An active approach to momentum investing
Momentum investing draws on the phenomenon of equities with recent strong share price performance continuing to appreciate in value. Short-term price increases, typically over six months and up to a year, can be an indicator of future outperformance. Academic studies have shown investing in shares that exhibit this momentum factor could outperform the market over the long term.

Vanguard Global Momentum Factor UCITS ETF is a global equity portfolio that targets shares displaying the strongest momentum characteristics in its investment universe. Its dynamic quantitative approach is designed to ensure the portfolio maintains significant exposure to the momentum factor even in changing market environments. It offers investors a rules-based approach to an active investment strategy.

Momentum is one of the many factors an investor can choose to target. Factors are the underlying exposures that explain and influence an investment’s return.

How is it different from other momentum factor funds?

We believe the fund’s combination of active investment management, low cost and exposure to global equities sets it apart.

Active

Vanguard Global Momentum Factor UCITS ETF follows an active investment strategy. It does not track an index nor does it use market capitalisation weights to determine a share’s position in the portfolio.

Portfolio managers use quantitative models to assess a share’s suitability and build the portfolio. The models determine an equity’s momentum characteristics and assign a momentum factor score. Only the highest-scoring stocks are included in the portfolio and their weight in the portfolio is determined by their factor score, subject to a given set of risk controls. These controls aim to create a globally diversified portfolio, keep transaction costs low and maintain significant exposure to the momentum factor.

As it doesn’t track an index, the portfolio is not tied to a rebalancing schedule. Portfolio managers are able to adapt the portfolio to changing market conditions. When market movements create opportunities, managers can buy shares with a high momentum factor score and sell shares with low momentum factor scores.
Vanguard Global Momentum Factor UCITS ETF offers investors a rules-based approach to active momentum investing.

**Low cost**
Simply stated, investing in a low-cost fund means an investor gets to keep more of the fund’s return. The ongoing charges figure for Vanguard Global Momentum Factor UCITS ETF is 0.22%.

**Global**
Vanguard believes a global mandate offers more potential to lower risk through diversification when compared with country or regional mandates. The performance of different countries and regions isn’t always correlated and at times can be significantly different. A global mandate also offers a wider range of investment opportunities, providing the potential of higher capacity and greater investment flexibility.

**What risks should I consider in evaluating the fund?**
All investing carries risks. The following are some of the risks associated with this fund. Please read the risk factors section in the prospectus for more information.

- **Active management risk** – Returns are likely to be volatile and investors need to maintain a long-term perspective. The fund is expected to have high relative risk/tracking error given its sector, country and size differences in comparison with the global stock market.
- **Stock market risk** – Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The value of the fund’s investments can go down as well as up.
- **Concentration risk** – The fund may be overweight in a particular industry compared with the overall market as a consequence of targeting the momentum factor. Fund performance may then be linked to the performance of that industry and any risks specific to that industry.
- **Currency risk** – The fund invests in stock markets around the world. The value of these investments may rise or fall due to changes in the exchange rate.

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1 ETFs can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered before investing.