

Annual report | 30 June 2023

# Vanguard Wholesale International Equities Active Funds (Unhedged)

## Responsible Entity

Vanguard Investments Australia Ltd.  
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## Vanguard Wholesale International Equities Active Funds (Unhedged)

<b>Fund</b>	<b>ASX</b>	<b>ARSN</b>	<b>ABN</b>
Vanguard Active Global Growth Fund	-	632 655 577	16 465 809 772
Vanguard Active Emerging Market Equity Fund	-	632 655 675	13 359 821 400

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# About Vanguard

Since our establishment in 1975, Vanguard has strived to be the world's highest-value provider of investment products and services. We have an unwavering focus on our clients with a commitment to champion what's best for investors by offering outstanding service, while keeping costs low.

Over the years Vanguard has built a reputation as a global leader in client advocacy and earned the trust of millions of investors along the way. Our sole purpose has been to align our interest with those of our investors to ensure they have the best chance for investment success.

With over AUD \$12 trillion in assets under management globally as of 30 June 2023, including over AUD \$3.4 trillion in ETFs, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for over 25 years.

## **Our unique structure — putting investors' interests first**

What sets Vanguard apart — and allows Vanguard to put investors first around the world — is the ownership structure of The Vanguard Group, Inc., in the United States.

Rather than being publicly traded or owned by a small group of individuals, the Vanguard Group is owned by Vanguard's US-domiciled funds and ETFs. Those funds, in turn, are owned by their investors.

This mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, Australian investors benefit from Vanguard's stability and experience, low costs and client focus.

## **Our investment expertise**

When you invest with Vanguard, you have more than 45+ years of investing experience behind you. So no matter which investment products suit your needs, you can feel confident that Vanguard investments are built on a rigorous investment philosophy that stands the test of time.

## **Low-cost investing**

We know we can't control the markets, but we can control the costs of investing. To that end, providing low-cost investments isn't a pricing strategy for us. It's how we do business.

We can keep costs low because of our unique ownership structure in the United States, which allows us to return profits to investors through lower costs.

# Directors' report

The Responsible Entity of the Vanguard Wholesale International Equities Active Funds (Unhedged) (the "Funds") for the year ended 30 June 2023 was Vanguard Investments Australia Ltd (the "Responsible Entity").

The directors of Vanguard Investments Australia Ltd present their report together with the financial statements for the year ended 30 June 2023.

## Principal activities

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Funds' Constitution.

The Vanguard Active Global Growth Fund, managed by Baillie Gifford, seeks to provide long-term capital growth by investing primarily in equity securities of companies from around the globe that are considered to have above-average growth potential, before taking into account fees, expenses and tax.

The Vanguard Active Emerging Market Equity Fund, managed by Wellington, seeks to provide long-term capital growth by investing primarily in equity securities of companies located in emerging markets around the world, before taking into account fees, expenses and tax.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the activities of the Funds during the year.

## Directors

The following persons held office as directors of the Responsible Entity during the year and up to the date of this report:

Daniel Shrimski

John Bendl

Curt Jacques

Kim Petersen

## Review and results of operations

The Funds invest in listed equity securities, listed unit trusts, derivatives and cash and cash equivalents. The investment policy of the Funds continue to be in accordance with the provisions of the Funds' Constitution.

## Results

The results of the operations of the Funds were as follows:

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	19,490	(34,537)	478	(5,459)
<b>Distributions</b>				
Distribution paid and payable (\$'000)	519	2,839	372	207
Distribution (cents per unit)	0.5954	3.5434	1.7230	1.0316

# Directors' report (continued)

## Review and results of operations (continued)

### Performance

The tables below detail the performance of the Funds as represented by the total return, net of fees, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for for the past four years to 30 June 2023 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns. The directors assess the performance of the Funds by comparing each Fund's total return with the corresponding Index (the "Benchmark") gross of fees.

	2023 %	2022 %	2021 %	<sup>^</sup> 2020 %
Vanguard Active Global Growth Fund				
Capital growth	20.29	(28.01)	30.53	14.49
Distribution of income	0.61	1.89	2.91	1.09
Total return	20.90	(26.12)	33.44	15.58
Benchmark				
MSCI All Country World Index (with net dividends reinvested) in AUD	20.38	(8.02)	27.72	2.95

<sup>^</sup> From inception to 30 June 2020

	2023 %	2022 %	2021 %	<sup>^</sup> 2020 %
Vanguard Active Emerging Market Equity Fund				
Capital growth	0.44	(22.96)	26.10	(2.67)
Distribution of income	1.92	0.75	5.88	1.54
Total return	2.36	(22.21)	31.98	(1.13)
Benchmark				
MSCI Emerging Markets Index (with net dividends reinvested) in AUD	5.11	(18.43)	29.22	2.03

<sup>^</sup> From inception to 30 June 2020

Investors should be aware that past performance is not necessarily an indicator of future performance.

