under the terms of a depositary agreement between the Company and the Depositary dated 4 July 2019 (the "Depositary Agreement"). The Depositary Agreement may be terminated by not less than 90 days' notice given by either the Company or the Depositary, provided that the Depositary may not retire voluntarily except on the appointment of a new depositary.

The Depositary will receive a fee paid by the ACD out of its remuneration received from the Funds.

### **Depositary's functions**

Subject to the Regulations and the terms of the Instrument of Incorporation and the Depositary Agreement, the Depositary has been entrusted with the following main functions:

- (i) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with the Regulations;
- (ii) ensuring that the value of the Shares is calculated in accordance with the Regulations;
- (iii) carrying out the instructions of the ACD unless they conflict with the Regulations.
- (iv) ensuring that in transactions involving the assets of the Funds any consideration is remitted within the usual time limits;
- (v) ensuring that the income of the Funds is applied in accordance with the Regulations;



- (vi) monitoring the Fund's cash and cash flows; and
- (vii) safekeeping of the Fund's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

### **Depository's liability**

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, the Depository shall return financial instruments of identical type or the corresponding amount to the ACD acting on behalf of the Company without undue delay.

The Depository shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depository directly or indirectly through the ACD provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depository will be liable to the Company for all other losses suffered by the Company as a result of the negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depository shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depository of its duties and obligations.

### **Delegation**

The Depository has full power to delegate the whole or any part of its safekeeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depository's liability shall not be affected by any delegation of its safekeeping functions under the Depository Agreement.

Information about the safekeeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 6.

### **Conflicts of interest**

The Depository is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depository or its affiliates engage in activities under the Depository Agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, investment management, financial advice and/or other advisory services to the Company; and
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Company, either as principal and in the interests of itself, or for other clients.

In connection with the above activities, the Depository or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form, and are not bound to disclose to the Company the nature or amount of any such profits or compensation, including any fee, charge, commission, revenue share,

spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;

(ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;

(iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;

(iv) may provide the same or similar services to other clients including competitors of the Company; and

(v) may be granted creditors' rights by the Company, which it may exercise.

The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Company. In such instances, the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Company.

The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as Depositary.

The ACD may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include four broad categories:

(i) conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives, and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;

(ii) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;

(iii) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as their counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and

(iv) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Company and its Shareholders.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary / depositary issues to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depositary internally

separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safekeeping functions delegated by the Depositary, the list of delegates and sub-delegates in Appendix 6, and any conflicts of interest that may arise from such a delegation, will be made available to Shareholders on request.

## The Auditors

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The auditors of the Company are PricewaterhouseCoopers LLP.

## General

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The Company, the ACD and the Depositary must each comply with the relevant requirements of the COLL Sourcebook and MMFR in a timely manner unless delay is lawful and also in the interests of the Company.

The ACD and the Depositary may retain the services of the other, or of third parties, to assist them in fulfilling their respective roles. However:

- (a) the Depositary may not delegate oversight of the Company to the Company, the ACD or any associate of the Company or of the ACD, or custody or control of the Scheme Property to the Company or the ACD; and
- (b) any delegation of custody of the Scheme Property must be under arrangements which allow the custodian to release documents into the possession of a third party only with the Depositary's consent.

Where functions are performed by third parties, the ACD remains responsible for the management of the Scheme Property and, if the third party is an associate, any other functions which are within the role of the ACD.

## Conflicts of interest

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The COLL Sourcebook contains various requirements relating to transactions entered into between the Company and the ACD, the Depositary, the Investment Adviser or any associate of them which may involve a conflict of interest. These are designed to protect the interests of the Company. Certain transactions between the Company and the ACD, or an associate of the ACD, may be voidable at the insistence of the Company in certain circumstances.

The ACD, the Depositary, the Investment Adviser, the Administrator and Registrar, and other companies connected with them may, from time to time, act as manager, depositary / custodian, trustee, investment manager / adviser, administrator, registrar or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which follow similar investment objectives to those of the Funds of the Company. It is therefore possible that any of them may, in the course of their business, have potential conflicts of interest with the Company or a particular Fund. Each will at all times have regard in such event to its obligations under the Instrument of Incorporation, the COLL Sourcebook and the ACD Agreement (and any other relevant agreement by which it is bound in relation to the Company or any Fund), and, in particular, to its obligation to act in the best interests of the Company so far as is practicable, having regard to its obligations to other clients when undertaking any investment or otherwise where potential conflicts of interest may arise, and each will endeavour to ensure that any such conflicts are resolved fairly.

In selecting brokers to make purchases and sales of investments for the Company, the Investment Adviser (or any sub-investment adviser) will choose those brokers who provide best execution to the Company in accordance with applicable law. In determining what constitutes best execution,

the Investment Adviser (or sub-investment adviser) will consider, amongst other things, the overall economic result of the Company (including the price of commission), the efficiency of the transaction, the broker's ability to effect the transaction if a large block is involved, the availability of the broker for difficult transactions in the future and the financial strength and stability of the broker. The brokers selected to make purchases and sales of investments for the Company will be required to comply with the Investment Adviser's execution policy. A copy of the Investment Adviser's execution policy is available on request.

The ACD, the Investment Adviser or any sub-investment adviser are prohibited from receiving any in-kind benefits, soft commission arrangements or other inducements from a broker, whether utilised in executing a transaction or otherwise. In managing the assets of the Company, the Investment Adviser (or sub-investment adviser) may from time to time receive or utilise certain investment research and other investment related commentary, statistics, information or material (collectively "**Research**") provided by third parties. Direct charges for Research will be borne by the Investment Adviser out of its fees and will not, in any circumstances be allocated to the Company.

At the time of launch, the Funds may have received initial (or "seed") investment from entities within the Vanguard Group of Companies. New Fund launches in the future may also receive similar seed investment. The Funds are permitted to receive such seed investment, and entities within the Vanguard Group of Companies are at liberty to provide it, notwithstanding any relevant restrictions on investment in the Funds by non-UK entities.

# The Funds

## General

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The Company has been established as a UCITS Scheme and is structured as an umbrella company (under the OEIC Regulations), meaning that different Funds may be established from time to time by the ACD with the agreement of the Depositary and approval of the FCA. This Prospectus will be revised on the introduction of a new Fund or Class of Shares within a Fund.

The Funds are operated separately. Each Fund has a specific portfolio of assets to which the Fund's liabilities are attributable. The assets of each Fund are treated as separate from those of every other Fund and are managed in accordance with the investment objective and policy applicable to that Fund.

The following Funds have been established and are currently available:

- Vanguard Sterling Short-Term Money Market Fund

Details of each Fund are set out in **Appendix 1**.

## Investment objectives and policies of the Funds

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The investment objective and policy of the Funds is set out in **Appendix 1**.

The assets of each Fund will be invested with the aim of achieving the investment objective and in accordance with the policy of that Fund. It must also be invested so as to comply with the investment and borrowing powers and restrictions set out in the COLL Sourcebook as they apply to a UCITS Scheme, the Instrument of Incorporation, this Prospectus and the MMFR.

As stated in **Appendix 1**, each Fund follows an active investment strategy in seeking to achieve its objective. "Active management" involves the making of specific investment decisions which aim to outperform an index or benchmark. This approach can be accompanied by a higher degree of volatility than passive management, but it also has the potential for greater returns.

A summary of the investment powers and restrictions applicable to the Funds is set out in **Appendix 3**. Details of eligible security and derivative markets for the Funds are also set out in **Appendix 3**.

## Portfolio Investment Techniques

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The Company may employ investment techniques and instruments relating to money market instruments for efficient portfolio management of the assets of any Fund, including hedging against market movements, currency exchange or interest rate risks under the conditions and within the limits stipulated by the COLL Sourcebook, as described in **Appendix 4**. Except as the COLL Sourcebook may permit and this Prospectus specify, a Fund may not be leveraged in excess of 100% of its Net Asset Value.

## Profile of a typical investor in the Funds

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Each Fund is available to investors seeking capital preservation and regular income with a low risk profile. Investors should in particular read the Risk Factors section as set out in this Prospectus and, if they are in any doubt about making an investment, should consult their professional advisor concerning the acquisition, holding or disposal of any Shares.

## Benchmarks Regulation

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Regulation (EU) 2016/1011 (the “Benchmarks Regulation”) came into full effect on 1 January 2018. In respect of the Funds, the Benchmarks Regulation prohibits the use of indices provided by benchmark administrators, other than in accordance with the Benchmarks Regulation. The Benchmarks Regulation introduces a new requirement for all benchmark administrators providing indices in the EU to be authorised or registered on a public register maintained by ESMA. The benchmark administrators providing the indices used by the Funds have until 1 January 2020 to apply for such authorisation or registration. During this period, as required in respect of each Fund, the ACD will work with relevant benchmark administrators to obtain confirmation that they are, or will be, included in the register maintained by ESMA.

## Credit quality assessment

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The ACD has procedures in place, in accordance with the MMFR, to determine whether the credit quality of a money market instrument, securitisation or ABCP (asset-backed commercial paper) receives a favourable assessment.

In carrying out its credit quality assessment, the ACD takes into account at least the following factors and general principles:

- the quantification of the credit risk of the issuer and of the relative risk of default of the issuer and of the instrument;
- qualitative indicators on the issuer of the instrument, including in the light of the macroeconomic and financial market situation;
- the short-term nature of money market instruments;
- the asset class of the instrument;
- the type of issuer distinguishing at least the following types of issuers: national, regional or local administrations, financial corporations, and non-financial corporations;
- for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction and, in case of exposure to securitisations, the credit risk of the issuer, the structure of the securitisation and the credit risk of the underlying assets; and
- the liquidity profile of the instrument

The ACD shall review its procedures on at least an annual basis to ensure that they are in line with regulatory requirements and market practices and that they remain valid and appropriate for each Fund.

## Sustainable Finance

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### Sustainability Risk

Sustainability risks are environmental, social, or governance events or conditions that could cause material negative impacts on the value of a Fund’s assets. For further details in respect of sustainability risks please see Sustainability Risk in the Risk Factors section.

The ACD, the Investment Adviser or its delegate, will consider the impact of sustainability risks on each Fund’s investments in accordance with the detail below and the degree to which the management of sustainability risks can be integrated into the management of a Fund’s

investments will vary depending on the Fund's strategy, the investment approach, the assets in which it invests and/or its portfolio composition.

An assessment of the potential impact of sustainability risks on the returns of the Funds has been undertaken. Please see Sustainability Risk in the Risk Factors section for further details.

A policy and guidelines on the integration of sustainability risk into the management of the Funds' assets has been established. The integration of financially material environmental, social and governance ("ESG") considerations into the investment process ("ESG Integration") can help mitigate sustainability risk.

The Funds are categorised into three categories with varying degrees of ESG Integration. These categories are 1) Funds which do not promote environmental or social characteristics and do not take ESG characteristics into consideration in selecting portfolio holdings 2) Funds which do not promote environmental or social characteristics but which take ESG characteristics into consideration in selecting portfolio holdings and 3) Funds with ESG investment strategies which promote environmental and social characteristics and take ESG considerations into account when selecting portfolio holdings.

*1) Funds which do not promote environmental or social characteristics and do not take ESG characteristics into consideration in selecting portfolio holdings*

Funds of this nature do not take account of ESG characteristics in selecting portfolio holdings. Examples of products falling into this category include passively managed index Funds that have a primary investment objective of tracking the performance of an unscreened index which does not take ESG characteristics into account.

Furthermore, this category of Funds typically seeks full replication through physically holding most (if not all) of the securities in the stated index. The index in this case is intended to provide a broad representation of investment securities (typically company shares or debt instruments) that make up the target market or sector. In seeking to provide broad representation, the index contains members/constituents on a market capitalization weighted basis and is not screened or adjusted to take account of ESG criteria.

Whilst ESG considerations are not directly integrated in the investment process for this category of Funds, the Vanguard Group of Companies' Investment Stewardship team, as described in more detail below under the heading Investment Stewardship, stewards the global equity holdings of the Vanguard managed Funds through public advocacy, engagement and voting, which serve as the most important levers Vanguard has to apply ESG oversight to the relevant Fund's portfolio companies, to protect clients' investments, and to help build long-term value.

*2) Funds which do not promote environmental or social characteristics but take ESG characteristics into consideration in selecting portfolio holdings*

Funds falling under this category do not have an explicit investment strategy to either negatively screen out securities with poor ESG characteristics or explicitly target companies with strong ESG practices and do not promote environmental or social characteristics. However, ESG considerations are integral to the security selection process as part of a fundamentally driven investment philosophy for fixed income Funds holding corporate bonds.

These considerations are factored into the research process for the fixed income Funds through analysis conducted by Vanguard's Credit Research team (the "Credit Research Team"), with recommendations issued through a consistent approach in the case of both active and passive

fixed income fund management strategies. The Credit Research Team is responsible for analysing and making fundamentally driven recommendations around companies (more specifically their debt issuance of bonds) and prospects for holding them in the fixed income credit Funds.

In analysing companies, the Credit Research Team considers ESG Integration in making investment recommendations through i) quantifying the financial materiality of ESG risk, and ii) assessing whether the securities' current valuation is commensurate of the related risk. ESG risk is considered to be one of the core elements that make up the bottom-up fundamental view of a company, alongside other factors that impact the view on credit trend and event risk. Specifically, each credit instrument under consideration is assigned an ESG risk rating of low, medium or high based on the Credit Research Team's assessment of the probability of an ESG event and the potential magnitude of its impact on the issues credit profile.

All recommendations issued by the Credit Research Team include an ESG score which is considered amongst other factors in determining the overall view on a given security. The Credit Research Team seeks to cover and thereby provide recommendations against a large proportion of the issues across credit sectors of a portfolio's benchmark. However, coverage of all benchmark securities is not guaranteed. As ESG scores are considered amongst other factors, it also cannot be guaranteed that there will be no exposure to securities which have low ESG ratings.

3) *Funds with ESG investment strategies which promote environmental and social characteristics and take ESG considerations into account when selecting portfolio holdings*

This category of Funds explicitly consider ESG factors as part of their investment strategies. Certain Funds may provide exposure to indices which exclude securities of issuers that the index sponsor determines do not meet or are inconsistent with the promotion of certain ESG criteria. Common ESG exclusion criteria include but are not limited to companies that engage or are involved in environmental, social or governance controversies, engage in the production of non-renewable energy, or have business operations that relate to the production or distribution of weapons.

Further, the ACD, the Investment Adviser or its delegate, will, where applicable, consider sustainability risks when selecting indices for new Funds to track and when reviewing the indices tracked by current Funds.

*Investment Stewardship*

The Vanguard Group of Companies' Investment Stewardship team (the "Stewardship Team") serves as a voice for its investors to promote long-term value creation at the companies in which the equity funds managed by Vanguard invest. As a long-term investor, Vanguard's investment stewardship activities are keenly focused on areas such as risk, strategy, executive remuneration, diversity, environmental issues, shareholder rights, and health and safety issues. The Stewardship Team stewards the global equity holdings of Vanguard managed funds in three key ways:

- Public advocacy. The Stewardship Team advocates for the highest standards of corporate governance worldwide and the sustainable, long-term value of shareholders' investments.
- Engagement. The Stewardship Team conducts ongoing dialogues with portfolio company executives and directors to share its long-term orientation and principled approach, and to understand a company's governance practices and long-term strategy.
- Voting. The Stewardship Team votes proxies at public company shareholder meetings on behalf of equity funds managed by Vanguard.



When the Stewardship Team identifies a concern with how a company in the Vanguard-managed equity portfolios is overseeing a material risk, including ESG risks, the Stewardship Team often seeks to engage with the company in order to enhance their disclosure on risk mitigation and/or encourage them to develop a more appropriate risk mitigation approach. This is all part of the Stewardship Team's effort to safeguard clients' assets against a full range of short- and long-term risks.

*Consideration of Principal Adverse Impacts on Sustainability Factors*

The ACD does not currently consider the adverse impacts of investment decisions on sustainability factors or issue a website statement in relation to the due diligence policies with respect to those impacts. A transition plan is in place to assess and implement, as appropriate, principal adverse sustainability impacts into the investment process by 1 January 2022.

# Shares

## Classes of Shares

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Different Classes of Shares may be issued in respect of each Fund. Classes may be distinguished by their different characteristics, including, without limitation, criteria for subscription, currency of denomination, allocation of costs, liabilities, gains and losses and charges. The Classes currently available in each Fund and their characteristics are set out in **Appendix 1**.

Institutional Plus Class Shares are available only to discretionary investment managers and other institutional investors to whom the ACD agrees to sell such Shares. They are not available to platforms and other non-discretionary investors who actively market and distribute Shares (or whom the ACD believes intend to do so).

Further Classes of Shares may be established from time to time by the ACD with the approval of the FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or Class, a revised Prospectus will be prepared, setting out the details of each Fund or Class.

## Denomination

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The currency in which each new Class of Shares will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Shares.