### Unit redemption prices

Unit redemption prices (quoted including distribution) are shown as follows:

	At 30 June		Period high		Period low	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Vanguard Active Global Growth Fund	1.2952	1.0789	1.2952	1.5811	1.0650	1.0198
Vanguard Active Emerging Market Equity Fund	0.9518	0.9456	0.9670	1.2231	0.8250	0.9093

### Significant changes in state of affairs

Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the Fund's investments and fund performance.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial year.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Funds in future financial years.

# Directors' report (continued)

## Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitution.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## Indemnity and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of Vanguard Investments Australia Ltd or the auditors of the Funds. So long as the officers of Vanguard Investments Australia Ltd act in accordance with the Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditors of the Funds are in no way indemnified out of the assets of the Funds.

## Fees paid to and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Funds' property during the year are disclosed in note 15 of the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 15 of the financial statements.

## Interests in the Funds

The movement in units on issue in the Funds during the year is disclosed in note 9 of the financial statements.

The value of the Funds' assets and liabilities are disclosed on the balance sheet and derived using the basis set out in note 2 of the financial statements.

## Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under either Commonwealth, State or Territory law.

## Rounding of amounts to the nearest thousand dollars

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, unless otherwise indicated.

## Additional disclosure

The relief available in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* has been applied in the directors' report and the financial report, combining information related to multiple Funds. In accordance with that, information related to each included Fund has been readily identified and amounts for each included Fund is presented in the adjacent columns in this report.

# Directors' report (continued)

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



Daniel Shrimski  
*Managing Director, Vanguard Investments Australia Ltd*  
Melbourne  
13 September 2023



## Auditor's Independence Declaration

- Vanguard Active Global Growth Fund
- Vanguard Active Emerging Market Equity Fund

referred to collectively as the Vanguard Wholesale International Equities Active Funds (Unhedged).

As lead auditor for the audit of the Vanguard Wholesale International Equities Active Funds (Unhedged) for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Adrian Gut', with a horizontal line extending to the right.

Adrian Gut  
Partner  
PricewaterhouseCoopers

Melbourne  
13 September 2023

# Statements of comprehensive income

For the year ended 30 June 2023

	Notes	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
		\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>					
Interest income		48	-	6	-
Dividend income		1,181	1,374	549	612
Distribution income		-	-	14	14
Net gains/(losses) on financial instruments at fair value through profit or loss	5	18,940	(35,076)	234	(5,652)
<b>Total net investment income/(loss)</b>		<b>20,169</b>	<b>(33,702)</b>	<b>803</b>	<b>(5,026)</b>
<b>Expenses</b>					
Responsible Entity's fees	15	547	678	147	179
Custody fees		6	26	47	114
Transaction costs		23	54	51	49
Withholding tax expense		93	73	57	64
Other operating expenses		10	4	23	27
<b>Total operating expenses</b>		<b>679</b>	<b>835</b>	<b>325</b>	<b>433</b>
<b>Operating profit/(loss)</b>		<b>19,490</b>	<b>(34,537)</b>	<b>478</b>	<b>(5,459)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>19,490</b>	<b>(34,537)</b>	<b>478</b>	<b>(5,459)</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Balance sheets

As at 30 June 2023

	Notes	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
Cash and cash equivalents	11	2,091	1,344	349	485
Receivables		177	79	19	36
Accrued income		63	40	65	98
Due from brokers - receivable for securities sold		-	137	46	252
Financial assets at fair value through profit or loss	6	106,413	93,633	19,623	19,978
<b>Total assets</b>		<b>108,744</b>	<b>95,233</b>	<b>20,102</b>	<b>20,849</b>
<b>Liabilities</b>					
Distribution payable	10	226	384	126	83
Payables		117	159	77	21
Due to brokers - payable for securities purchased		-	17	-	400
Financial liabilities at fair value through profit or loss	7	-	-	-	1
<b>Total liabilities</b>		<b>343</b>	<b>560</b>	<b>203</b>	<b>505</b>
<b>Net assets attributable to unitholders (equity)</b>	9	<b>108,401</b>	<b>94,673</b>	<b>19,899</b>	<b>20,344</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the year ended 30 June 2023