Shares will be issued in larger and smaller denominations. There are 10,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what might, in other terms, be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class in each Fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of the relevant Fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

## Allocation

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The net proceeds from Subscriptions to a Fund will be invested in the specific portfolio of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund. Each Fund will be charged with the liabilities, costs, charges and expenses of the Company attributable to that Fund, and within the Funds charges will be allocated within Classes in accordance with the terms of issue of those Classes.

To the extent that any Scheme Property, any assets to be received as part of the Scheme Property, or any liabilities, costs, charges or expenses of the Company are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, liabilities, costs, charges or expenses between Funds in a manner which it considers to be fair to all Shareholders of the Company.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Fund will be adjusted accordingly.

## Income and Accumulation Shares

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The Company may issue Income Shares and Accumulation Shares in respect of each Fund.

Holders of Income Shares are entitled to be paid the distributable income attributed to such Shares on any relevant interim and annual allocation dates.

Holders of Accumulation Shares are not entitled to be paid the income attributed to such Accumulation Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an Accumulation Share.

Further details relating to distributions and allocations of income in respect of Shares of each Fund are set out under the "Income" section of this Prospectus.

## Switching

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Shareholders are entitled (subject to certain restrictions) to convert or switch all or part of their Shares for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this facility and the restrictions are set out under the "Converting and Switching Shares" section of this Prospectus.

## Register of Shareholders

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All Classes of Shares are in registered, uncertificated form. Certificates will not be issued to Shareholders.

The Administrator and Registrar has established and maintains the Register for each Fund, which is available for inspection by Shareholders at its office at St. Nicholas Lane, Basildon, Essex SS15 5FS. The Register shall be prima facie evidence as to the persons respectively entitled to the Shares entered in the Register. No notice of any trust – express, implied or constructive – shall be entered on the Register in respect of any Share and the ACD and the Administrator and Registrar shall not be bound by any such notice.

# Dealing

## General

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Requests to deal in Shares may be made at the dealing office of the Administrator and Registrar, which is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Dealing Day in respect of a Fund. The Administrator and Registrar may vary these times at its discretion.

Requests to deal in Shares may be made by telephone, by fax or by post on each Dealing Day (at the ACD's discretion) directly to the office of the Administrator and Registrar (telephone: 0800 408 2065 or such other number as published from time to time; fax number 0844 620 0002 or such other number as published from time to time; postal address Vanguard Investments Funds, P.O. Box 10315, Chelmsford, CM99 2AT, or such other address as published from time to time). All requests to deal in Shares received on a Dealing Day after a Fund's Cut-Off Time will be treated as having been received on the next Dealing Day.

In addition, the Administrator and Registrar may from time to time, at its discretion, make arrangements to allow Shares to be purchased or redeemed on-line or through other communication media.

Telephone calls may be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

## Money Laundering Prevention

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As a result of legislation in force in the U.K. to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, investors may be asked to provide proof of identity when buying, converting, switching or redeeming Shares. In certain circumstances it may be necessary for the ACD to re-verify an investor's identity and request additional information for this purpose. The ACD may also choose to obtain information on any applicant for Shares and investor from a credit reference agency. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares or pay income on Shares to the investor. The ACD will not be liable for any Share price movements or loss of opportunity during any delays while money laundering checks are carried out. If additional administration is required to complete the registration of an investment as a result of anti-money laundering or fraud protection checks and procedures, the ACD reserves the right to make an administration charge in connection therewith.

## Minimum holdings

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The minimum holdings for each Fund are set out in **Appendix 1**. The ACD has the right to waive these limits. In the event that the minimum holdings are not maintained, the ACD reserves the further right to redeem the relevant shareholding in any Class of Shares.

Further, if following a redemption, switch or transfer, a holding in any Class of Shares should fall below the minimum holding for that Class, as set out in **Appendix 1**, the ACD has the discretion to effect a redemption of that Shareholder's entire holding in that Class of Shares. Failure of the ACD to do so immediately after such redemption, switch or transfer does not remove this right.

## Buying Shares

### Procedure

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Shares may be purchased directly from the Administrator and Registrar or through a professional adviser or other intermediary. Application forms may be obtained from the Administrator and Registrar. Applicable tax regulations require the ACD to collect information about each investor's tax residency. Application forms for Shares request this information. In certain circumstances (including if the ACD does not receive a valid self-certification from an investor), the ACD may be obliged to share information on the investor's account with HMRC. If an investor has any questions about their tax residency, they should contact a tax adviser. Should any information provided change in the future, investors are requested to advise the ACD promptly of the changes.

Valid applications to purchase Shares of a Fund will be processed at a purchase price calculated with reference to the next Valuation Point for that Fund following receipt of the application, except in the case where dealing in a Fund has been suspended as set out below. For the avoidance of doubt, all valid applications received before a Fund's Cut-Off Time on a Dealing Day will receive that Dealing Day's Valuation Point. All valid applications received after a Fund's Cut-Off Time on a Dealing Day will receive the next Dealing Day's Valuation Point.

The ACD reserves the right to limit the issue of Shares in any Fund or Class where the liquidity within the Fund or Class is deemed to be detrimental to its performance by closing the Fund or Class to new subscriptions or conversions or switches into it, either from existing Shareholders or new applicants or both. An example of the circumstances in which this may occur could be where the ACD determines that it would be prudent to limit the capacity of the size of a Fund the investment objective of which is aimed at a particular market or sector.

### Settlement

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Settlement of purchase monies is due within one Business Day following the relevant Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the Administrator and Registrar once the Administrator and Registrar is in receipt of cleared funds for the application. If full settlement of purchase monies is not made within a reasonable period, then the ACD reserves the right to make an administration charge and/or cancel any Shares sold/issued in respect of the application and recover any shortfall. Purchase monies must be received by telegraphic transfer or BACS transfer. The applicant shall bear all bank costs or other costs associated which are levied on such transfer. The ACD reserves the right to accept other forms of payment in its discretion; however, please note that no cheques will be accepted, subject to the ultimate discretion of the ACD.

### Acceptance of applications

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A purchase of Shares in writing or by telephone or any other communication media made available is a legally binding contract.

Once made, applications to purchase are, except in the case where cancellation rights are applied, irrevocable on the part of the applicant for Shares, subject to the complete discretion of the ACD to permit an applicant to withdraw or amend any application after it has been submitted but before the Fund's Valuation Point has been reached.

The ACD has the right to reject, on reasonable grounds but without providing an explanation and at any time before the Valuation Point, any application for Shares in whole or in part. In this event,

the ACD will return any money sent, or the balance of such monies without interest. Such rejection is at the risk of the applicant as is the return of any monies. The ACD may scale back applications by investors to purchase Shares on the relevant Dealing Day on such basis as it may deem appropriate and may reject any application for Shares in whole or in part to give effect to such a scale back. In such event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant and without interest.

The ACD, at its discretion, also has the right to cancel a purchase deal if settlement is overdue. Any loss arising on such cancellation shall be the liability of the applicant and the ACD reserves the right to pursue the applicant for any shortfall owing to a Fund or the ACD together with interest (equivalent to the ACD's cost of borrowing) thereon. Alternatively, at the ACD's discretion, interest may be charged (at the ACD's cost of borrowing) if settlement is overdue.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant and will instead be used to purchase fractions of whole Shares (known as smaller denomination Shares). A smaller denomination Share is equivalent to one -ten thousandth of a whole Share (or to four decimal places).

### Documents the Applicant will receive

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A confirmation giving details of the price and number of Shares purchased will be issued, normally no later than the end of the Business Day following the Valuation Point for the relevant Fund (making reference to the determination of the price and, where appropriate, a notice of the applicant's right to cancel).

Registration of Shares can only be completed by the Administrator and Registrar upon receipt of any required registration details and receipt of all purchase monies. These details may be supplied separately in writing to the Administrator and Registrar or by returning to the Administrator and Registrar the properly completed application form and copy of the confirmation.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions (or accumulations) of income on Shares will show the number of Shares held by the recipient.

### Minimum subscriptions

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The minimum initial subscription levels for each Class of Shares in a Fund are set out in **Appendix 1**. The ACD may, at its sole discretion, accept subscriptions lower than the minimum amount(s).

### Cancellations

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Applicants who have received advice from their financial advisers may have the right to cancel their application to buy Shares at any time during the 14 calendar days after the date on which they receive a cancellation notice from the Administrator and Registrar. If an applicant decides to cancel the contract and the value of the investment has fallen from the time of the Valuation Point to the time when after the Administrator and Registrar receives the completed cancellation notice, the applicant may not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. No interest will be paid on refunds due to cancellations.

### Issue of Shares in exchange for in specie assets

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The ACD may, at its discretion, arrange for the Company to issue Shares in respect of a Fund in exchange for in specie assets (that is, for securities rather than for cash). Such in specie assets must be in a form in which the relevant Fund may invest in accordance with its particular investment objectives and policies as set out in **Appendix 1**.

No Shares may be issued in exchange for such in specie assets unless the Depositary has taken reasonable care to ensure that the Company's acquiring of the assets concerned would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares. The ACD reserves the right to pass all costs associated with the transfer of such assets directly onto the Shareholder contributing such assets in exchange for Shares.

# Redeeming Shares

## Procedure

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Every Shareholder is entitled on any Dealing Day to redeem its Shares.

Valid instructions to the Administrator and Registrar to redeem Shares in a Fund will be processed at a redemption price calculated with reference to the next Valuation Point for that Fund following receipt of the instruction, except in the case where dealing in a Fund has been suspended as set out under the "Suspension of Dealings" section of this Prospectus. For the avoidance of doubt, all redemption instructions received before a Fund's Cut-Off Time on a Dealing Day will receive that Dealing Day's Valuation Point. All redemption instructions received after a Fund's Cut-Off Time on a Dealing Day will receive the next Dealing Day's Valuation Point. Currently, transfers of title to Shares may not be effected on the authority of an electronic communication.

A redemption instruction to the Administrator and Registrar made in writing or by telephone or any other communication media made available is a legally binding contract and is irrevocable on the part of the redeeming Shareholder, subject to the complete discretion of the ACD to permit an applicant to withdraw or amend any application after it has been submitted but before the Fund's Valuation Point has been reached. However, an instruction to the Administrator and Registrar to redeem Shares, although irrevocable, may not be settled by either the Company or the Administrator and Registrar if the redemption represents Shares where the money due on the earlier purchase of those Shares has not yet been received or if insufficient documentation or anti-money laundering information has been received by the ACD.

The amount to be paid as the proceeds of a redemption of Shares shall not be less than the price of Shares of the relevant Class less any redemption charge permitted.

The ACD reserves the right to make a charge for redemptions and details of any such applicable charge against the relevant Fund and Class are set out in **Appendix 1**. Investors should refer to the "Charges and Expenses" section of this Prospectus for further information on any applicable redemption charge.

## Documents a redeeming Shareholder will receive

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A confirmation giving details of the price and number of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following the later of the request to redeem Shares or the Valuation Point of the relevant Fund by reference to which the price of the redeemed Shares is determined.

## Settlement

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Payment of redemption proceeds will normally be made by telegraphic transfer or BACS transfer in accordance with any instruction received (the ACD may recover any bank charge levied on such transfers), or, at the ACD's discretion, by cheque to the first named Shareholder (at their risk).



Such payment will be made within one Business Days of the later of:

- (a) receipt by the Administrator and Registrar of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, and any required anti-money laundering related documentation; or
- (b) the Valuation Point of the relevant Fund at which the price for the redemption was determined.

### Deferred redemption

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In times of high redemption, to protect the interests of continuing Shareholders, the ACD may defer all redemptions at any Valuation Point to the next Valuation Point where requested redemptions exceed 10% of the Company's value. This will allow the ACD to match the sale of the Scheme Property to the level of redemptions. At the next such Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

### In specie cancellation

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In the event that a Shareholder requests the redemption or cancellation of Shares that the ACD considers substantial in relation to the total size of the Fund concerned, the ACD may, at its discretion, elect to satisfy the redemption request by the transfer of an appropriate amount of the Scheme Property in specie to the Shareholder instead of paying the price of the Shares in cash.

A deal involving Shares representing 3% or more in value of a Fund will normally be considered substantial.

Before the proceeds of cancellation of the Shares become payable, the ACD will give written notice to the Shareholder that the Scheme Property will be transferred to that Shareholder.

The ACD, in consultation with the Depositary, will select the Scheme Property to be transferred. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Shareholder than to continuing Shareholders. Where a redemption request is received that is not substantial in relation to the total size of the Fund concerned, the ACD may, in its discretion after consultation with the Depositary, agree to an in specie cancellation with the relevant Shareholder in accordance with the provisions set out above.

In the event of an in-specie cancellation, the ACD reserves the right to pass all costs associated with the transfer of such assets directly onto the redeeming Shareholder.

## Converting and Switching Shares

Subject to any instructions on eligibility of investors in a particular Share Class, Shareholders are entitled to convert or switch some or all of their Shares of one Class ("Original Shares") for Shares of another Class within the same Fund or for Shares of any Class within a different Fund ("New Shares").

A conversion is an exchange of Shares in one Class for Shares in another Class in the same Fund.

A switch is an exchange of Shares in one Class for Shares in a Class of the same Fund or a different Fund. A switch involves the redemption of the Original Shares and the purchase of the New Shares.

The number of New Shares issued will be determined by reference to the respective purchase prices of New Shares and redemption prices of Original Shares established with reference to the Valuation Point applicable when the Original Shares are redeemed and the New Shares are issued.

Instructions for switching or converting Shares may be given by telephoning the Administrator and Registrar's Dealing Department on telephone number 0800 408 2065 or in writing to the Administrator and Registrar on fax number 0844 620 0002.

If a conversion or switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Fund concerned, the ACD may, if it thinks fit, exchange the whole of the Shareholder's holding of Original Shares to New Shares (and make a charge for this) or refuse to effect any conversion or switch of the Original Shares. No conversion or switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a conversion or switch. Written instructions must be received by the Administrator and Registrar before the Cut-Off Time of the relevant Fund on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point of the relevant Funds on that Dealing Day. Conversion and Switching requests received after a Cut-Off Time will be held over until the next Dealing Day in the relevant Fund or Funds.

The Administrator and Registrar may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

Shareholders subject to U.K. tax should note that a conversion or switch of Shares within the same Fund should generally not be treated as a disposal for the purposes of capital gains taxation. Switches of Shares between different Funds may be treated as a disposal for the purposes of capital gains taxation and so may give rise to a capital gains tax liability.

Cancellation rights will not be given on conversions or switches. Shareholders who convert or switch Shares of one Class for Shares of any other Class in the same Fund, or switch Shares of one Fund for shares of any other Fund, will not be given a right by law to withdraw from or cancel the transaction.

The ACD may also, in its sole discretion, convert some or all of the Shares held by any Shareholder in a Fund from one Class of Shares to another Class of Shares in the same Fund, provided that the terms of the original Shares are substantially similar to the New Shares and, in

any event, the conversion does not materially prejudice any such Shareholder. The ACD will provide the Shareholder with 60 days' prior notice of any such conversion. Please note that, under current tax law, a conversion of Shares between different Share Classes will not be deemed to be a realisation for the purposes of capital gains taxation.

## Suspension of Dealing in Shares

The ACD may, with the prior agreement of the Depositary or must, if the Depositary so requires, at any time temporarily suspend the purchase, cancellation, redemption, conversion and switching of Shares in any or all of the Funds if the ACD or the Depositary, as appropriate, is of the opinion that due to exceptional circumstances there is a good and sufficient reason to do so having regard to the interests of all Shareholders in the Company and/ or the relevant Fund.

If the redemption of Shares is suspended, the obligations contained in Chapter 6 of the COLL Sourcebook relating to the creation, cancellation, issue and redemption of Shares will cease to apply and the obligations relating to the valuation of Shares will be complied with only to the extent practicable in light of the suspension.

Appropriate notification of suspension will be given to Shareholders as soon as practicable after suspension commences. This notification will draw Shareholders' particular attention to the exceptional circumstance which resulted in the suspension and tell them how to obtain further information on the suspension, which will be published on the ACD's website or by other general means and will include sufficient details to keep Shareholders appropriately informed about the suspension including, if known, its likely duration. In accordance with the COLL Sourcebook, the FCA will also be immediately informed of the suspension and the reasons for it.

The ACD and the Depositary will review the suspension at least every 28 days and will inform the FCA of the results. The suspension will continue only for as long as it is justified having regard to the interests of the Shareholders and will cease as soon as practicable after the exceptional circumstances which resulted in the suspension have ceased.

Recalculation of Share prices will commence at the next relevant Valuation Point immediately after the period of suspension ends.

## Governing Law

All deals in Shares are governed by English law.

## Restrictions and Compulsory Transfer and Redemption of Shares

### General

The ACD may from time to time impose such restrictions as it may think necessary to ensure that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or otherwise contrary to any provision of this Prospectus. In connection with this, the ACD may reject in its discretion any application for the purchase, redemption, conversion or switching of Shares.