	Notes	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
		\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>		<b>94,673</b>	95,678	<b>20,344</b>	21,231
<b>Comprehensive income for the year</b>					
Profit/(loss) for the year		<b>19,490</b>	(34,537)	<b>478</b>	(5,459)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>19,490</b>	(34,537)	<b>478</b>	(5,459)
<b>Transactions with unitholders</b>					
Applications		<b>18,030</b>	66,038	<b>1,991</b>	7,766
Redemptions		<b>(23,487)</b>	(30,848)	<b>(2,748)</b>	(3,540)
Units issued upon reinvestment of distributions		<b>214</b>	1,181	<b>206</b>	553
Distributions paid and payable	10	<b>(519)</b>	(2,839)	<b>(372)</b>	(207)
<b>Total transactions with unitholders</b>		<b>(5,762)</b>	33,532	<b>(923)</b>	4,572
<b>Total equity at the end of the financial year</b>	9	<b>108,401</b>	94,673	<b>19,899</b>	20,344

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Statements of cash flows

For the year ended 30 June 2023

	Notes	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments at fair value through profit or loss		22,173	24,681	16,845	16,884
Purchases of financial instruments at fair value through profit or loss		(15,826)	(60,570)	(16,433)	(20,977)
Transaction costs on purchases of financial instruments at fair value through profit or loss		(23)	(54)	(51)	(49)
Interest received		48	-	6	-
Dividends received		1,033	1,262	526	492
Distributions received		-	-	12	11
Other income received		3	-	-	-
Responsible Entity's fees paid		(543)	(682)	(147)	(179)
Operating expenses paid		(16)	(41)	(70)	(144)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>6,849</b>	<b>(35,404)</b>	<b>688</b>	<b>(3,962)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by unitholders		17,961	66,804	2,007	7,823
Payments for redemptions by unitholders		(23,547)	(30,742)	(2,728)	(3,554)
Distributions paid from operating activities		(463)	(1,827)	(123)	(211)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(6,049)</b>	<b>34,235</b>	<b>(844)</b>	<b>4,058</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		1,344	2,572	485	356
Effects of foreign currency exchange rate changes on cash and cash equivalents		(53)	(59)	20	33
<b>Cash and cash equivalents at the end of the year</b>	11	<b>2,091</b>	<b>1,344</b>	<b>349</b>	<b>485</b>
Non-cash financing activities	12(b)	214	1,181	206	553

The above statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the year ended 30 June 2023

## 1 General information

These financial statements cover the Vanguard Wholesale International Equities Active Funds (Unhedged) (the “Funds”) as registered managed investment schemes. The respective constitution dates are as follows:

- Vanguard Active Global Growth Fund 1 April 2019
- Vanguard Active Emerging Market Equity Fund 1 April 2019

The Responsible Entity of the Vanguard Wholesale International Equities Active Funds (Unhedged) is Vanguard Investments Australia Ltd (the “Responsible Entity”). The Responsible Entity’s registered office is Level 13, 130 Lonsdale Street, Melbourne VIC 3000.

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Funds’ Constitution.

The Vanguard Active Global Growth Fund, managed by Baillie Gifford, seeks to provide long-term capital growth by investing primarily in equity securities of companies from around the globe that are considered to have above-average growth potential, before taking into account fees, expenses and tax.

The Vanguard Active Emerging Market Equity Fund, managed by Wellington, seeks to provide long-term capital growth by investing primarily in equity securities of companies located in emerging markets around the world, before taking into account fees, expenses and tax.

The financial statements were authorised for issue by the directors on 13 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All material balances are expected to be recovered or settled within 12 months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months after the end of each reporting period cannot be reliably determined.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder’s option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (i) Compliance with International Financial Reporting Standards

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### (ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### (iii) New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

### (b) Financial instruments

#### (i) Classification

The Funds classify their investments based on their business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Funds' portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities, listed unit trusts and derivatives are measured at fair value through profit or loss.

#### (ii) Recognition/derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Funds have transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Funds measure financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise. Realised gains and losses on investments transactions and unrealised gain or loss of investments are both computed on weighted average cost basis.

For further details on how the fair value of the financial instruments is determined are disclosed in note 4.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 3(c)(i) to the financial statement for further information.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 2 Summary of significant accounting policies (continued)

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Funds. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- apart from the contractual obligation to redeem the units, the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability in the balance sheet.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Funds' main income generating activity.

### (e) Margin accounts

Margin accounts comprise of cash held with brokers for derivative transactions to meet margin calls. It is not included as a component of cash and cash equivalents.