In particular, the ACD may impose such restrictions in respect of "Non-Qualified Persons", defined as any person to whom a transfer of Shares (legally or beneficially) or by whom a holding or acquisition of Shares (legally or beneficially) would or, in the opinion of the ACD, might:

- (a) be in or constitute a breach of any law (or regulation by a competent authority) of any country or territory, or of any provision of this Prospectus, by virtue of which the person in question is not qualified or permitted to hold such Shares; or
- (b) require the Company to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Company to be required to apply for registration, or comply with any registration requirements in respect of any of its Shares, whether in the U.S. or any other jurisdiction; or
- (c) cause the Company or its Shareholders some legal, regulatory, taxation, pecuniary or material administrative disadvantage or other adverse consequence which the Company or its Shareholders might not otherwise have incurred or suffered, which shall include, without limitation, subjecting the Company to any reporting or withholding obligation or liability under Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"); or
- (d) result in the Company having more than 80 beneficial owners of its Shares (whether directly or by attribution pursuant to Section 3(c)(1)(A) of the U.S. Investment Company Act of 1940) who are U.S. Persons; or
- (e) subject to (a) through (d) above, result in any direct or indirect beneficial interest in any Shares held by any U.S. Taxpayer (as defined below) other than (1) a "specified United States person" (as defined in Section 1473(3) of the Code) and (2) such other persons whose direct or indirect ownership of Shares shall not, as determined by the ACD, subject the Company to any reporting or withholding obligation or liability under Sections 1471-1474 of the Code.

For these purposes, a "U.S. Taxpayer" includes: (i) a U.S. citizen or resident alien of the United States (as defined for U.S. federal income tax purposes); (ii) any entity treated as a partnership or corporation for U.S. federal tax purposes that is created or organized in, or under the laws of, the United States or any state thereof (including the District of Columbia); (iii) any other partnership that is treated as a U.S. Taxpayer under U.S. Treasury Department regulations; (iv) any estate, the income of which is subject to U.S. income taxation regardless of source; and (v) any trust over whose administration a court within the United States has primary supervision and all substantial decisions of which are under the control of one or more U.S. fiduciaries. Persons who have lost their U.S. citizenship and who live outside the United States may nonetheless, in some circumstances, be treated as U.S. Taxpayers.

If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially by a Non-Qualified Person ("affected Shares") the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a Non-Qualified Person or a request in writing for the redemption or cancellation of such Shares in accordance with the COLL Sourcebook. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is not a Non-Qualified Person or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are not Non-Qualified Persons, he shall be deemed upon the expiration of that 30-day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the COLL Sourcebook.

A person who becomes aware that he has acquired or holds affected Shares as described above shall forthwith, unless he has already received a notice from the ACD as above, either transfer the affected Shares to a person qualified to own them or give a request in writing for the redemption or cancellation of such Shares pursuant to the COLL Sourcebook.

The Company may refuse to register a transfer of Shares.

## U.S. persons

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The Shares have not been and will not be registered under the U.S. Securities Act of 1933 as amended ("Securities Act") and, subject to certain exceptions, may not be offered or sold in the U.S. or offered or sold to U.S. Persons. The Company has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended. The ACD has not been and will not be registered under the U.S. Investment Advisers Act of 1940.

# Valuation

## Valuation

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The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates and the basis of calculation of Net Asset Value is summarised in **Appendix 2**.

The ACD will carry out a valuation of each Fund with the frequency and at the Valuation Points detailed in **Appendix 1**.

The ACD reserves the right, subject to prior approval from the Depositary, to:

- i. value the property of all or any of the Funds at an alternative time on any day; and
- ii. suspend valuation of the property of a Fund at any time when the buying, selling, converting and switching of Shares is suspended.

## Fair value pricing policy

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Where the ACD, or its appointed investment adviser, considers that no reliable price exists for a share in a collective investment scheme or for a security or investment at a Valuation Point, the ACD, or its appointed investment adviser, may value an investment at a price that in its opinion reflects a fair and reasonable price for that investment (the fair value price). The circumstances which may prompt the ACD, or its appointed investment adviser, to apply fair value prices may include, but are not limited to, no recent transaction in the relevant security, the occurrence of a market closure or suspension including by way of a national or declared holiday, the suspension of dealings in securities (including in a collective investment scheme) or the occurrence of a significant event since the most recent market closure or the valuation point at which one or more of the underlying funds or investments is valued.

The ACD, or its appointed investment adviser, may adjust values for individual securities, sectors, geographic areas or units in collective investment schemes. Adjustment for sectors, geographic areas or units in collective investment schemes will be based upon the percentage movement in a benchmark index or composite index or part thereof, one or more exchange traded funds or such other publicly available comparator which the ACD, or its appointed investment adviser, believes is correlated to part or the whole of the relevant Fund's value. The ACD, or its appointed investment adviser, will determine the threshold at which any adjustment will be applied.

## Special valuations

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The ACD, or its appointed investment adviser, may carry out an additional valuation of the property of a Fund at any time during a Dealing Day if it considers it desirable to do so and may carry out special valuations in certain circumstances (which the ACD, or its appointed investment adviser, may treat as not creating a Valuation Point for dealing purposes), including, without limitation, the following:

- (a) where necessary for the purposes of effecting a scheme of reconstruction or amalgamation; or
- (b) on the day on which the annual or half-yearly accounting period ends.

## Share Prices

### Pricing basis

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The Company deals on a forward-pricing basis at Share prices which are calculated with reference to the next Valuation Point determined for the Scheme Property after the purchase, redemption, conversion or switch of Shares is agreed.

Shares are priced on a mark-to-market basis in accordance with the MMFR.

The Shares shall be issued or redeemed at a price that is equal to the Net Asset Value of the relevant Fund per Share, notwithstanding permitted fees or charges as set out in “Charges and Expenses” section.

### Calculation of Share prices

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There will only be a single price for any Share as determined from time to time by reference to a particular Valuation Point.

The price of Shares of a relevant Class is calculated by reference to the Net Asset Value of the Fund to which it relates. In addition, for both purchases and redemptions by investors, there may be a dilution adjustment which as is more particularly referred to under the “Dilution Adjustment” provision section of this Prospectus

### Publication of prices

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Details for each individual Fund are set out in **Appendix 1**.

Daily prices for each Fund of the Company will be published on <https://global.vanguard.com/portal/site/home> and may be published on [www.ft.com](http://www.ft.com), and/or on such other websites and publications as may be determined by the ACD from time to time.

Shareholders can obtain up-to-date Fund prices free of charge by telephoning the Administrator and Registrar at 0800 408 2065 or by fax on 0844 620 0002.

As the ACD deals on a forward-pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices on other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.



## Dilution Adjustment

The actual cost of purchasing Shares in a Fund may be higher or lower than the mid-market value used in calculating the Share price. These costs may include dealing costs such as brokerage charges, commissions and transfer taxes, and the effects of dealing at prices other than the mid-market price. When investors purchase and redeem Shares, such charges and the dealing spread can have a materially disadvantageous effect on a Shareholder's interest in a Fund, known as "dilution". In order to mitigate the effect of dilution, the ACD may determine, at its discretion, to make a dilution adjustment in calculating the dealing price of Shares of a Fund (a policy called "swing pricing").

When applying a dilution adjustment, the ACD will calculate the Net Asset Value for the relevant Fund, and then adjust or "swing" the Net Asset Value with reference to the rate of the applicable dilution adjustment. These swings are intended to protect non-dealing Shareholders in the Funds from the impact of transaction charges and dealing spreads (as described above) triggered by dealing investors. The ACD will not benefit from the operation of its swing pricing policy, and a dilution adjustment will only be applied for the purpose of reducing dilution in the interests of all Shareholders and potential Shareholders in the Fund.

As dilution is directly related to the inflows and outflows of monies in a Fund, it is not possible to predict accurately whether dilution will occur at any point in time, or to predict accurately how frequently the ACD will make a dilution adjustment to the dealing price of Shares. However, the ACD's current policy is that it will normally make a dilution adjustment when there are net purchases or net redemptions of Shares on a Dealing Day that exceed a pre-determined level (the "Swing Threshold") and if, in its opinion, Shareholders may otherwise be materially adversely affected. The ACD currently anticipates that a dilution adjustment will only be applied when a Fund experiences very large cash flows or in the event of exceptional market activity.

The direction in which the Net Asset Value is swung will depend on whether there are net purchases or net redemptions in the Fund on the relevant Dealing Day. For example, if the relevant Fund is experiencing net inflows (ie the aggregate number of Shares purchased exceeds the number of Shares redeemed), and the Swing Threshold has been reached, its Net Asset Value may be swung upwards as the dilution adjustment would increase the price of Shares above their Net Asset Value per Share. Conversely, where the aggregate number of Shares redeemed in the Fund exceeds the number of Shares purchased (net redemptions), and the Swing Threshold has been reached, the Net Asset Value may be swung downwards as the dilution adjustment would reduce the price of Shares to below their Net Asset Value per Share. Where the Swing Threshold has been reached on a Dealing Day, the adjusted dealing price of Shares of the Fund will be applicable to all transactions on that Dealing Day. In specie transfers will not be taken into account when determining any dilution adjustment, and any incoming portfolio will be valued on the same basis as the relevant Fund is priced.

As the estimated costs of buying and selling the underlying investments of a Fund can vary with market conditions, the amount of the dilution adjustment can vary over time and may vary from Fund to Fund. Based on historical data, the ACD does not anticipate that the dilution adjustment will exceed 2% of the Net Asset Value of any Fund; however, the ACD reserves the right to adjust this figure at any time in the event of exceptional market conditions or in any case where it is of the opinion that the interests of Shareholders require the imposition of a higher level of adjustment.

Even where the Swing Threshold has been met, the ACD may in its discretion decide not to make a dilution adjustment if it considers that the benefits to Shareholders of not making one outweigh the detriments. Where a Fund is experiencing net purchases or net redemptions of Shares and a

dilution adjustment is not applied, there may be an adverse impact on the Shareholders of the Fund.

The Swing Threshold and the ACD's policy to swing the dealing price will be reviewed regularly and may change. The ACD's decision as to whether or not to make a dilution adjustment at any time, and as to the level of adjustment made either in particular circumstances or generally, will not prevent it from making a different decision in similar circumstances at a later time.

In the event that a dilution adjustment is applied to the Net Asset Value on any particular Dealing Day in accordance with the criteria outlined above, the Net Asset Value per Share of each class of Shares, prior to the application of the dilution adjustment, will be available to Shareholders on request.

## Risk Factors

Investment in any Fund involves a degree of risk. While there are some risks that may be common to a number or all of the Funds, there may also be specific risk considerations that apply to particular Funds. Investors should consider the following risk factors before investing in any Fund. Risk factors apply directly to each Fund in connection with investments it holds or strategies it undertakes and, indirectly, through any collective investment schemes in which each Fund may invest. The value of Shares may go down as well as up, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Fund will achieve its investment objective. Upon request by any Shareholder, information relating to risk management methods employed for any Fund, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments, may be provided to such Shareholder.

### Past performance

Past performance does not necessarily indicate future performance. It can in no way provide a guarantee of future returns.

<b>Fund and Class</b>	<b>2020</b>
Vanguard Sterling Short-Term Money Market Fund – A GBP	0.56%
Vanguard Sterling Short-Term Money Market Fund – Institutional Plus GBP	0.51%

Source: The Vanguard Group Inc.. Past performance is shown for complete 12-month periods only (1 August 2019 – 31 July 2020).

### Sustainability Risks

Sustainability risks are ESG events or conditions that could cause material negative impacts on the value of a Fund's assets. Sustainability risks can be risks in their own right or may combine with, exacerbate or contribute to other risks such as market risks, liquidity risks or counterparty risks.

Sustainability risks are frequently split between ESG headings. Common examples of each of these risks may include, but are not limited to, climate change (environmental), human rights (social) and management remuneration overly focused on short term goals (governance).

### *Assessment and Mitigation of Sustainability Risks*

As outlined in the Sustainable Finance section above, in certain cases the Investment Adviser, or its delegate, may not be able to take material sustainability risks (i.e. those that might have an impact on the financial outcomes or returns of a business) into account when assessing whether a Fund should be invested in a particular security and the Funds' investments may therefore be exposed to material sustainability risks. However, Vanguard's Investment Stewardship activities – through proxy voting and direct meetings (engagement) with portfolio companies and their board – are used to effectively apply ESG oversight to all portfolio companies of equity funds managed by Vanguard, to protect clients' investments, and to help build long-term value. For more information, see the Sustainable Finance section above.

A Fund may track an ESG index which screens out possible investments if they do not meet certain ESG criteria. This may affect the Fund's exposure to certain issuers and cause the Fund to forego certain investment opportunities relative to indices which cover the same broad universes but which do not apply such screens. Therefore, the relevant Fund may perform differently to other funds, including underperforming funds that track indices which do not seek to screen investments in this way.

Investors should also note that where a Fund uses FDI, such FDI on an index (e.g. swaps, futures) may provide indirect exposure to some underlying constituents which may not meet the relevant ESG criteria applied by the relevant index tracked by the Fund. Similarly, where a Fund engages in securities lending transactions for efficient portfolio management purposes, the Fund may receive collateral which may not meet the relevant ESG criteria applied by the relevant index tracked by the Fund.

### **Investment adviser risk**

Each Fund is subject to the risk that the Investment Adviser (or a sub-investment adviser) may do a poor job of selecting investments.

### **Active management risk**

Where indicated in **Appendix 1**, a Fund's assets will be actively-managed by the Investment Adviser and / or sub-investment adviser(s), based on the expertise of individual fund managers, who will have discretion (subject to the Fund's investment restrictions) to select investments which it considers will enable the Fund to achieve its objective. There is no guarantee that the Fund's investment objective will be achieved based on the investments chosen.

### **Money-Market Instruments risk**

Each Fund will invest a significant amount of its NAV in approved money-market instruments and in this regard investors might compare the Funds to regular deposit accounts. Investors should however note that a holding in a Fund is subject to the risks associated with investing in a collective investment scheme, in particular the fact that the principal sum invested is capable of fluctuation as the NAV of the relevant Fund fluctuates.

Money-market instruments are subject to both actual and perceived measures of creditworthiness. The "downgrading" of a rated money-market instrument or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity

### **Country risk**

Country risk is the chance that domestic events – such as political upheaval, financial troubles, or

natural disasters – will weaken a country’s securities markets. The value of the assets of a Fund may be affected by uncertainties such as political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

## Currency risk

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Currency risk is the chance that changes in currency exchange rates will unfavourably affect the value of the investments held by a Fund relative to investors’ home currencies.

The Net Asset Value per Share will be computed in the base currency of the relevant Fund or Class, whereas the investments held for the account of that Fund may be acquired in other currencies. The base currency value of the investments of a Fund designated in another currency may rise and fall due to exchange-rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Fund may be fully hedged to its base currency. Currency hedging transactions, although potentially reducing the currency risks to which a Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund enters into “cross hedging” transactions (for example, utilising a currency different from the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the securities are denominated, which could result in losses for both the hedging transaction and the Fund securities.

## Liquidity risk

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The ACD will always seek to manage the securities held in a Fund with the aim of ensuring that it is able to meet any requests for the redemption of Shares in the relevant Fund in a timely manner. During periods of market stress the ability to sell securities at an acceptable price to meet the redemption of Shares may be reduced. This is referred to as liquidity risk. A large redemption of Shares may force the relevant Fund to sell securities at a depressed price or in an extreme circumstance to suspend the redemption of Shares.

## Fixed interest securities risk

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Funds that invest in fixed interest securities are subject to the following risks:

- **Interest rate risk** – which is the chance that fixed interest security prices overall will decline because of rising interest rates.
- **Income risk** – which is the chance that a Fund’s income will decline because of falling interest rates.
- **Credit risk** – which is the chance that a fixed interest securities issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that fixed income security to decline.

In addition, investments in fixed interest securities which are below investment grade may result in a Fund, or a collective investment scheme in which a Fund invests, having a greater risk of loss of principal and/or interest than an investment in debt securities which are deemed to be investment grade or higher.

## Financial Derivative Instruments (“FDI”) risk

The Funds may employ certain FDI for the purposes of efficient portfolio management (including hedging) as described under “**Portfolio Investment Techniques**” in **Appendix 4**. **The use of derivative and forward transactions for this purpose is not likely to affect the volatility or risk profile of the Funds.**

The risks associated with the use of FDI are different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and which may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. There is no assurance that any derivative strategy used by a Fund will succeed.

The following risks are particularly relevant in terms of the use of FDI:

**Correlation risk** Although the ACD believes that taking exposure to underlying assets through the use of FDI will benefit Shareholders in certain circumstances, by reducing operational costs and creating other efficiencies, there is a risk that the performance of a Fund will be imperfectly correlated with the performance that would be generated by investing directly in the underlying assets.

**Interest rate risk** These are risks primarily associated with the chance that the market value of FDI held by a Fund will decline because of rising interest rates. Interest rate risk will be high for a Fund which invests mainly in long-term zero coupon swaps, whose prices are more sensitive to interest rate changes than are the prices of intermediate bonds.