### (f) Investment income

Dividend, distribution and interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income, distribution income and interest income when the Funds' right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

### (g) Expenses

All expenses, including Responsible Entity's fees, performance fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

### (h) Income tax

Under current legislation, the Funds are not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders. The Funds may incur withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 2 Summary of significant accounting policies (continued)

### (i) Distributions

Distributions are payable as set out in the Funds' Product Disclosure Statement and/or Funds' Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Funds.

### (j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Funds' units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### (k) Functional and presentation currency

#### (i) Functional and presentation currency

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and is regulated. The Australian dollar is also the Funds' presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

### (l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

### (m) Receivables and accrued income

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

### (n) Payables

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting period.

As the Funds have a contractual obligation to distribute their distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### (o) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 2 Summary of significant accounting policies (continued)

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credit recovery rate of between 55% and 100%, hence Responsible Entity's fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (q) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### (r) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (s) Consolidation

The Funds meet the criteria for the investment entity exception and as such, do not prepare consolidated financial statements. Instead, the Funds investments are accounted for at fair value as disclosed in note 2(b). Further, the Funds do not control any entities where they have investments.

### (t) Rounding of amounts

The Funds are registered schemes of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

## 3 Financial risk management

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management program focuses on ensuring compliance with the Funds' Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Funds use different methods to measure different types of risks to which they are exposed. These methods are explained on the following pages.

Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the Fund's investments and fund performance.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (a) Market risk

#### (i) Price risk

The Funds are exposed to securities price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

In any asset sector the returns of individual securities are a combination of the market returns and returns specific to each security. By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities. Vanguard employs an indexing investment strategy in all asset classes in which the Funds invest.

At 30 June, the fair value of securities exposed to price risk were as follows:

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
Equity securities	106,413	93,633	18,875	19,558
Listed unit trusts	-	-	748	420
<b>Net total</b>	<b>106,413</b>	<b>93,633</b>	<b>19,623</b>	<b>19,978</b>

The tables presented in note 3(b) summarise the impact on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably based on the risk that the Funds were exposed to at reporting date.

#### (ii) Foreign exchange risk

The Funds have exposure to foreign assets and hold both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk, not foreign exchange risk.

In accordance with the Funds' policy, the Investment Manager monitors the Funds' foreign exchange exposure on all foreign currency denominated assets and liabilities on a daily basis. Currency positions are reconciled daily and discrepancies are immediately resolved. Procedures are established with the Investment Manager to trade currency as closely as possible to the close of the markets, so as to obtain exchange rates that closely approximate the rates used in the daily valuation.

The Funds are exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies. Fluctuations in the value of the Australian dollar and foreign currencies can affect the returns from overseas investments. This is because gains or losses must be converted back to Australian dollars.

The foreign exchange risk disclosures have been prepared on the basis of the Funds' direct investments and not on a lookthrough basis to investments held via interposed investment funds. In addition, any currency hedging to minimise the impact of foreign exchange risk has not been incorporated into the disclosures unless the derivatives are held directly in these Funds.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

The tables below summarises the Funds' financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	Vanguard Active Global Growth Fund				
	30 Jun 2023				
	Euro A\$'000	British Pound A\$'000	Hong Kong Dollar A\$'000	US Dollar A\$'000	Other currencies A\$'000
<b>Assets</b>					
Cash and cash equivalents	-	-	-	158	5
Receivables	17	33	-	-	17
Accrued income	-	-	33	6	24
Financial assets at fair value through profit or loss	8,017	7,555	5,689	70,004	15,148
<b>Total assets</b>	<b>8,034</b>	<b>7,588</b>	<b>5,722</b>	<b>70,168</b>	<b>15,194</b>
<b>Liabilities</b>					
Payables	-	-	-	-	14
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>Net increase/(decrease) in exposure from foreign currency forward contracts</b>					
- Buy foreign currency	-	-	-	-	-
- Sell foreign currency	-	-	-	(13)	(5)
<b>Net exposure including foreign currency forward contracts</b>	<b>8,034</b>	<b>7,588</b>	<b>5,722</b>	<b>70,155</b>	<b>15,175</b>

	Vanguard Active Global Growth Fund				
	30 Jun 2022				
	Euro A\$'000	British Pound A\$'000	Hong Kong Dollar A\$'000	US Dollar A\$'000	Other currencies A\$'000
<b>Assets</b>					
Cash and cash equivalents	-	-	-	1	-
Receivables	11	16	-	-	5
Accrued income	-	-	-	7	33
Due from brokers - receivable for securities sold	-	-	-	137	-
Financial assets at fair value through profit or loss	7,376	7,400	5,575	60,270	13,012
<b>Total assets</b>	<b>7,387</b>	<b>7,416</b>	<b>5,575</b>	<b>60,415</b>	<b>13,050</b>
<b>Liabilities</b>					
Due to brokers - payable for securities purchased	-	-	-	-	17
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>
<b>Net increase/(decrease) in exposure from foreign currency forward contracts</b>					
- Buy foreign currency	-	-	-	-	-
- Sell foreign currency	-	-	-	(61)	-
<b>Net exposure including foreign currency forward contracts</b>	<b>7,387</b>	<b>7,416</b>	<b>5,575</b>	<b>60,354</b>	<b>13,033</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