**Credit risk** The use of FDI involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as the “counterparty”) to make required payments or otherwise comply with the contract’s terms. Counterparties to these transactions are therefore required to provide collateral, in the form of cash or securities, to protect the Company and the relevant Fund against the risk of the counterparty’s default.

There is also the risk that, due to a significant change in the value of the FDI because of market conditions, the collateral posted by the counterparty would not be sufficient to cover the counterparty’s obligations under the FDI, should the counterparty become insolvent, bankrupt or default prior to the receipt of additional collateral. This may result in substantial losses to the Company and the relevant Fund. The Company maintains collateralisation policies to mitigate counterparty risk, including as follows:

- cash or securities held by the relevant Fund or by the counterparty, as applicable, are posted as collateral to cover daily mark-to-market changes to the value of the FDI, and specific haircut policies will apply depending on collateral type and risk associated with the underlying security;
- based on changes in the market value of each FDI transaction, collateral is posted, or received, daily on a net basis, to ensure that the value of the collateral covers the relevant Fund’s mark-to-market exposure to the counterparty; and
- in the event of a counterparty default, collateral held is immediately available (without recourse) to cover the relevant Fund’s current mark-to-market exposure to a counterparty.

Additionally, credit default swaps could result in losses if the Investment Adviser does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.

**Collateral reinvestment risk** There is a risk that cash collateral reinvestment could result in a reduction of the value of the collateral capital (because the investment declines in value). This, in

turn, may cause losses to the Company and the relevant Fund because they are obliged to return collateral to the counterparty. In order to manage this risk, the Company reinvests cash collateral in accordance with the guidelines set out in **Appendix 4**.

**Liquidity risk** This risk exists when a particular FDI is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as in the case with many OTC derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

**Market risk** Like most other investments, FDI are subject to the risk that the market value of the instrument will change in a way detrimental to the Fund's interests. While hedging strategies involving FDI can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in other portfolio investments. A Fund may also have to buy or sell a security at a disadvantageous time or price because it is legally required to maintain offsetting positions or asset coverage in connection with certain FDI transactions.

**Settlement risk** Derivative markets will have different clearance and settlement procedures and in certain markets there have been times when settlements have been unable to keep pace with the volume of transactions, thereby making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The Fund's inability to make intended purchases due to settlement problems could cause it to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Fund due to subsequent declines in the value of the security or, if the Fund has entered into a contract to sell the security, it could result in a possible liability of it to the purchaser.

**Legal risk** The terms of OTC FDI are generally established through negotiation between the parties thereto. While therefore more flexible, OTC FDI may involve greater legal risk than exchange-traded instruments, which are standardised as to the underlying instrument, expiration date, contract size and strike price, as there may be a risk of loss if the OTC FDI are deemed not to be legally enforceable or are not documented correctly. There may also be a legal or documentation risk that the parties to the OTC FDI may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims under the OTC FDI. A Fund thus assumes the risk that it may be unable to obtain payments owed to it under OTC arrangements, and that those payments may be delayed or made only after the Fund has incurred the costs of litigation. Further, legal, tax and regulatory changes could occur which may adversely affect a Fund. The regulatory and tax environment for FDI is evolving, and changes in the regulation or taxation of FDI may adversely affect the value of such instruments held by the Fund and the Fund's ability to pursue its trading strategies.

The Company employs a risk management process which enables it to accurately identify, measure, monitor and manage the various risks associated with its own use of FDI. For further information, see "Risk Management" in **Appendix 3**.

Derivatives held in Funds will be accounted for and taxed in accordance with the Statement of Recommended Practice for Open-Ended Investment Companies. The way in which HMRC taxes derivatives held in collective investment schemes may change, which could adversely affect the tax paid by these Funds.

Derivatives can take many forms. Some forms of derivatives, such as exchange-traded futures and options on securities or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardised contracts that can easily be bought and sold, and whose market values are determined and published daily. Non-standardised derivatives (such as swap agreements), on the other hand, tend to be more specialised or complex, and may be harder to value, and the impact to a Fund may be greater where complex derivatives are used.

## Repurchase and reverse repurchase agreement risk

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Repurchase agreements involve the risk that the market value of the securities sold by the Fund may decline below the prices at which the Fund is obliged to repurchase such securities under the agreement. In the event that the buyer of securities under a repurchase agreement files for bankruptcy or proves insolvent, the Fund's use of proceeds from the agreement may be restricted pending the determination by the other party or its trustee or receiver whether to enforce the obligation to repurchase the securities.

If the seller of securities under a reverse repurchase agreement fails to fulfil its commitment to repurchase securities in accordance with the terms of the agreement, the Fund, may incur a loss to the extent that the proceeds realised on the sale of the securities are less than the repurchase price. If the seller becomes insolvent, the transaction may be subject to regulatory stays and moratoriums, which may result in a delay in the Fund's ability to liquidate the collateral notwithstanding the title transfer provided under the terms of the agreement. Further, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be sold to pay off the seller's debts, this is because in a reverse repurchase agreement the Fund purchases securities from a counterparty which undertakes to repurchase the security at an agreed resale price on an agreed future date. The Fund may experience both delays in liquidating the underlying securities and losses during the period while it seeks to enforce its rights thereto, including possible sub-normal levels of income and lack of access to income during the period and expenses in enforcing its rights.

## Charges to capital

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Where this Prospectus states that all or part of the ACD's fee and/or other charges in respect of a Fund and/or Class may be charged against capital rather than income, this will enhance income returns but may constrain future capital growth and/or result in an erosion of capital. Details of whether charges are made to capital or income for each Fund are set out in **Appendix 1** of this Prospectus.

## Suspension of dealings in Shares

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Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended.

## Dilution adjustment risk

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As described in the section "Dilution Adjustment", the ACD may, where it so determines, "swing" the NAV of a Fund to attempt to mitigate the potentially dilutive effects of dealing on the NAV on any Dealing Day on which there are net subscriptions or redemptions in the relevant Fund that exceed a pre-determined level. In such cases, investors should be aware that the application of a dilution adjustment may not always prevent the dilution of the NAV through transaction and other dealing costs and the adjustments made to the NAV may also benefit certain investors relative to the Shareholders in the Fund as a whole. In the event that the ACD determines not to make a dilution adjustment, this may have the effect of constraining capital growth.

## Liabilities of the Company

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Each Fund is treated as a separate entity, with its own segregated portfolio of assets and liabilities. Accordingly, the assets of a Fund belong exclusively to that Fund and shall not be made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company or any other Fund, and shall not be available for any such purpose.

While the OEIC Regulations and the Instrument of Incorporation provide for segregated liability between the Funds, the concept of segregated liability is relatively new and may not be recognised and upheld by a court in certain contexts. Where claims are brought by local creditors in foreign courts or under foreign law contracts, and the liability relates to one Fund which is unable to discharge its liability, it is not clear whether a foreign court would give effect to the segregation of liability contained in the Instrument of Incorporation. Accordingly, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund in every circumstance.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the purchase price of the Shares.

## European Economic Risks

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Member States and European businesses and financial institutions and counterparties are currently being affected, some adversely, by severe political and economic difficulties and concerns, including in relation to sovereign and non-sovereign funding and debt. European, IMF and bilateral emergency funding arrangements have already been extended and/or are contemplated in respect of Member States and European based financial institutions.

These developments have had a negative effect in political terms and also in economic terms. Financial markets, investor sentiment and credit ratings of institutions and Member States have already been adversely affected and may continue to do so. In addition, investment activity has been affected, as has the willingness of financial institutions to extend credit and to obtain funding.

Member States within the Eurozone, and certain other Member States, are in ongoing discussions with a view to agreeing stricter financial disciplines. However, it remains unclear whether agreement on these matters will be reached, and even if reached, whether adequate measures will be adopted in the short to medium term.

There are increasing concerns that one or more Member States within the Eurozone may not be able to meet their debt obligations or funding requirements. The depressed economic environment and cost of funding may cause short and medium term budget deficits to expand in these economies, further increasing the risk of default. A sovereign default is likely to have adverse consequences for the economy of the Member State and that of Europe and the wider world economy. The effect on creditors of a sovereign default is likely to be adverse.

The possibility of Member States that have adopted the Euro abandoning or being forced to withdraw from the Euro remains. It is difficult to predict the precise nature of the consequences of a Member State leaving the Euro as there has been no well-defined legal framework put in place in preparation for such an event. However, it is likely that any Euro-denominated assets or obligations that any Fund acquired that are converted into a new national currency would suffer a significant reduction in value if the new national currency falls in value against the Euro or other currencies.

These economic developments and their consequences both in Europe and the wider world



economy, have significantly increased the risk of market disruption and governmental intervention in markets. Such disruption and intervention may result in unfavourable currency exchange rate fluctuations, restrictions on foreign investment, imposition of exchange control regulation by governments, trade balances and imbalances and social, economic or political instability.

Predicting the consequences of developments of this kind is difficult. Events affecting the Euro could result in either separate new national currencies, or a new single European currency, and consequently the redenomination of assets and liabilities currently denominated in Euro. In such circumstances, there would be a definite risk of a Fund's Euro-denominated investments becoming difficult to value, which could potentially result in negative consequences for the Fund including suspension of NAV valuations and consequently of redemptions. If the redenomination of accounts, contracts and obligations becomes litigious, difficult conflict of laws questions are likely to arise.

Adverse developments of this nature may significantly affect the value of a Fund's investments. They may also affect the ability of a Fund to transact business including with financial counterparties, to manage investment risk and to hedge currency and other risks affecting a Fund's portfolio. Fluctuations in the exchange rate between Sterling and the Euro or other European currencies could have a negative effect upon the performance of investments.

### Money Market Funds

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An investment in a money market fund is not a guaranteed investment. An investment in a money market fund is different from an investment in deposits, as the amount invested in a money market fund is capable of fluctuation. Money market funds do not rely on external support for guaranteeing the liquidity of the money market fund or stabilising the Net Asset Value per Share. The risk of loss of the amount invested shall be borne by the investor.

# Charges and Expenses

## ACD's charges and expenses

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### **Preliminary Charge**

The ACD currently makes no preliminary charge on a Shareholder's purchase of Shares.

The ACD reserves the right to make a preliminary charge, which would be added to the purchase price of the Shares. Before making any such charge the ACD will provide prior notice to Shareholders in accordance with the COLL Sourcebook (currently 60 days).

### **Redemption Charge**

The ACD reserves the right to introduce, increase or decrease the redemption charge(s) set out in Appendix 1. Before introducing or making any increase to such charge the ACD will provide prior notice to Shareholders in accordance with the COLL Sourcebook (currently 60 days).

In respect of the Vanguard Sterling Short-Term Money Market Fund, whilst redemption charges are not usually applied, in times of exceptional market conditions, as determined by the ACD, in order to protect the interests of continuing Shareholders, the ACD may apply a redemption charge up to the amount specified in Appendix 1. The ACD may, at its discretion, waive or reduce the redemption fee chargeable to certain Shareholders.

Where a redemption charge is applied this will be deducted from the redemption price of the Shares.

### **Conversion and Switching Charges**

The ACD does not currently charge Shareholders for the switch or conversion of Shares.

The ACD reserves the right to make a conversion or switching charge. Before making any such charge the ACD will provide prior notice to Shareholders in accordance with the COLL Sourcebook (currently 60 days) which includes details of how the charge will apply to the conversion or purchase and redemption sides of the switch transaction.

### **Management Charge**

The ACD is entitled to make a periodic management charge (plus value added tax, if any) calculated at an annual percentage rate based upon the value of the property of each Fund. The actual amount applicable to each Class is set out in **Appendix 1**.

The ACD reserves the right to increase or decrease the management charge. Before making any increase in such charge the ACD will provide prior notice to Shareholders in accordance with the COLL Sourcebook (currently 60 days).

The periodic management charge shall accrue daily and will be determined by reference to the value of each Fund on each Dealing Day and shall be deducted and paid at the end of each month.

As mentioned below, the ACD pays the fees of the Investment Adviser from its management charge. Out of such fees the Investment Adviser pays the fees of any sub-investment advisers appointed by it and any costs associated with the provision of Research.

### **Ongoing Charges Figure**

The Ongoing Charges Figure ("OCF") for each Class of a Fund is based on actual expenses for a given period. It covers all aspects of operating the Class during the period, including fees paid

for investment management, administration, audit, depositary, legal, registration and regulatory fees. The ACD will usually pay those fees out of its periodic management charge, which means that the OCF will normally equal the rate of management charge. There may, however, be certain unusual or extraordinary expenses which cause the OCF to exceed the annual rate of the management charge.

The OCF does not include portfolio transaction costs or the fees of investors' financial advisers.

## Other expenses

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In addition to the ACD's management charge and any applicable value added tax thereon, the Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- (a) costs incurred by a Fund in connection with transactions on its portfolio, including brokerage fees (excluding costs for research), taxes and linked charges and the market impact of the transaction taking into account the remuneration of the broker and the liquidity of the concerned assets;
- (b) interest on borrowing; and
- (c) payments incurred because of financial instruments.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described above.

## Rebates

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The ACD may rebate all or part of its remuneration to any party that invests in or provides services to the Company or in respect of any Fund.

## Initial expenses and promotion costs

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The costs and expenses relating to the authorisation of the Company, the offer of Shares, the preparation, production and printing of the Instrument of Incorporation, this Prospectus and the Key Investor Information Documents, and the fees of the professional advisers to the Company in connection with the offer will be borne by the ACD.

## Allocation of charges and expenses between funds

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All charges and expenses payable by the Company will be charged to the Fund in respect of which they were incurred (and, within the Funds, charges and expenses will be allocated between Classes in accordance with the terms of issue of Shares of those Classes). Any charges and expenses not attributable to any one Fund will normally be allocated by the ACD to all Funds pro rata to the values of the Funds, although the ACD has discretion to allocate such charges and expenses in a different manner which it considers fair to Shareholders generally.

## Allocation of expenses between capital and income

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All charges and expenses payable by the Company are allocated between capital and income in accordance with the Regulations. The approach for a given Fund is set out in **Appendix 1**. If deductions are made from capital, this will result in capital erosion and will constrain growth.

### **Plain Talk About Costs of Investing**

Costs are an important consideration in choosing a fund. That's because you, as a Shareholder, pay the costs of operating a fund, plus any transaction costs incurred when the Company buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation the Fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on the Company's performance.

# Income

## Accounting periods

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The annual accounting period of the Company ends each year on 31 July (the accounting reference date). The half-yearly (interim) accounting period ends each year on 31 January. Certain Funds may have additional interim accounting periods within each annual accounting period (see **Appendix 1**).

## Income allocations

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Allocations of income are made in respect of the income available for allocation in each accounting period in accordance with **Appendix 1**.

For all Income Shares, distributions of income for each Fund are paid on or before the annual income allocation date of 31 August. In addition, interim distributions will be paid on or before the interim income allocation dates set out in **Appendix 1**. The amount available for allocation in an accounting period is calculated by:

- (a) taking the aggregate of the income received or receivable for the account of the relevant Fund for the accounting period;
- (b) deducting the charges and expenses of the Fund paid or payable out of income where appropriate for that accounting period and
- (c) making such adjustments as the ACD considers appropriate (and after consulting the auditors as appropriate) in relation to tax and certain other issues.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and become part of the capital property of the Company.

The ACD and the Depositary may agree a de minimis amount in respect of which a distribution of income is not required, and how any such amounts are to be treated. Notice of such a decision will be dealt with in accordance with the COLL Sourcebook.

Distributable income payable on Income Shares may be paid by cheque, at the Shareholder's risk, or by electronic bank transfer (including BACS) if the Shareholder has supplied to the ACD appropriate bank details.

In order to conduct a controlled dividend flow to Shareholders interim distributions may be made at the ACD's discretion, up to the maximum of the distributable income available for the period. All remaining income is distributed in accordance with the COLL Sourcebook.

For all Accumulation Shares, no distributions will be paid to the Shareholder and instead income allocations are reflected in the value of the Scheme Property.

## Income equalisation

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The Company intends to operate income equalisation arrangements in respect of the pro rata entitlement to share in any accrued income of a Fund existing at the time a Share is purchased by a Shareholder and which is therefore reflected in the purchase price of the Share. If a Shareholder acquires Shares at a date when the Fund has accrued income which has not yet been allocated, the ACD may credit to the Shareholder's equalisation account part of the subscription price representing the accrued income which would be attributable to those Shares on the date of purchase. When income is next allocated, a holder of Income Shares to which income equalisation applies will receive the same amount of cash as the existing Shareholders, but the amount in respect of income accrued before he acquired his Shares will be paid not as income but out of the equalisation account, as capital, comprising the repayment of part of the subscription price. For a holder of Accumulation Shares to which income equalisation applies, no cash payment will be made to that Shareholder from his equalisation account, but an amount equal to that Shareholder's equalisation account may be added to his acquisition cost when calculating the capital gain realised on a disposal of those Shares.