Vanguard Active Emerging Market Equity Fund					
30 Jun 2023					
	Hong Kong Dollar A\$'000	Indian Rupee A\$'000	Taiwan New Dollar A\$'000	US Dollar A\$'000	Other currencies A\$'000
<b>Assets</b>					
Cash and cash equivalents	19	(17)	7	306	17
Receivables	-	-	10	-	1
Accrued income	22	6	14	-	23
Due from brokers - receivable for securities sold	-	-	-	-	46
Financial assets at fair value through profit or loss	4,557	3,411	2,723	1,908	7,024
<b>Total assets</b>	<b>4,598</b>	<b>3,400</b>	<b>2,754</b>	<b>2,214</b>	<b>7,111</b>
<b>Liabilities</b>					
Payables	-	45	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in exposure from foreign currency forward contracts</b>					
- Buy foreign currency	-	19	-	60	-
- Sell foreign currency	(11)	-	-	(87)	(48)
<b>Net exposure including foreign currency forward contracts</b>	<b>4,587</b>	<b>3,374</b>	<b>2,754</b>	<b>2,187</b>	<b>7,063</b>

Vanguard Active Emerging Market Equity Fund					
30 Jun 2022					
	Hong Kong Dollar A\$'000	Indian Rupees A\$'000	Taiwan New Dollar A\$'000	US Dollar A\$'000	Other currencies A\$'000
<b>Assets</b>					
Cash and cash equivalents	84	37	63	229	56
Receivables	-	-	6	-	7
Accrued income	37	1	36	-	24
Due from brokers - receivable for securities sold	26	9	-	177	40
Financial assets at fair value through profit or loss	5,732	2,006	2,411	2,050	7,779
<b>Total assets</b>	<b>5,879</b>	<b>2,053</b>	<b>2,516</b>	<b>2,456</b>	<b>7,906</b>
<b>Liabilities</b>					
Payables	-	6	-	-	-
Due to brokers - payable for securities purchased	88	56	63	29	164
Financial liabilities at fair value through profit or loss	-	-	-	1	-
<b>Total liabilities</b>	<b>88</b>	<b>62</b>	<b>63</b>	<b>30</b>	<b>164</b>
<b>Net increase/(decrease) in exposure from foreign currency forward contracts</b>					
- Buy foreign currency	-	-	-	54	115
- Sell foreign currency	(17)	-	-	(116)	(20)
<b>Net exposure including foreign currency forward contracts</b>	<b>5,774</b>	<b>1,991</b>	<b>2,453</b>	<b>2,364</b>	<b>7,837</b>

The tables presented in note 3(b) summarise the impact of an increase/decrease of foreign exchange rates of each Funds' operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows.

#### (iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Funds have insufficient direct exposure to interest rate risk to be material. All financial liabilities are non-interest bearing.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' operating profit and net assets attributable to unitholders to price risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Price risk movement represents the range of historical index returns from the average return based on the minimum suggested investment time frames indicated within the Funds' respective PDS minus one standard deviation to average return plus one standard deviation. Foreign exchange risk reasonable possible movements are determined using Reserve Bank of Australia (RBA) foreign exchange rates for each currency published during the reporting period. The Funds have not made any changes to the methods used to determine its sensitivity to the market risk.

Impact on operating profit/(loss) and net assets attributable to unitholders												
Vanguard Active Global Growth Fund												
Price risk		Foreign exchange risk										
		Euro		British Pound		Hong Kong Dollar		US Dollar		Other currencies		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
30 Jun 2023	(2,128)	4,257	(3)	-	(6)	-	(3)	2	(13)	10	(3)	(1)

Impact on operating profit/(loss) and net assets attributable to unitholders												
Vanguard Active Global Growth Fund												
Price risk		Foreign exchange risk										
		Euro		British Pound		Hong Kong Dollar		US Dollar		Other currencies		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
30 Jun 2022	(1,873)	3,745	(1)	1	-	1	-	-	(16)	-	(1)	2