# U.K. Taxation

## General

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The taxation of income and capital gains of both the Funds and Shareholders is subject to the fiscal law and practice of the U.K. and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The information below is a general guide based on current U.K. law and HMRC practice, all of which are subject to change. It summarises the tax position of the Company and of investors who are U.K. residents and hold Shares as investments.

Prospective investors should consult their own professional advisers on the tax implications of making an investment in, holding or disposing of Shares and the receipt of distributions and deemed distributions with respect to such Shares under the laws of the countries in which they may be liable to taxation.

This summary is based on the taxation law and practice in force at the date of this document, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation might change. The following tax summary is not a guarantee to any investor of the tax results of investing in the Funds.

## The Company

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Each Fund will be treated as a separate entity for U.K. tax purposes.

The Funds are generally exempt from U.K. tax on capital gains realised on the disposal of investments (including interest-paying securities and derivatives) held within them.

Provided it falls within certain wide ranging exemptions or is the franked portion of dividend distributions from UK authorised unit trusts and UK open-ended investment companies, dividend income received by a Fund from U.K. or non-U.K. companies is exempt from corporation tax. The Funds may each be subject to corporation tax at 20% on some other types of income but after deducting allowable management expenses and (where relevant) the gross amount of any interest distributions. In addition, where a Fund suffers foreign tax on income received, this may normally be deducted from the U.K. tax due on that income.

A Fund will make dividend distributions except where over 60% of its property has been invested throughout the distribution period in, broadly, interest-paying investments, in which case it will usually make interest distributions.

Part 2B of the Authorised Investment Funds (Tax) Regulations 2006 provides certainty that specified transactions carried out by an authorised fund, such as the Company, will not be treated as trading transactions for funds that meet a genuine diversity of ownership condition. For these purposes, the ACD confirms that all Classes of the Company are primarily intended for and marketed to the category of retail and institutional investors. The ACD undertakes that Shares in the Company will be widely available and will be marketed and made available sufficiently widely to reach the intended categories of investors and in a manner appropriate to attract those kinds of investors.

## Shareholders

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### Income

Where a Fund makes dividend distributions (which will be automatically retained in the Fund in the case of Accumulation Shares), U.K. individual taxpayers should be eligible for a tax-free allowance on dividends totalling up to £2,000.

Where a Fund makes interest distributions, these will be made on a gross basis, without any deduction for income tax. Shareholders will be obliged to include the full amount of the distribution on their tax returns and pay tax accordingly. UK individual tax payers may be eligible for a tax free allowance of £1,000 (basic rate tax payers) or £500 (higher rate tax payers). Additional rate tax payers will not be entitled to any tax free allowance on interest income.

HMRC has powers to gather specific information from third parties about a group of taxpayers. HMRC may issue a written notice requiring a data-holder to provide relevant data. The Company is a relevant data-holder and may be required to provide information and documents relating to accounts or sums on which interest paid or credited on money received or retained in the UK is payable.

### Income Equalisation

The first income allocation received by an investor after buying Shares may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes. Equalisation will be applied to all of the Funds.

### Gains

Shareholders may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on gains arising from the redemption, transfer, switches, or other disposal of Shares (but in general not on conversions or switches between Classes within a Fund). A corporate investor that is, at any time in an accounting period, a Shareholder in a Fund which is, at any time during that period, over 60% invested in, broadly, interest-paying investments must treat the Shares as a creditor relationship of the investor for U.K. corporation tax purposes and all returns on the Shares will be taxed or relieved as an income receipt or expense on a "fair value" basis. Accordingly, a corporate investor in such a Fund may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (or, likewise, obtain relief against corporation tax on an unrealised reduction in the value of its holding of Shares).

Part of any increase in value of Accumulation Shares represents the accumulation of income (including income equalisation but excluding tax credit). These amounts may be added to the acquisition cost when calculating the capital gain realised on their disposal.

### Foreign Account Tax Compliance Act

The U.S. Foreign Account Tax Compliance Act ("FATCA"), effective 1 July 2014, requires reporting of U.S. Persons' direct and indirect ownership of non-U.S. accounts and non-U.S. entities to the U.S. Internal Revenue Service ("IRS"). FATCA refers to sections 1471 to 1474 of the U.S. Internal Revenue Code and the regulations and other guidance thereunder, each as amended from time to time, or any other agreement entered into with or between authorities for the implementation of FATCA. As an alternative to FATCA, pursuant to an inter-governmental agreement between the U.S. and U.K. signed on 12 September 2012 ("IGA"), a Fund may be deemed compliant if it identifies and reports U.S. investors to the U.K. government.



The Company is FATCA-compliant. The Company or its authorised agents or distributors reserve the right to request such information or documents as is necessary to verify the identity and FATCA status of an applicant for Shares. This can include, but is not limited to, date of birth, countries of citizenship, countries of tax residency and associated taxpayer identification numbers. Failure to provide information as required may result in the rejection of the relevant application. The Company shall have the right to require all investors to be compliant with FATCA. Investors that are non-participating foreign financial institutions (“FFIs”) or recalcitrant account holders (as defined by FATCA) may be reported to the local tax authority and redeemed at the sole discretion of the ACD.

The ACD does not support U.S. tax evasion or any request to help investors avoid detection under FATCA. The ACD is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors’ business activities. The ACD strongly encourages investors to seek the advice of an experienced tax advisor to determine what actions investors may need to take.

### **OECD Common Reporting Standard**

In addition to the IGA signed with the U.S. relating to FATCA, the U.K. has signed the Multilateral Competent Authority Agreement to implement the Common Reporting Standard (“CRS”) regime. This follows the carrying into law of a 2014 EU Directive extending international cooperation in the field of taxation.

The CRS regime, which was proposed by the Organisation for Economic Cooperation and Development (OECD), generalises the automatic exchange of information within the EU from 1 January 2016. Under the adopted provisions, the ACD may be required to report certain information relating to Shareholders (including identity and tax residency), and details of income and redemption proceeds received by Shareholders in respect of their Shares. This information may be shared with tax authorities in other EU member states and jurisdictions which implement the OECD’s CRS.

Investors should consult their own tax advisers regarding any potential obligations that the CRS may impose on them.

## Appendix 1: The Funds

### Vanguard Sterling Short-Term Money Market Fund

#### Investment objective and policy

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The Vanguard Sterling Short-Term Money Market Fund (the “**Fund**”) seeks to provide stability in the value of investments, liquidity and exposure to a variety of investments that typically perform differently from one another while maximising income earned from distributions such as interest (as opposed to that derived from an increase in the value of investments).

The Fund seeks to achieve this objective by investing in short-term money market instruments including but not limited to bank certificates of deposits, commercial papers, corporate and sovereign variable and fixed rate bonds, UK Government bills, short term agreements to purchase / sell securities with an obligation to sell / repurchase the securities back at a later date (referred to as ‘repurchase and reverse repurchase agreements’) and cash deposits. Money market instruments are investments usually issued by banks or governments that are a short term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period. A deposit is a fixed term investment that gathers interest over the period of its term. These types of investments may be issued by both UK and non-UK issuers. Non-sterling investments will be limited to 10% of the Fund’s portfolio and, as a way to reduce risk, currency derivative contracts will be used to convert these instruments back to sterling at the point of purchase.

The Fund is an active fund.

The Fund is not recommended for investors seeking an increase in the value of investments over the long-term (more than 5 years).

The Fund may also use derivatives for efficient portfolio management purposes in order to reduce risk or cost and/or generate extra income or growth (often referred to as ‘efficient portfolio management’) for efficient portfolio management purposes. Generally speaking, 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. The Fund will not use derivatives for speculative purposes, and only a limited percentage of its assets is committed to them. The Fund may also use certain techniques and instruments in accordance with the limits and conditions specified under “Portfolio Investment Techniques” in **Appendix 4**.

The Fund may invest up to 100% of its investments in money market instruments issued or guaranteed as to principal and interest by the UK government, its agencies or instrumentalities.

The Fund is a short term money market fund (as defined for the purposes of the COLL Sourcebook) and its investment objective and policy meets the conditions specified in the definition of qualifying money market fund. The Fund has been established as a short-term VNAV money market fund in accordance with the MMFR.

Further details on the investment powers and restrictions for the Fund are set out in **Appendix 3** headed “Investment Powers and Restrictions”.

#### Temporary Investment Measures

The Fund may temporarily depart from this investment policy in response to the Investment Adviser's perception of extraordinary market, political or similar conditions.

## Performance

The performance of the Fund may be compared against the benchmark SONIA Compounded Index<sup>1</sup>. The ACD considers that this benchmark best reflects the investment strategy of the Fund as a means to assess the performance of the Fund.

## Fund Details

Dealing Day	Each Business Day will be a Dealing Day. The Dealing Days for each Fund are available on <a href="https://global.vanguard.com/portal/site/loadPDF?country=global&amp;docId=11627">https://global.vanguard.com/portal/site/loadPDF?country=global&amp;docId=11627</a>	
<b>Initial Offer Price</b>	£1	
<b>Valuation point</b>	12.00 noon (London time)	
<b>Cut-off time</b>	10.00 a.m. (London time)	
<b>Classes of Shares</b>	<b>A GBP</b>	<b>Institutional Plus GBP</b>
Income or Accumulation	Income	Accumulation
Currency of Denomination	GBP	GBP
Minimum Investment	£100,000	£200,000,000
Minimum Holding	£75,000	£200,000,000
Minimum Subsequent Investment	None	None
<b>Charges</b>	<b>A GBP</b>	<b>Institutional Plus GBP</b>
Preliminary Charge	None	None
Redemption Charge*	Up to 1%	Up to 1%
Conversion Charge	None	None
Switching Charge	None	None
Management Charge <sup>2</sup> / Charged to	0.12% pa / Income	0.08% pa / Income
<b>Accounting periods and income allocation dates</b>		
Annual Accounting Period	31 July	
Interim Accounting Periods	31 January, last of February, 31 March, 30 April, 31 May, 30 June, 31 August, 30 September, 31 October, 30 November, 31 December	
Annual Income Allocation Date	31 August	
Interim Income Allocation Date	31 January, last of February, 31 March, 30 April, 31 May, 30 June, 31 July, 30 September, 31 October, 30 November, 31 December	
Grouping Periods for Income Equalisation	Monthly Accounting Periods	

<sup>1</sup> SONIA is the abbreviation for the Sterling Overnight Index Average, which reflects the average of interest rates that banks pay to borrow overnight unsecured sterling cash on a given day..

<sup>2</sup> The ACD has voluntarily decided to temporarily limit the OCF to ensure the Fund maintains zero or positive income distributions. The ACD may remove the limit at any time.

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<b>FCA Product Reference Number</b>	<b>822406</b>
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\* Charged at the discretion of the ACD in exceptional market conditions.

## Glossary of Terms - 'Investment Objective' and 'Investment Policy'

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**Accumulation share/unit** – Funds are divided into portions called shares or units. In accumulation shares/units, the income earned by the fund is paid into the fund and reflected by an increase in the value of each share/unit.

**Active** – Where the fund manager uses their expertise to pick investments to achieve the fund's objectives.

**Advanced/developed markets** – Countries with relatively high levels of personal income and established economies.

**Annual management charge** – An ongoing fee paid to the management company for managing the fund, usually charged as a percentage of the investment.

**Asset allocation** – Dividing the money invested in the fund across different investments ('assets'), e.g. in different geographic areas or by industry sectors such as oil and gas or financial companies.

**Bond/Fixed Income** – A loan, usually to a company or government, that pays interest.

**Income** – Money paid out by an investment, such as interest from a bond or a dividend from a share.

**Income share/unit** – Funds are divided into portions called 'shares' or 'units.' In income shares/units, the income earned by the fund is paid out to investors.

**Inflation-linked Bond** – Inflation can have a dampening effect on the performance of an investment as it affects buying power for consumers in a negative way when it rises. Inflation linked considers this and helps to protect investors of inflation risk by linking the bond's principal to a nationally recognized inflation measure (Retail price Index in the UK)

**Large/mid/small cap** – Essentially a tiering process based on market cap, the most common are.

**Large cap** – \$10-\$100 billion

**Mid cap** – \$2-\$10 billion

**Small cap** – \$250 million-\$2 billion

**Market cap** – The value of a company's outstanding shares in the market and in a monetary value shows how big a company is. To calculate we multiply the number of outstanding shares by the company's individual share price.

**Bottom-up** – An investment approach that focuses on analysing individual shares rather than stock markets.

**Capital markets** – Markets that raise money from those who want to invest and make those funds available to businesses or governments.

**Currency exposure** – The potential for a fund that invests overseas to lose or gain money purely because of changes in the currency exchange rate.

**Deposit** – A deposit is a fixed term investment that gathers interest over the period of its term. A deposit cannot be withdrawn until its term ends unless early termination is granted.

**Derivatives** – Investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.

**Dilution levy/adjustment** – An amount you pay to cover the dealing costs incurred by the fund when it buys or sells investments as a result of you buying or selling shares/units in the fund. It is normally only charged when those costs are significant.

**Diversification** – Holding a variety of investments that typically perform differently from one another.

**Efficient portfolio management** – Managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth (often referred to as 'efficient portfolio management')

**Emerging markets** – Countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

**Money market instruments** – Investments usually issued by banks or governments that are a short term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period.

**Ongoing Charges Figure (OCF)** – A measure of what it costs to invest in a fund. It includes the fee paid to the management company and other operating costs.

**Passive** – The fund manager aims to track the performance of a stock exchange index or another investment.

**Platform** – An online service that allows you to buy and sell shares and funds and see your investments in one place.

**Relative return** – The profit or loss on an investment compared to how other investments have performed.

**Return** – The money made or lost on an investment.

**Share** – An equal portion representing part ownership of a company. Can also apply to a fund.

**Share class** – One of the types of share representing part ownership of the fund that is different to other share classes for some reason, such as it pays out income rather than paying it back into the fund.

**Stock lending** – Process whereby those holding investments (such as a fund) lend them to other parties who pay a fee for borrowing.

**Entry/Initial charge** – An up-front fee paid to the management company when you buy shares/units.

**Equity** – See ‘Share’ below - the term 'shares' is better understood than 'equities'. Therefore should consider using 'share' instead of 'equity' (where this is feasible).

**Excess Return** – is the discrepancy between the Benchmark performance and the Fund performance. Excess return shows how a product's performance compares with that of its benchmark over a stated period of time.

**Float adjusted** - Float adjusted only counts shares that are available to purchase on the market rather than the total amount of shares issued when calculating a company's weight in a given index.

**Growth** – The increase in value of investments

**Growth stocks** - a company whose earnings are expected to grow faster than the market (or peers if you prefer). Opposite to value stocks, they tend to be more expensive than the overall market i.e. you pay premium for growth.

**Hedging** – Using some investments as a way to reduce risk.

**Top-down** – An investment approach that looks at the big picture first, e.g. the economy, then at the detail, like how individual shares are performing.

**Tracking Error** - when using an index or benchmarking strategy, it looks at the volatility in the difference of performance between the fund and its index.

**Unit** – An equal portion representing part ownership of a unit trust fund.

**Value (stocks)** – investments that are considered to have been undervalued by the market

**Volatility** – A measure of the size of short term changes in the value of an investment.

**Warrants** – Provide the holder with the right, but not the obligation, to purchase a stock at a fixed price or amount at a fixed time in the future. A warrant is similar to an option but is issued by a company.

**Yield** – The income from an investment, usually stated as a percentage of the value of the investment.

## Appendix 2 – Valuation

### Valuation of a Fund

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1. The assets of the Funds shall be valued on at least a daily basis.
2. The assets of the Funds shall be valued by using mark-to-market whenever possible.
3. When using mark-to-market:
  - (a) the assets of a Fund shall be valued at the more prudent side of bid and offer unless the assets can be closed out at mid-market;
  - (b) only good quality market data shall be used; such data shall be assessed on the basis of all the following factors:
    - (i) the number and quality of the counterparties;
    - (ii) the volume and turnover in the market of the assets of the Fund;
    - (iii) the issue size and portion of the issue that the Fund plans to buy or sell.
4. Where use of mark-to-market is not possible or the market data is not of sufficient quality, the assets of a Fund shall be valued conservatively by using mark-to-model.

The model shall accurately estimate the intrinsic value of the asset of a Fund, based on all of the following up-to-date key factors:

- (a) the volume and turnover in the market of those assets;
- (b) the issue size and the portion of the issue that the Fund plans to buy or sell;
- (c) market risk, interest rate risk, credit risk attached to the assets.

When using mark-to-model, the amortised cost method shall not be used.

5. A valuation carried out in accordance with paragraphs 1 to 4 above shall be communicated to the competent authorities.
6. A Fund shall calculate the Net Asset Value per Share as the difference between the sum of all assets of the Fund and the sum of all liabilities of the Fund valued in accordance with mark-to-market or mark-to-model, or both, divided by the number of outstanding Shares of the Fund.
7. The Net Asset Value per Share shall be rounded to the nearest basis point or its equivalent when the Net Asset Value is published in a currency unit.
8. Cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall be valued at their nominal values.
9. In determining the value of the Scheme Property, all instructions given to issue or cancel shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
10. Subject to paragraphs 11 and 12 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place



and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.

11. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 10.
12. All agreements are to be included under paragraph 10 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
13. Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the Scheme Property; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax.
14. Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day.
15. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
16. Add any other credits or amounts due to be paid into the Scheme Property.
17. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
18. Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Fund shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders

## Appendix 3: Investment Powers and Restrictions

### Investment restrictions

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The investment objectives and policies of the Funds, as set out in **Appendix 1**, is subject to the limits on investment for UCITS Schemes under Chapter 5 of the COLL Sourcebook and the MMFR, relevant parts of which are summarised below.

#### 1. Eligible Assets

1.1 Each Fund may only invest in the following categories of assets:

- (i) money market instruments including financial instruments issued or guaranteed separately or jointly by the European Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong;
- (ii) eligible securitisations and asset-backed commercial paper (“ABCPs”);
- (iii) deposits with credit institutions provided that all of the following conditions are fulfilled:
  - a. the deposit is repayable on demand or is able to be withdrawn at any time;
  - b. the deposit matures in no more than 12 months;
  - c. the credit institution has its registered office in an EEA State or, where the credit institution has its registered office in a third country, it is subject to prudential rules considered equivalent to those laid down in EU law;
- (iv) financial derivative instruments provided that it is dealt in on a regulated market and provided that all of the following conditions are fulfilled:
  - a. the underlying of the derivative instrument consists of interest rates, foreign exchange rates, currencies or indices representing one of those categories;
  - b. the derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the Company;
  - c. the counterparties to OTC derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the FCA;
  - d. the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company’s initiative.
- (v) repurchase agreements that fulfil the conditions described under “Eligible Repurchase Agreements”; below
- (vi) reverse repurchase agreements that fulfil the conditions described under “Eligible Reverse Repurchase Agreements” below;
- (vii) units or shares of other money market funds.

1.2 The Funds are not permitted to undertake the following activities:

- (i) invest in assets other than those referred to above;
- (ii) short sell any of the following instruments: money market instruments, securitisations, ABCPs and units or shares of other money market funds;
- (iii) take direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;
- (iv) enter into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the Company; and/or
- (v) borrow and lend cash.

1.3 The ACD shall undertake a credit quality assessment in accordance with the MMFR, details are available upon request.

## **2. Eligible Money Market Instruments**

2.1 A money market instrument will be eligible for investment by a Fund provided that it fulfils all of the following requirements:

- (i) it falls within one of the following categories of money market instruments:
  - a. money market instruments admitted to or dealt in on a regulated market;
  - b. money market instruments dealt in on another regulated market in an EEA State, which operates regularly and is recognised and open to the public;
  - c. money market instruments admitted to official listing on a stock exchange in a third country or dealt in on another regulated market in a third country which operates regularly and is recognised and open to the public provided that the choice of stock exchange or market has been approved by the competent authorities or is provided for in this Prospectus or in the Instrument of Incorporation;
  - d. money market instruments other than those dealt in on a regulated market, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, provided that they are:
    - i. issued or guaranteed by a central, regional or local authority or central bank of an EEA State, the European Central Bank, the European Union or the European Investment Bank, a third country or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong;
    - ii. issued by an undertaking any securities of which are dealt in on regulated markets referred to in (a), (b) or (c) above;
    - iii. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the competent authorities to be at least as stringent as those laid down by EU law; or

- iv. issued by other bodies belonging to the categories approved by the FCA provided that investments in such instruments are subject to investor protection equivalent to that laid down in (i), (ii) or (iii) above and provided that the issuer is a company whose capital and reserves amount to at least €10,000,000 and which presents and publishes its annual accounts, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- (ii) it displays one of the following alternative characteristics:
- a. it has a legal maturity at issuance of 397 days or less;
  - b. it has a residual maturity of 397 days or less;
- (iii) the issuer of the money market instrument and the quality of the money market instrument have been favourably assessed by the ACD in accordance with the MMFR; provided that this will not apply to money market instruments issued or guaranteed by the EU, a central authority or central bank of an EEA State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility;
- (iv) where the Company invests in a securitisation or ABCP, it is subject to the requirements described under “Eligible Securitisations and ABCPs” below.

### **3. Eligible securitisations and ABCPs**

3.1 Both a securitisation and an ABCP are eligible for investment by a Fund provided that the securitisation or ABCP is sufficiently liquid, have been favourably assessed by the ACD in accordance with the MMFR, and is any of the following:

- (i) a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) 2015/61 (16); provided that the legal maturity at issuance of the securitisation is 2 years or less and the time remaining until the next interest rate reset date is 397 days or less and the securitisation is an amortising instrument which has a weighted average life (“WAL”) of 2 years or less;
- (ii) an ABCP issued by an ABCP programme which:
  - a. is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks, as well as ongoing transaction costs and ongoing programme-wide costs related to the ABCP, if necessary to guarantee the investor the full payment of any amount under the ABCP;
  - b. is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position; and
  - c. does not include a synthetic securitisation,

provided that the legal maturity at issuance or residual maturity of the ABCP is 397 days or less;

- (iii) a simple, transparent and standardised (STS) securitisation or ABCP; provided that the legal maturity at issuance or residual maturity of the securitisation is 397 days or less and the securitisation is an amortising instrument which has a weighted average life (“WAL”) of 2 years or less.

#### **4. Eligible Repurchase Agreements**

4.1 A repurchase agreement will be eligible to be entered into by a Fund provided that all of the following conditions are fulfilled:

- (i) it is used on a temporary basis, for no more than 7 working days, only for liquidity management purposes and not for investment purposes other than as referred to in (iii) below;
- (ii) the counterparty receiving assets transferred by the Fund as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the Fund's prior consent;
- (iii) the cash received by the Fund as part of the repurchase agreement is able to be:
  - a. placed on deposits; or
  - b. invested in assets referred to in paragraph 5.7 below, but will not otherwise be invested in eligible assets as referred to in this appendix, transferred or otherwise reused;
- (iv) the cash received by the Fund as part of the repurchase agreement does not exceed 10% of the Scheme Property of that Fund;
- (v) the Fund has the right to terminate the agreement at any time upon giving prior notice of no more than 2 working days.

#### **5. Eligible Reverse Repurchase Agreements**

5.1 A reverse repurchase agreement will be eligible to be entered into by a Fund provided that the following conditions are fulfilled:

- (i) the Fund has the right to terminate the agreement at any time upon giving prior notice of no more than 2 working days;
- (ii) the market value of the assets received as part of the reverse repurchase agreement is at all times at least equal to the value of the cash paid out.

5.2 The assets received by the Fund as part of a reverse repurchase agreement must be eligible money market instruments (as described under "Eligible Money Market Instruments" above).

5.3 The assets received by the Fund as part of a reverse repurchase agreement may not be sold, reinvested, pledged or otherwise transferred.

5.4 Securitisations and ABCPs may not be received by the Fund as part of a reverse repurchase agreement.

5.5 The assets received by the Fund in exchange for providing cash, as part of a reverse repurchase agreement, must be sufficiently diversified with a maximum exposure to a given issuer of 15% of Scheme Property within that Fund, however this maximum exposure may be up to 100% where those assets take the form of the money market instruments set out in paragraph 1.1(i) above. In addition, the assets received by the Fund as part of a reverse repurchase agreement must be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

5.6 Where the Fund enters into a reverse repurchase agreement it must ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a mark-to-market

basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the NAV of the Fund.

- 5.7 By way of derogation from paragraph 5.2, the Fund may receive liquid transferable securities or money market instruments other than those that fulfil the requirements set out under “Eligible Money Market Instruments” above as part of a reverse repurchase agreement provided that those assets comply with one of the following conditions:
- (i) they are issued or guaranteed by the European Union, a central authority or central bank of an EEA State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided they have been favourably assessed by the ACD in accordance with the MMFR;
  - (ii) they are issued or guaranteed by a central authority or central bank of a third country, provided that they have been favourably assessed by the ACD in accordance with the MMFR.

## **6. Eligible units or shares of Money Market Funds**

6.1 A Fund may invest in units or shares of any other money market funds (“targeted MMF”) provided that all of the following conditions are fulfilled:

- (i) no more than 10% of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of other money market funds;
- (ii) the targeted MMF does not hold units or shares in the Fund.

6.2 A Fund may invest in units or shares of other money market funds, provided that no more than 5% of its assets are invested in units or shares of a single money market fund.

6.3 A Fund may, in aggregate, invest no more than 10% of its Scheme Property in units or shares of other money market funds.

6.4 Units or shares of other money market funds are eligible for investment by a Fund provided that all of the following conditions are fulfilled:

- (i) the targeted MMF is authorised under the MMFR; and
- (ii) where the targeted MMF is managed, whether directly or under a delegation, by the ACD or by any other company to which the ACD is linked by common management or control, or by a substantial direct or indirect holding, the ACD, or that other company, is prohibited from charging subscription or redemption fees on account of the investment by the Fund in the units or shares of the targeted MMF.

6.5 A Fund may only invest in units or shares of other short-term money market funds.

## **7. Diversification**

7.1 A Fund may not invest more than:

- (i) 5% of its Scheme Property in money market instruments, securitisations and ABCPs issued by the same body; provided that the Fund may invest up to 10% of its Scheme Property in money market instruments, securitisations and ABCPs issued by the same body where the total value of such money market instruments, securitisations and ABCPs held by that Fund in each issuing body in which it invests more than 5% of its Scheme Property does not exceed

40 % of the value of its Scheme Property;

- (ii) 10% of its Scheme Property in deposits made with the same credit institution.
- 7.2 The aggregate of all of a Fund's exposures to securitisations and ABCPs must not exceed 15% of its Scheme Property.
- 7.3 The aggregate risk exposure to the same counterparty stemming from OTC derivative transactions may not exceed 5% of the Scheme Property within a relevant Fund.
- 7.4 The aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Scheme Property within a relevant Fund.
- 7.5 Notwithstanding the limits set out in paragraphs 7.1 and 7.4, where to do so would result in an investment of more than 15% of its Scheme Property in a single body, a Fund may not combine any of the following:
- (i) investments in money market instruments, securitisations and ABCPs issued by that body;
  - (ii) deposits made with that body; and
  - (iii) OTC financial derivative instruments giving counterparty risk exposure to that body.
- 7.6 Notwithstanding paragraph 7.1, a Fund may invest no more than 10% of its Scheme Property in bonds issued by a single credit institution that has its registered office in an EEA State and is subject by law to special public supervision designed to protect bond-holders.
- 7.7 Where a Fund invests more than 5% of its Scheme Property in the bonds issued by a single issuer, the total value of those investments may not exceed 40% of the value of its Scheme Property.
- 7.8 Notwithstanding paragraph 7.1, a Fund may invest no more than 20% of its Scheme Property in bonds issued by a single credit institution. Where a Fund invests more than 5% of its Scheme Property in the bonds issued by a single issuer, the total value of those investments must not exceed 60% of the value of its Scheme Property, including any possible investment in assets referred to in paragraph 7.6.

## **8. Government and Public Securities**

- 8.1 Up to 100% of the scheme property of a Fund may be invested in transferable securities or approved money market instruments issued or guaranteed by a single state, local authority or public international body. For the Vanguard Sterling Short-Term Money Market Fund, such securities are restricted to government and public securities issued by or on behalf of or guaranteed by the government of the United Kingdom.
- 8.2 If more than 35% in value of the scheme property of a Fund is invested in government and public securities issued by any one issuer, no more than 30% in value of the scheme property of the Fund may consist of such securities of any one issue and the scheme property must include at least six different issues whether of that issuer or another issuer.
- 8.3 The issuers in respect of which more than 35% and up to 100% in value of a Fund may invest are as set out in the details of the Funds in Appendix 1.

## **9. Concentration**

A Fund may not hold more than 10% of the money market instruments, securitisations and ABCPs issued by a single body; provided that this shall not apply in respect of holdings of money market instruments issued or guaranteed by the European Union, national, regional and local administrations of the EEA States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

## 10. Portfolio rules for short-term Money Market Funds

10.1 Each Fund must comply on an ongoing basis with the following:

- (i) its portfolio is to have a weighted average maturity (“WAM”) of no more than 60 days;
- (ii) its portfolio is to have a WAL of no more than 120 days;
- (iii) at least 7.5% of its Scheme Property must be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day.

A Fund may not acquire any asset other than a daily maturing asset if its acquisition would result in the Company investing less than 7.5% of its Scheme Property in daily maturing assets;

- (iv) at least 15% of its Scheme Property must be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of 5 working days, or cash which is able to be withdrawn by giving prior notice of 5 working days.

A Fund may not to acquire any asset other than a weekly maturing asset if its acquisition would result in the Fund investing less than 15% of its Scheme Property in weekly maturing assets;

Money market instruments or units or shares of other money market funds may be included within the weekly maturing assets of a Fund up to a limit of 7.5% of its Scheme Property provided they are able to be redeemed and settled within 5 working days.

## 11. Risk Management

The ACD applies a risk management process enabling it to monitor and measure at all times the risk associated with a Fund’s positions and their contribution to the overall risk profile of the property of the Fund and to the Scheme Property.

The following details of the risk management process must be notified regularly by the ACD to the FCA and at least on an annual basis:

- (a) a true and fair view of the types of derivatives and forward transactions to be used within a Fund, together with their underlying risks and any relevant quantitative limits; and
- (b) the methods for estimating risks in derivative and forward transactions.



An investor may obtain on request from the ACD details of the quantitative limits and methods used in applying the risk management of each Fund as well as any recent developments in the risks and yields of the main categories of investment of those Funds.

#### 12. Ancillary Liquid Assets – Cash and Near Cash

The property of each Fund may consist of cash and near cash where this may reasonably be regarded as necessary in order to enable the pursuit of each Fund's investment objective, redemption of shares, efficient portfolio management of the Fund in question in accordance with its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objective of that Fund.

#### 13. Financial Derivative Instruments ("FDI")

The ACD has the power to buy and sell FDI both on exchange and off exchange, in all Funds to the extent permitted by the Regulations and as set out below in Section 13.1. Where a Fund invests in FDI, the exposure to the underlying assets must not exceed the limits set out in Section 7.

The limits do not apply to index-based FDI where, provided the composition of the relevant index is sufficiently diversified, the index represents an adequate benchmark for the market to which it refers, and the index is published in an appropriate manner. The underlying constituents of the index do not have to be taken into account for the purposes of the spread limits. The ACD must continue to ensure a prudent spread of risk.

An FDI transaction which will or may lead to the delivery of the underlying asset for the account of the Fund may be entered into only if that asset can be held for the account of the Fund, and the ACD, having taken reasonable care, determines that delivery of the asset under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook or MMFR.

Where an approved money market instrument embeds an FDI, this must be taken into account for the purposes of complying with the rules in the COLL Sourcebook and MMFR on derivatives and forward transactions.

When using derivatives the ACD will employ its risk management process as set out in Section 3. An investor may obtain on request from the ACD details of the quantitative limits and methods used in applying the risk management of each Fund as well as any recent developments in the risks and yields of the main categories of investment of those Funds.

##### 13.1 Use of FDI for Efficient Portfolio Management

FDI may be used for efficient portfolio management purposes as described in **Appendix 4** ("Portfolio Investment Techniques"). **The aim of any FDI used for such purposes is not to alter materially the risk profile of the Fund; rather, their use is to assist the ACD in meeting the investment objectives of each Fund as set out in Appendix 1.**

##### 13.2 FDI Dealt on Exchange

Any FDI transaction entered into on an exchange must be effected on or under the rules of an eligible derivatives market.

##### 13.3 OTC Derivative Transactions

The Company may, subject to the FCA Handbook, enter into OTC derivative transactions. Off-exchange FDI transactions must only be entered into if such transactions are capable of reliable valuation and subject to verifiable valuation

throughout their life, are carried out with an approved counterparty and are on approved terms (as defined and on the requirements detailed in the COLL Sourcebook). The maximum exposure under an OTC derivative contract to any one counterparty is 5% of a Fund's assets (10% where the counterparty is an Approved Bank (as defined in the COLL Sourcebook)).

For these purposes, a Fund's exposure to a counterparty must be calculated using the positive mark-to-market value of the OTC derivative contract with that counterparty.

OTC derivative positions with the same counterparty may be netted, provided the ACD is able legally to enforce netting agreements with the counterparty on behalf of the Fund and these netting agreements do not apply to any other exposures the Fund may have with that same counterparty.

The exposure to a counterparty on an OTC derivative transaction may be reduced through the receipt of collateral. See **Appendix 4** for details regarding collateral.

#### 13.4 Cover and Exposure

The ACD must ensure that the global exposure relating to FDI transactions held in a Fund does not exceed the net value of its Scheme Property. The ACD must calculate the Fund's global exposure on at least a daily basis. For these purposes, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the FDI positions.