Impact on operating profit/(loss) and net assets attributable to unitholders												
Vanguard Active Emerging Market Equity Fund												
Price risk		Foreign exchange risk										
		Hong Kong Dollar		Indian Rupee		Taiwan New Dollar		US Dollar		Other currencies		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
30 Jun 2023	(589)	785	(3)	2	4	(3)	(2)	1	(24)	18	(9)	3

Impact on operating profit/(loss) and net assets attributable to unitholders												
Vanguard Active Emerging Market Equity Fund												
Price risk		Foreign exchange risk										
		Hong Kong Dollar		Indian Rupees		Taiwan New Dollar		US Dollar		Other currencies		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
30 Jun 2022	(600)	799	(6)	-	1	-	(3)	2	(42)	-	2	(2)

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The Funds are exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. No loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

For Funds which invest in forward exchange contracts there is risk associated with unrealised profits.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. There were no significant concentrations of credit risk to counterparties at 30 June 2023 or 30 June 2022.

### (i) Derivatives

The Responsible Entity has established counterparty limits such that, at any time, exposure to derivative financial instruments equivalent to less than 5% of the value of a Fund are with any individual counterparty, and all contracts are with counterparties included in the Board's Approved Counterparties list.

The Funds also restrict their exposure to credit losses on derivative instruments they hold by entering into master netting arrangements with counterparts with whom they undertake a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities unless transactions are settled on a net basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Funds' overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangements. The Funds' agreements with derivative counterparties are based on the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Funds do not presently have a legally enforceable right of set-off, these amounts have not been offset and are presented gross in the balance sheet. Amounts subject to master netting arrangements are immaterial as of year end.

During the year, the Funds could enter into collateral arrangements for forward foreign exchange contracts, repurchase agreements and reverse repurchase agreements to assist in enhancing returns in a risk controlled environment for the cash flow management of the Funds. Refer to note 6 for the balances in relation to these arrangements as of year end.

### (ii) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligations.

### (iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or higher short-term Standard & Poor's credit ratings (or Moody's equivalent).

In accordance with the Responsible Entity's derivatives policy, the Responsible Entity monitors the Funds' exposures on a daily basis, which the Board of Directors reviews quarterly. The derivatives policy is subject to annual review.

### (iv) Other

The Funds are not materially exposed to credit risk on other financial assets. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

The clearing and depository operations for the Funds' security transactions are mainly concentrated with one counterparty, namely JPM Chase Bank, N.A., Sydney Branch. JPM Chase Bank, N.A., Sydney Branch, is a member of a major securities exchange, and at 30 June 2023 had a credit rating of A-1 (30 June 2022: A-1). At 30 June 2023, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by JPM Chase Bank, N.A., Sydney Branch.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Funds are exposed to daily cash redemptions of redeemable units. The Funds primarily hold investments that are traded in active markets and can be readily disposed. The Funds' financial instruments include investments in equity investments and derivative contracts traded over-the-counter and on an exchange. The Funds may use futures to gain market exposure without investing directly in the securities. This allows the Funds to maintain liquidity without being under-invested in their respective investment policies. The derivatives are not used to leverage the Funds' portfolios.

The tables below analyses the Funds' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Vanguard Active Global Growth Fund									
	30 Jun 2023					30 Jun 2022				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000
Distribution payable	226	-	-	-	226	384	-	-	-	384
Payables	117	-	-	-	117	159	-	-	-	159
Due to brokers - payable for securities purchased	-	-	-	-	-	17	-	-	-	17
<b>Total liabilities</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>343</b>	<b>560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>560</b>

	Vanguard Active Emerging Market Equity Fund									
	30 Jun 2023					30 Jun 2022				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000
Distribution payable	126	-	-	-	126	83	-	-	-	83
Payables	77	-	-	-	77	21	-	-	-	21
Due to brokers - payable for securities purchased	-	-	-	-	-	400	-	-	-	400
<b>Total liabilities</b>	<b>203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504</b>

### Maturities of gross-settled derivative financial instruments

The tables below analyse the Funds' gross-settled derivative financial instruments based on their contractual maturity. The Funds may at their discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Vanguard Active Global Growth Fund									
	30 Jun 2023					30 Jun 2022				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000
Derivative										
Inflows	18	-	-	-	18	61	-	-	-	61
(Outflows)	(18)	-	-	-	(18)	(61)	-	-	-	(61)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (d) Liquidity risk (continued)

#### Maturities of gross-settled derivative financial instruments (continued)

	Vanguard Active Emerging Market Equity Fund									
	30 Jun 2023					30 Jun 2022				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-3 years \$'000	Total \$'000
Derivative										
Inflows	147	-	-	-	147	169	-	-	-	169
(Outflows)	(147)	-	-	-	(147)	(170)	-	-	-	(170)
Net	-	-	-	-	-	(1)	-	-	-	(1)

## 4 Fair value measurement

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVPL) (see note 6 and 7)
- Derivative financial instruments (see note 8)

The Funds have no assets or liabilities at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2(b) to the financial statements. For the majority of investments, the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### (ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The carrying amounts of the Funds' assets and liabilities at the balance sheet date approximate their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 4 Fair value measurement (continued)

### (ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

### Recognised fair value measurements

The following tables present the Funds' financial assets and liabilities (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022.