The ACD must calculate each Fund's global exposure using either the commitment approach or the value at risk approach. It is the current policy of the ACD to calculate each Fund's global exposure using the commitment approach.

In using the commitment approach to calculate a Fund's global exposure:

- (a) the ACD must:
  - (i) ensure that it applies this approach to all FDI transactions (including embedded derivatives); and
  - (ii) convert each FDI transaction into the market value of an equivalent position in the underlying asset of that FDI (the standard commitment approach);
- (b) the ACD may:
  - (i) apply other calculation methods which are equivalent to the standard commitment approach;
  - (ii) take account of netting and hedging arrangements, where those arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure; and
- (c) where the use of FDI transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

A Fund must not dispose of property or rights unless the obligation thus created could immediately be honoured by the Fund by delivery of the property or the assignment of rights which belong to the Fund at the time of the agreement.

This requirement does not apply to a deposit. The FCA has stated that this requirement may be met where:

- (i) the risks of the underlying financial instrument of a derivative can be properly represented by another financial instrument and the underlying

instrument is liquid or the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the property of the Company which is also liquid; or

- (ii) the ACD or the Depositary has the right to settle the derivative in cash and the Fund has property which is either cash or liquid debt instruments or other liquid assets having regard to their correlation with the underlying financial instrument of the derivative instruments.

The FCA has also stated that, for these purposes the underlying instrument of a derivative will be considered liquid if it can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the instrument on its own market.

#### 14. Interests in Immovable and Tangible Movable Property

The Company will not have any direct interest in any immovable property (for example, its office) or tangible movable property (for example, its office equipment).

#### 15. Eligible Markets for Funds

To protect investors, markets on which certain investments of a Fund are admitted to or dealt in must be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold. If a securities market ceases to be eligible, investments on that market cease to be approved securities and the 10% restriction on investing in non-approved securities will apply to them. If a derivatives market ceases to be eligible, investments on that market cease to be approved derivatives and the restrictions on OTC derivatives will apply to them.

For these purposes, an eligible market is:

- (a) a regulated market as defined in the FCA Handbook (which definition will include all regulated markets systems operated within the EEA);
- (b) any other exchange or market (including any board of trade or similar entity, or automated quotation system) which is regulated, operates regularly and is open in any EEA State; or
- (c) one of the additional securities or derivatives markets, as set out below, which the ACD, after consultation with the Depositary, has decided is appropriate for the purpose of investment of or dealing in the property of the Fund.

#### **Part one additional Eligible Securities Markets:**

- Australia –
  - Australian Stock Exchange Main Board
- Canada –
  - Toronto Stock Exchange Official List
- Hong Kong –
  - Hong Kong Stock Exchange Hong Kong Total Main Market
- Israel –
  - Tel Aviv Stock Exchange Official Market
- Japan –
  - The Stock Exchanges in Osaka and Tokyo, including JASDAQ
- Singapore –

#### **Part one additional Eligible Derivatives Markets:**

- ASX Trade 24
- CBOE Futures Exchange
- Chicago Board of Trade
- Chicago Mercantile Exchange
- Hong Kong Futures Exchange
- ICE Futures U.S. Inc,
- Korea Futures Exchange
- Montreal Stock Exchange
- NASDAQ
- NYSE Liffe U.S.
- The Singapore Exchange
- Tokyo Stock Exchange
- London Stock Exchange

- Singapore Stock Exchange
  - Main Board
  - Catalist
- South Korea –
  - Korea Stock Exchange
  - KOSDAQ
- Switzerland –
  - Swiss Stock Exchange (Swiss Exchange via the Electronic Bourse Switzerland)
  - Main Market
- U.S.A –
  - New York Stock Exchange
  - NASDAQ

Additional eligible markets may be added for a Fund (by appearing in a supplement to, or an updated version of, this Prospectus) and markets will only be transacted on for a Fund if:

- (i) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of the relevant Fund and the Depositary agrees in writing that the addition is of minimal significance to the investment strategy of the Fund; and
- (ii) the Depositary has taken reasonable care to determine that: (i) adequate custody arrangements can be provided for the investment dealt in on that market; and (ii) the ACD has taken all reasonable steps in considering the eligibility of that market.

However, a market will not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

Notice of any changes to the eligible markets in relation to a Fund will be dealt with in accordance with the COLL Sourcebook.

## Appendix 4: Portfolio Investment Techniques

### General

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The Company may employ investment techniques and instruments relating to money market instruments (“Portfolio Investment Techniques”) for efficient portfolio management of the assets of any Fund. Portfolio Investment Techniques may include hedging against currency exchange rate or interest rate risks under the conditions and within the limits stipulated under the COLL Sourcebook, as described below. In particular, the Company may enter into spot and forward contracts, repurchase and reverse repurchase agreements, and may purchase securities on a “when issued” or “forward-commitment” basis.

Portfolio Investment Techniques which are used for the purpose of efficient portfolio management, including financial derivative instruments (“FDI”) which are not used for direct investment purposes, shall be understood as a reference to techniques and instruments which fulfil the following criteria:

- (i) they are economically appropriate in that they are realised in a cost effective way;
- (ii) they are entered into for one or more of the following specific aims:
  - (a) reduction of risk;
  - (b) reduction of cost;
  - (c) generation of additional capital or income for a Fund with an appropriate level of risk which is consistent with the risk profile of the Fund and the risk diversification rules under the COLL Sourcebook;
- (iii) their risks are adequately captured by the risk management procedures implemented by the Company; and
- (iv) they cannot result in a change to a Fund’s stated investment objective or add substantial supplementary risks in comparison to the general risk policy as described in its sales documents.

The aim of reducing risk or cost will allow the ACD to enter into exposures on permissible assets or currencies by using FDI as an alternative to selling or purchasing the underlying assets or currencies. These exposures may continue for as long as the ACD considers that the use of FDI continues to meet the original aim.

The aim of generating additional capital or income allows the ACD to write options on existing assets where it considers the transaction will result in the Fund deriving a benefit, even if the benefit obtained results in surrendering the chance of greater benefit in the future.

The aim of generating additional capital allows the ACD to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which, the Fund holds or may hold.

While the use Portfolio Investment Techniques will be in line with the best interests of the Company, individual techniques may result in increased counterparty risk and potential conflicts of interest. Details of the proposed Portfolio Investment Techniques and the policies adopted by the Company in relation to their use are set out below. Details of the relevant risks are set out in the Risk Factors section of this Prospectus.

All of the revenues arising from Portfolio Investment Techniques, net of direct and indirect operational costs, will be retained by the relevant Fund.

The Company will ensure, at all times, that the terms of the Portfolio Investment Techniques, including any investment of cash collateral, will not impact on its ability to meet with its redemption obligations.

The annual report of the Company will contain details of: (i) the counterparty exposure obtained through Portfolio Investment Techniques; (ii) the counterparties to the Portfolio Investment Techniques; (iii) the type and amount of collateral received by the Funds to reduce counterparty exposure; and (iv) revenues arising from Portfolio Investment Techniques for the reporting period, together with direct and indirect operational costs and fees incurred.

The Company may enter into Portfolio Investment Techniques with certain brokers, derivative counterparties and financial institutions. There may be direct and indirect operational costs or fees arising from such transactions, but these will at all times be paid at normal commercial rates, and there will be no hidden fees or revenue payable to any of these entities. The Company does not envisage any other direct or indirect operational costs or fees payable by the Company as a result of its Portfolio Investment Techniques, and, to the extent that there are any such additional direct or indirect operational costs or fees payable by the Company, this will be disclosed in the Company's annual report. The Company shall not enter into any Portfolio Investment Techniques with any entities within the Vanguard Group of Companies, and no entity within the Vanguard Group of Companies shall derive any direct or indirect fees from the Company's use of Portfolio Investment Techniques. As noted above, all other counterparties to Portfolio Investment Techniques shall be disclosed in the Company's annual report.

### Use of repurchase / reverse repurchase agreements ("repo contracts")

A Fund may enter into repurchase agreements and reverse repurchase agreements for the purposes of liquidity management.

Under a reverse repurchase agreement, the Fund acquires securities from a seller (for example, a bank or securities dealer) who agrees, at the time of sale, to repurchase the securities at a mutually agreed date (or, in the case of an open repo, on demand) and at an agreed repurchase price, thereby determining the yield to the relevant Fund during the term of the reverse repurchase agreement. The resale price reflects the purchase price multiplied by an agreed repo rate which is unrelated to the coupon rate or maturity of the purchased security.

Where a Fund enters into a reverse repurchase agreement, it will have the right to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued or a mark-to-market basis at any time. Where the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the purposes of the calculation of the Net Asset Value of the relevant Fund.

Under a repurchase agreement, the Fund sells a security to a buyer (for example, a bank or securities dealer) and agrees to repurchase it at a mutually agreed date which is not more than seven days from the date of purchase (or, in the case of an open repo, on demand) and at an agreed repurchase price.

Where a Fund enters into an open repurchase agreement, the Fund will have the right to terminate the repurchase agreement at any time by repurchasing the securities.

Under repo contracts, changes in the market value of the securities can result in margin payments between parties. In a repurchase agreement, a fall in the value of the securities will result in payments by the Fund to its counterparty, and in a reverse repurchase agreement a fall in the value of securities will result in a payment to the Fund. During the life of the repo contract, the

Company will mark the value of such contract to market (being the net replacement cost of the transition should the other party default).

The Fund may enter into tri-party service agreements in relation to its repo contracts, which are entered into between the Fund, the counterparty and a collateral manager, which ensures optimal transfer of collateral between the Fund and the counterparty.

Repo contracts do not constitute borrowing or lending for the purposes of the COLL Sourcebook or the MMFR.

## Collateral

### General

Subject to the COLL Sourcebook and MMFR, a Fund may enter into FDIs provided the collateral obtained under the relevant FDI complies at all times with the following criteria:

- (i) Liquidity: collateral (other than cash) must be highly liquid and traded on a regulated market or multi-lateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to its pre-sale valuation. Collateral should comply with article 52 of the UCITS Directive.
- (ii) Valuation: collateral must be capable of being valued on a daily basis, and assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.
- (iii) Issuer credit quality: collateral must be of high quality.
- (iv) Correlation: collateral must be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- (v) Diversification: collateral must be sufficiently diversified in terms of country, markets and issuers. Non-cash collateral will be considered to be sufficiently diversified if the Fund receives from a counterparty a basket of collateral with a minimum exposure to any one issuer of 20% of the Fund's Net Asset Value. When the Fund is exposed to a variety of different counterparties, the various baskets of collateral are aggregated to ensure that exposure to a single issuer does not exceed 20% of Net Asset Value.

All assets received in respect of a Fund in the context of FDIs will be considered as collateral for the purposes of the COLL Sourcebook and will comply with the criteria above. Risks linked to the management of collateral, including operational and legal risks, are identified and mitigated by risk management procedures employed by the Company.

Where there is a title transfer, the collateral received will be held by the Depositary, or its agent. For other types of collateral arrangement, the collateral may be held by a third party custodian which is subject to prudential supervision and which is unrelated to the provider of the collateral.

Collateral received shall be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty. Accordingly, collateral will be immediately available to the Fund without recourse to the counterparty in the event of default by that entity.

### Permitted types of collateral

In accordance with the above criteria, it is proposed that a Fund will accept the following types of collateral in respect of FDIs:

- (i) cash;
- (ii) government or other public securities;
- (iii) certificates of deposit issued by Relevant Institutions;
- (iv) bonds / commercial paper issued by Relevant Institutions or by non-bank issuers where the issue or the issuer is rated A1 or equivalent;

- (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by Relevant Institutions; and
- (vi) equity securities traded on a stock exchange in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

#### **Reinvestment of collateral**

Cash received as collateral in respect of FDIs may not be invested or used except as follows:

- (i) it may be placed on deposit with Relevant Institutions;
- (ii) it may be invested in high quality government bonds;
- (iii) it may be used for the purpose of reverse repurchase agreements provided that the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis; or
- (iv) it may be invested in short-term money market funds.

Reinvested cash collateral will be diversified in accordance with the diversification requirements applicable to non-cash collateral. Invested cash collateral may not be placed on deposit with, or invested in securities issued by, the counterparty or a related entity.

Non-cash collateral received by a Fund may not be sold, re-invested or pledged.

Without prejudice to the requirements set out above regarding cash collateral and non-cash collateral, a Fund may be permitted to undertake repo contract transactions pursuant to which additional leverage is generated through the re-investment of collateral, in which case the repo contract transactions will be taken into consideration for the calculation of global exposure required by the COLL Sourcebook. Any global exposure generated shall be added to the global exposure created through the use of derivatives, and the total of these shall not exceed 100% of the Fund's Net Asset Value. Where collateral is reinvested in financial assets that provide a return in excess of the risk-free return, the Fund shall include in the calculation of global exposure: (i) the amount received if cash collateral is held; and (ii) the market value of the instrument concerned if non-cash collateral is held.

#### **Stress testing policy**

If a Fund receives collateral for 30% or more of its net assets, it will implement a stress testing policy to ensure that regular stress tests are carried out under normal and exceptional liquidity conditions in order to allow it to assess the liquidity risk attached to collateral.

#### **Haircut policy**

The Company has implemented a haircut policy in respect of each class of assets received as collateral. This policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral, and the results of any tests which may be performed under the stress testing policy. The value of the collateral, adjusted in light of the haircut policy, shall at all times equal or exceed in value the relevant counterparty exposure.

#### **“When-issued” and “forward-commitment” securities**

A Fund may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward- commitment” basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. “When-issued” securities and forward-commitments may be sold prior to the settlement date, but a Fund will usually enter into “when-issued” and forward commitments only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities that have been purchased pursuant to a forward commitment or on a “when-issued” basis prior to delivery of the securities. If the Fund disposes of the right to acquire a “when-issued” security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Fund may incur a gain or loss. There is a risk that the securities may



not be delivered and that the Fund may incur a loss. “When-issued” and “forward-commitment” securities are taken into account when calculating the limits set out under “**Investment Powers and Restrictions**” in **Appendix 3** to this Prospectus.

## Securities Financing Transactions

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The ACD is subject to the provisions of the European Regulation on Reporting and Transparency of Securities Financing Transactions (the “SFTR”). The SFTR sets out certain disclosure requirements regarding the use of securities financing transactions, which includes repurchase and reverse repurchase transactions (“SFTs”).

The Vanguard Sterling Short-Term Money Market Fund (the “Fund”) may use permitted SFTs, for liquidity management purposes. The limitations on the use of SFTs are explained above and in Appendix 3. The Fund’s use of SFTs is consistent with its investment objective and policy, and accordingly SFTs may be used to reduce risk, reduce cost and/or generate additional capital or income with a risk level that is consistent with that of the Fund and the risk diversification rules laid down in the COLL Sourcebook.

Subject to the limitations referred to above, any assets of the Fund may be subject to SFTs. Up to 30% of the Fund’s assets may be the subject of STF(s), with an expectation that at any time up to 15% of a Fund’s assets may be subject to such arrangements.

SFTs will only be entered into with “approved counterparties” as defined in the FCA Handbook. Other than this restriction, there are no pre-specified restrictions on the legal status, country of origin or minimum credit rating of any counterparty in such transactions.

The types of acceptable collateral, as well as the diversification requirements, are explained above under the sub-heading “Collateral”. Any collateral obtained by the Fund pursuant to an SFT will be valued in accordance with the ACD’s valuation and haircut policy detailed above. Such haircut policy allows for the fact that the valuation of the collateral or liquidity profile may deteriorate over time.

The section of this Prospectus entitled “Risk Factors” provides a description of the risks associated with the use of repurchase and reverse repurchase agreements.

The assets of the Fund that are subject to SFTs, and any collateral received, are held by the Depositary.

While the reuse of collateral is limited by the COLL Sourcebook to certain asset classes. Such reuse should not result in a change to the Fund’s investment objectives nor increase substantially the Fund’s risk profile. For the avoidance of doubt, the assets received as collateral by the Fund pursuant to a reverse repurchase agreement shall not be sold, reinvested, pledged or otherwise transferred in accordance with COLL Sourcebook. .The relevant diversification requirements are set out above under the sub-heading “Collateral”.

All of the revenues arising from SFTs, net of direct and indirect operational costs, will be retained by the Fund.

The ACD will disclose in the Company’s annual report certain information regarding its use of SFTs.

## Appendix 5: General Information

### Register of Shareholders

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The Register is maintained by the Administrator and Registrar at the address of its registered office at St. Nicholas Lane, Basildon, Essex SS15 5FS. It may be inspected by any Shareholder or his duly authorised agent during normal business hours at that address, without charge. Copies of the entries in the Register relating to a Shareholder are available on request by that Shareholder without charge. The Company has the power to close the Register for any period or periods not exceeding 30 days in any one year.

### Accounting periods and annual and interim reports

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The annual accounting period of the Company ends each year on 31 July, and the interim accounting period ends on 31 January each year.