	Vanguard Active Global Growth Fund							
	30 Jun 2023				30 Jun 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>								
Equity securities	106,410	-	3	106,413	93,385	-	248	93,633
<b>Total</b>	<b>106,410</b>	<b>-</b>	<b>3</b>	<b>106,413</b>	<b>93,385</b>	<b>-</b>	<b>248</b>	<b>93,633</b>

	Vanguard Active Emerging Market Equity Fund							
	30 Jun 2023				30 Jun 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>								
Equity securities	18,875	-	-	18,875	19,558	-	-	19,558
Listed unit trusts	748	-	-	748	420	-	-	420
<b>Total</b>	<b>19,623</b>	<b>-</b>	<b>-</b>	<b>19,623</b>	<b>19,978</b>	<b>-</b>	<b>-</b>	<b>19,978</b>
<b>Financial liabilities at fair value through profit or loss</b>								
Derivatives	-	-	-	-	-	1	-	1
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>

The Funds' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no changes made to any of the valuation techniques applied as of 30 June 2023.

### Transfers between levels

There were no transfers between levels of the fair value hierarchy at the end of the reporting period 30 June 2023 and 30 June 2022. Equity securities were classified as level 3 as they are infrequently traded, or have a stale price. There were no transfers into or out of level 3 during the reporting period.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 5 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	22,234	(32,789)	1,470	(4,640)
Net realised gain/(loss) on financial instruments at fair value through profit or loss	(3,294)	(2,287)	(1,236)	(1,012)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>18,940</b>	<b>(35,076)</b>	<b>234</b>	<b>(5,652)</b>

## 6 Financial assets at fair value through profit or loss

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Financial assets at fair value through profit or loss</b>				
Equity securities	106,413	93,633	18,875	19,558
Listed unit trusts	-	-	748	420
<b>Total financial assets at fair value through profit or loss</b>	<b>106,413</b>	<b>93,633</b>	<b>19,623</b>	<b>19,978</b>
<b>Comprising:</b>				
<b>Equity securities</b>				
International equity securities	106,413	93,633	18,875	19,558
<b>Total equity securities</b>	<b>106,413</b>	<b>93,633</b>	<b>18,875</b>	<b>19,558</b>
<b>Listed unit trusts</b>				
International listed trusts	-	-	748	420
<b>Total listed unit trusts</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>420</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>106,413</b>	<b>93,633</b>	<b>19,623</b>	<b>19,978</b>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 7 Financial liabilities at fair value through profit or loss

	Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022
	Fair value \$'000	Fair value \$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Derivatives	-	1
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>1</b>
<b>Derivatives</b>		
Foreign currency forward contracts	-	1
Total derivatives	-	1
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>1</b>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

## 8 Derivative financial instruments

In the normal course of business the Funds enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of a Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

The Funds hold the following derivative instruments:

### Forward currency contracts

Forward currency contracts are primarily used by the Funds to manage against foreign currency risks on their investments. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Funds recognise a gain or loss equal to the change in fair value at the end of each reporting period.

The Funds' derivative financial instruments at year end are detailed below:

	Vanguard Active Global Growth Fund					
	2023			2022		
	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Fair value Assets \$'000	Liabilities \$'000
Forward currency contracts	18	-	-	61	-	-
<b>Total</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 8 Derivative financial instruments (continued)

	Vanguard Active Emerging Market Equity Fund					
	Contract/ Notional \$'000	2023		Contract/ Notional \$'000	2022	
		Fair value			Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Forward currency contracts	147	-	-	169	-	1
<b>Total</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>-</b>	<b>1</b>

### Risk exposures and fair value measurements

Information about the Funds' exposure to credit risk, foreign exchange risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

## 9 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Otherwise the financial instrument should be disclosed as a liability (refer to note 2(c)).