Reports for each Fund in respect of each annual accounting period will be published in accordance with the Regulations not later than the last day of November each year. Half yearly reports for each Fund of the Company will be published in accordance with the Regulations not later than 31 March each year.

Copies of reports may be obtained from the ACD, free of charge, on request or inspected at the ACD's offices at 4<sup>th</sup> Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF.

### Shareholder meetings and voting rights

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#### General Meetings

Notice of the date, place and time of general meetings will be given to Shareholders.

The convening and conduct of Shareholders' meetings and the voting rights of Shareholders at those meetings are governed by the Company's Instrument of Incorporation and the COLL Sourcebook, which are summarised below.

Where Shareholders are corporations rather than individuals, the following will apply:

- (a) Any corporation which is a Shareholder may, by resolution of its Directors or other governing body and in respect of any Share or Shares of which it is the holder, authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder.
- (b) A corporation which holds Shares as nominee may appoint more than one such representative, each in respect of a specified number of Shares which the corporation holds, and each such representative shall be entitled to exercise such powers aforesaid only in respect of the Shares concerned.

### **Requisitions of Meetings**

The ACD has elected not to hold Annual General Meetings in accordance with the Regulations and, accordingly, the Company does not hold Annual General Meetings. The ACD or the Depositary may convene a general meeting at any time.

Shareholders may also requisition a general meeting. A requisition by Shareholders must state the objects of the meeting, be dated and signed by the Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue. The ACD must convene a general meeting no later than eight weeks after the receipt of such a requisition at the head office of the Company.

### **Notice and Quorum**

Shareholders will receive at least 14 days' written notice of a general meeting. They are entitled to be counted in the quorum and to vote at a meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. Notice convening a general meeting of Shareholders will be given in accordance with the Regulations.

An instrument of proxy may be in the usual common form or in any other form which the ACD shall approve executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised. A person appointed to act as a proxy need not be a shareholder. For the appointment of a proxy to be effective, the instrument of proxy must be received as provided pursuant to the COLL Sourcebook not less than 48 hours before the relevant meeting or adjourned meeting.

### **Voting Rights**

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative shall have one vote.

On a poll vote, Shareholders may vote in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all Shares in issue that the price of the Share bears to the aggregate prices(s) of all the Shares in issue on the date seven days before the notice of meeting is deemed to have been served. Shareholders who are entitled to more than one vote need not, if they vote, use all of their votes or cast all the votes used in the same way.

Except where the COLL Sourcebook or the Instrument of Incorporation of the Company requires an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed), any resolution required by the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution (an ordinary resolution).

The ACD may not be counted in the quorum for a general meeting, and neither the ACD nor any associate of the ACD is entitled to vote at any general meeting except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

'Shareholders' in this context means Shareholders on the date seven days before the notice of meeting is deemed to have been served, but excluding persons who are known to the ACD not to be Shareholders at the time of the meeting.

**Class Meetings**

The above provisions apply to meetings of Shareholders of a Fund or Class as they apply to general meetings of Shareholders, but by reference to the Fund or Class concerned.

**Variation of Class Rights**

The rights attached to a Class of Shares or a Fund may not be varied without the sanction of an ordinary resolution passed at a meeting of the Shareholders of that Class or the Fund.

**Notifications of changes to the Company and/ or a Fund**

The ACD will notify all Shareholders of the Company and/or the relevant Fund, as applicable, of any changes to the Company and/or the Fund. The nature of the notice given to Shareholders by the ACD will depend on the nature of the changes proposed, as deemed by the ACD. Changes may be fundamental, significant or notifiable.

Where the ACD deems changes to the Company and/or the relevant Fund to be fundamental, Shareholders of the Company and/or the relevant Fund, as applicable, will be required to approve the change by way of an extraordinary resolution prior to implementation.

Where the ACD deems changes to the Company and/or the relevant Fund to be significant, Shareholders of the Company and/or the relevant Fund, as applicable, will be provided with at least 60 days' prior notice before implementation of the change.

Where the ACD deems changes to the Company and/or the relevant Fund to be notifiable, Shareholders of the Company and/or the relevant Fund, as applicable, will be informed at or after the date of implementation of the change.

**Winding up of the Company or Termination of a Fund**

The Company may not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or, if the Company is solvent, under the Regulations. A Fund may only be terminated under the COLL Sourcebook.

Where the Company is to be wound up or a Fund terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FCA. The FCA will only give its approval if the ACD provides a statement (following an investigation into the affairs, business and property of the Company or Fund) either confirming that the Company or Fund will be able to meet all its liabilities within 12 months of the date of the statement or stating that such confirmation cannot be given. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of authorised corporate director at the relevant time.

The Company may be wound up or a Fund terminated under the COLL Sourcebook:

- (a) if an extraordinary resolution to that effect is passed by the Shareholders; or
- (b) if the period (if any) fixed for the duration of the Company or the Fund by the Instrument of Incorporation expires, or an event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or Fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) if the value of the Fund is less than £50 million or the equivalent in the currency of denomination at any time on or after one year from the date of first issue of Shares in that Fund, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- (c) on the effective date of an agreement by the FCA in response to a request by the ACD for the winding up of the Company or the termination of the Fund; or
- (d) on the effective date of a duly approved scheme of arrangement which is to result in the

- Company ceasing to hold any Scheme Property; or
- (e) in the case of a Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any Scheme Property; or
  - (f) on the date on which all of the Funds fall within (e) or have otherwise ceased to hold any Scheme Property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

A Fund may also be terminated in accordance with the terms of a scheme of amalgamation or reconstruction, in which case Shareholders in the Fund will become entitled to receive shares or units in another regulated collective investment scheme in exchange for their Shares in the Fund.

On the occurrence of any of the events in paragraphs (a) to (c) above and provided the FCA has given its approval:

- (a) chapter 5 and sections 6.2 and 6.3 of the COLL Sourcebook (relating to investment and borrowing powers and pricing and dealing) will cease to apply to the Company or the Fund;
- (b) the Company will cease to issue and cancel Shares in the Company or the Fund, and the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them;
- (c) no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- (d) where the Company is being wound up, the Company shall cease to carry on its business except for its beneficial winding up; and
- (e) the corporate status and powers of the Company and, subject to the provisions of paragraph (i) and (iv) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after the winding up of the Company or the termination of a Fund has commenced, cause the Scheme Property to be realised and the liabilities of the Company or Fund to be met out of the proceeds. Where sufficient liquid funds are available after making adequate provision for the expenses of the winding up or termination and the discharge of the Company's or the Fund's remaining liabilities, the ACD may arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to the right of their Shares to participate in the Scheme Property at the commencement of the winding up or termination. The ACD shall arrange for the Depositary to make a final distribution to Shareholders, on or prior to the date on which the final account is sent to Shareholders, of any balance remaining in proportion to their holdings in the Company or the particular Fund.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company will be paid into court within one month of dissolution.

Following the completion of a winding up of the Company or of a termination of a Fund, the Depositary shall notify the FCA and at the same time the ACD or the Depositary shall request the FCA to revoke the relevant authorisation order.

Following the completion of a winding up of the Company or of a termination of a Fund, the ACD must prepare an account showing how the winding up or termination has been conducted and how the Scheme Property has been disposed of. The auditors of the Company shall make a report in respect of the final account, or termination account, stating their opinion as to whether the final account or termination account has been properly prepared. The final account or termination account and the auditors' report must be sent to the FCA, to each relevant Shareholder within two months or termination of the winding up.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met out of the Scheme Property attributable or allocated to that Fund.

## Documents of the Company

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The following documents may be inspected free of charge between 9.00 a.m. and 5.00 p.m. on any working day at the head office of the ACD, 4<sup>th</sup> Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF:

- (a) the most recent annual and half-yearly long reports of the Company;
- (b) the Instrument of Incorporation (and any amending instrument);
- (c) the Prospectus and the Key Investor Information Documents; and
- (d) the ACD Agreement.

Copies of the documents referred to above may also be obtained on request from the head office of the ACD.

## Material contracts

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The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- (a) the ACD Agreement dated 12 July 2019 between the Company and the ACD (as amended);
- (b) the Depositary Agreement dated 4 July 2019 between the Company and the Depositary; and
- (c) the Investment Advisory Agreement dated 12 July 2019 between the ACD and the Investment Adviser.

Details of the above contracts are given in the “Management and Administration” section of this Prospectus.

## Complaints

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If you have any complaints, please write in the first instance to the Head of Compliance at the ACD’s address above. A copy of the ACD’s Complaint Handling Procedures is available on request from the ACD. You may also contact us via your financial adviser. You may also complain directly to the Financial Ombudsman Service:

Financial Ombudsman Service  
 South Quay Plaza  
 183 Marsh Wall  
 London E14 9SR  
 Tel: 0845 080 1800  
 Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

The ACD is covered by the Financial Services Compensation Scheme (FSCS). Shareholders may be entitled to compensation from the FSCS if the ACD cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £50,000. Further information about compensation arrangements is available upon request or from the Financial Services Compensation Scheme website [www.fscs.org.uk](http://www.fscs.org.uk).

## Notice to Shareholders

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A notice is duly served if it is delivered to the Shareholder’s address as appearing in the Register or is delivered by electronic means in accordance with the COLL Sourcebook. Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it is posted. Any document left at a registered address or delivered other than by post is deemed to have been served on that day.

## Further information

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All information concerning the Company and about investing in Shares of the Company is available from the Administrator and Registrar at Vanguard Investments Funds, P.O. Box 10315, Chelmsford, CM99 2AT. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up-to-date version.

## Telephone recordings

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Please note that the ACD and/or the Administrator and Registrar may record telephone calls for regulatory, training or monitoring purposes or to confirm investors' instructions.

## Risk management

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The ACD will provide, upon the request of a Shareholder, further information relating to:

- (i) the quantitative limits applying in the risk management of any Fund;
- (ii) the methods used in relation to (i) above; and
- (iii) any recent development of the risk and yields of the main categories of investment.

## Appendix 6: Delegation of Safekeeping Duties by the Depositary

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, with an office at 20 Churchill Place, Canary Wharf, London E14 5HJ, UK, whom the Depositary has appointed as its global sub-custodian.

At the date of this Prospectus, State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below.

<b>MARKET</b>	<b>SUB-CUSTODIAN</b>
<b>Albania</b>	Raiffeisen Bank sh.a.
<b>Argentina</b>	Citibank, N.A., Buenos Aires
<b>Australia</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Austria</b>	Deutsche Bank AG
	UniCredit Bank Austria AG
<b>Bahrain</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Bangladesh</b>	Standard Chartered Bank
<b>Belgium</b>	BNP Paribas
<b>Benin</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Bermuda</b>	HSBC Bank Bermuda Limited
<b>Federation of Bosnia and Herzegovina</b>	UniCredit Bank d.d.
<b>Botswana</b>	Standard Chartered Bank Botswana Limited
<b>Brazil</b>	Citibank, N.A.
<b>Bulgaria</b>	Citibank Europe plc, Bulgaria Branch
	UniCredit Bulbank AD
<b>Burkina Faso</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Canada</b>	State Street Trust Company Canada
<b>Chile</b>	Banco de Chile
<b>People's Republic of China</b>	HSBC Bank (China) Company Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
	China Construction Bank Corporation (for A-share market only)
	Citibank N.A. (for Shanghai – Hong Kong Stock Connect market only)
	The Hongkong and Shanghai Banking Corporation Limited (for Shanghai – Hong Kong Stock Connect market only)



	Standard Chartered Bank (Hong Kong) Limited (for Shanghai – Hong Kong Stock Connect market)
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria
<b>Costa Rica</b>	Banco BCT S.A.
<b>Croatia</b>	Privredna Banka Zagreb d.d.
	Zagrebacka Banka d.d.
<b>Cyprus</b>	BNP Paribas Securities Services, S.C.A., Greece (operating through its Athens branch)
<b>Czech Republic</b>	Československá obchodní banka, a.s.
	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Denmark</b>	
	Skandinaviska Enskilda Banken AB (publ), Sweden
<b>Egypt</b>	Citibank N.A.(operating through its Cairo branch)
<b>Estonia</b>	AS SEB Pank
<b>Finland</b>	
	Skandinaviska Enskilda Banken AB (publ)
<b>France</b>	BNP Paribas
<b>Republic of Georgia</b>	JSC Bank of Georgia
<b>Germany</b>	State Street Bank GmbH
<b>Ghana</b>	Standard Chartered Bank Ghana Limited
<b>Greece</b>	BNP Paribas Securities Services, S.C.A.
<b>Guinea-Bissau</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Hong Kong</b>	Hongkong Shanghai Banking Corporation Limited (HSBC)
<b>Hungary</b>	Citibank Europe plc Magyarországi Fióktelepe
	UniCredit Bank Hungary Zrt.
<b>Iceland</b>	Landsbankinn hf.
<b>India</b>	Citibank N.A.
<b>Indonesia</b>	Deutsche Bank AG
<b>Ireland</b>	State Street Bank and Trust Company, United Kingdom branch
<b>Israel</b>	Bank Hapoalim B.M.
<b>Italy</b>	Deutsche Bank S.p.A.
	Intesa Sanpaolo S.p.A.
<b>Ivory Coast</b>	Standard Chartered Bank Côte d'Ivoire S.A.
<b>Japan</b>	Mizuho Bank, Limited
	The Hongkong and Shanghai Banking Corporation Limited

<b>Jordan</b>	Standard Chartered Bank
<b>Kazakhstan</b>	JSC Citibank Kazakhstan
<b>Kenya</b>	Standard Chartered Bank Kenya Limited
<b>Republic of Korea</b>	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
<b>Kuwait</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Latvia</b>	AS SEB banka
<b>Lithuania</b>	AB SEB bankas
<b>Luxembourg</b>	Clearstream Banking S.A., Luxembourg
<b>Malawi</b>	Standard Bank Limited
<b>Malaysia</b>	Deutsche Bank (Malaysia) Berhad
	Standard Chartered Bank Malaysia Berhad
<b>Mali</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Mauritius</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Mexico</b>	Banco Nacional de México, S.A.
<b>Morocco</b>	Citibank Maghreb
<b>Namibia</b>	Standard Bank Namibia Limited
<b>Netherlands</b>	Deutsche Bank AG
<b>New Zealand</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Niger</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Nigeria</b>	Stanbic IBTC Bank Plc.
<b>Norway</b>	
	Skandinaviska Enskilda Banken AB (publ)
<b>Oman</b>	HSBC Bank Oman S.A.O.G. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Pakistan</b>	Deutsche Bank AG
<b>Panama</b>	Citibank, N.A.
<b>Peru</b>	Citibank del Perú, S.A.
<b>Philippines</b>	Deutsche Bank AG
<b>Poland</b>	Bank Handlowy w Warszawie S.A.
<b>Portugal</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Lisbon branch)
<b>Puerto Rico</b>	Citibank N.A.
<b>Qatar</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)

<b>Romania</b>	Citibank Europe plc, Dublin – Romania Branch
<b>Russia</b>	AO Citibank
<b>Saudi Arabia</b>	HSBC Saudi Arabia Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Senegal</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Serbia</b>	UniCredit Bank Serbia JSC
<b>Singapore</b>	Citibank N.A.
<b>Slovak Republic</b>	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Slovenia</b>	UniCredit Banka Slovenija d.d.
<b>South Africa</b>	FirstRand Bank Limited
	Standard Bank of South Africa Limited
<b>Spain</b>	Deutsche Bank S.A.E.
<b>Sri Lanka</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Republic of Srpska</b>	UniCredit Bank d.d.
<b>Swaziland</b>	Standard Bank Swaziland Limited
<b>Sweden</b>	Skandinaviska Enskilda Banken AB (publ)
<b>Switzerland</b>	Credit Suisse AG
	UBS Switzerland AG
<b>Taiwan - R.O.C.</b>	Standard Chartered Bank (Taiwan) Limited
<b>Tanzania</b>	Standard Chartered Bank (Tanzania) Limited
<b>Thailand</b>	Standard Chartered Bank (Thai) Public Company Limited
<b>Togo</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Tunisia</b>	Union Internationale de Banques
<b>Turkey</b>	Citibank, A.Ş.
	Deutsche Bank A.Ş.
<b>Uganda</b>	Standard Chartered Bank Uganda Limited
<b>Ukraine</b>	PJSC Citibank
<b>United Arab Emirates Dubai Financial Market</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Arab Emirates Dubai International Financial Center</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Arab Emirates Abu Dhabi</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Kingdom</b>	State Street Bank and Trust Company, United Kingdom branch

<b>United States</b>	State Street Bank and Trust Company, Boston
<b>Uruguay</b>	Banco Itaú Uruguay S.A.
<b>Vietnam</b>	HSBC Bank (Vietnam) Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Zambia</b>	Standard Chartered Bank Zambia Plc.
<b>Zimbabwe</b>	Stanbic Bank Zimbabwe Limited (as delegate of Standard Bank of South Africa Limited)

# Vanguard

**Vanguard Investments UK, Limited**

4<sup>th</sup> Floor, The Walbrook Building  
25 Walbrook  
London EC4N 8AF

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