Movement in number of units and net assets attributable to unitholders during the year were as follows:

	Vanguard Active Global Growth Fund				Vanguard Active Emerging Market Equity Fund			
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000
Balance as at 1 July	88,022	64,044	94,673	95,678	21,529	17,309	20,344	21,231
Applications	15,561	46,332	18,030	66,038	2,163	6,953	1,991	7,766
Redemptions	(19,992)	(23,179)	(23,487)	(30,848)	(2,953)	(3,189)	(2,748)	(3,540)
Units issued upon reinvestment of distributions	198	825	214	1,181	230	456	206	553
Distributions paid and payable	-	-	(519)	(2,839)	-	-	(372)	(207)
Profit/(loss) for the year	-	-	19,490	(34,537)	-	-	478	(5,459)
<b>Closing balance as at 30 June</b>	<b>83,789</b>	<b>88,022</b>	<b>108,401</b>	<b>94,673</b>	<b>20,969</b>	<b>21,529</b>	<b>19,899</b>	<b>20,344</b>

Each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. The Vanguard Active Global Growth Fund and Vanguard Active Emerging Market Equity Fund have no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

### Capital risk management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified either as a liability or equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Funds' investment strategy remains unchanged and the Funds continue to hold direct investments which provide exposure to liquid assets including equity securities, income securities, interest earnings and cash equivalent securities. As such, the Funds will meet any capital requirements from the liquidation of liquid assets, which include cash and cash equivalents.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 10 Distributions to unitholders paid and payable

The distributions during the year were as follows:

	Vanguard Active Global Growth Fund				Vanguard Active Emerging Market Equity Fund			
	30 Jun 2023		30 Jun 2022		30 Jun 2023		30 Jun 2022	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions paid								
- 30 September	188	0.2096	1,267	1.7301	178	0.8144	121	0.6322
- 31 December	100	0.1106	609	0.7105	45	0.2028	3	0.0120
- 31 March	5	0.0055	579	0.6667	23	0.1036	-	-
Distributions payable								
- 30 June	226	0.2697	384	0.4361	126	0.6022	83	0.3874
	519	0.5954	2,839	3.5434	372	1.7230	207	1.0316

## 11 Cash and cash equivalents

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
Domestic cash at bank	1,928	1,343	17	16
Foreign cash at bank	163	1	332	469
<b>Total cash and cash equivalents</b>	<b>2,091</b>	<b>1,344</b>	<b>349</b>	<b>485</b>

## 12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Profit/(loss) for the year	19,490	(34,537)	478	(5,459)
Proceeds from sale of financial instruments at fair value through profit or loss	22,173	24,681	16,845	16,884
Purchases of financial instruments at fair value through profit or loss	(15,826)	(60,570)	(16,433)	(20,977)
Net (gains)/losses on financial instruments at fair value through profit or loss	(18,940)	35,076	(234)	5,652
Net change in receivables	(52)	(42)	34	(61)
Net change in payables	4	(12)	(2)	-
Non-cash items	-	-	-	(1)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,849</b>	<b>(35,404)</b>	<b>688</b>	<b>(3,962)</b>
<b>(b) Non-cash financing activities</b>				
During the year, the distribution payments satisfied by the issue of units under the distribution reinvestment plan	214	1,181	206	553

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 13 Remuneration of auditors

The auditor's remuneration is borne by the Responsible Entity. During the year, the following fees were paid or payable for services provided by the auditor of the Funds.

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$	\$	\$	\$
<b>Auditors of the Funds - PwC</b>				
Audit of financial statements	18,596	17,095	18,596	17,095
Audit and other assurance services				
Audit of compliance plan, specified assertions report and internal controls report	11,491	9,598	11,491	9,598
Other non-audit services				
Tax compliance services	9,416	8,829	9,416	8,829
<b>Total services provided by PwC</b>	<b>39,503</b>	<b>35,522</b>	<b>39,503</b>	<b>35,522</b>

## 14 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Funds. The Funds consider investments in unit trusts and managed funds to be structured entities. The Funds have exposures to unconsolidated structured entities through their investment activities and these have been accounted for as financial assets at fair value through profit or loss. The nature and extent of the Funds' interests in related unconsolidated structured entities are units in underlying funds and are summarised in note 15. There are no significant interests in unrelated unconsolidated structured entities held by the Funds as at the reporting date.

The Funds' maximum exposure to loss is restricted to the carrying value of the assets. Exposure to trading assets is managed in accordance with financial risk management practices as set out in note 3, which includes an indication of changes in risk measures compared to prior year.

During the year, the Funds have not provided any financial or other support to unconsolidated structured entities and have no intention of providing financial or other support to unconsolidated structured entities in the future.

## 15 Related party transactions

### Responsible Entity

The Responsible Entity of the Vanguard Wholesale International Equities Active Funds (Unhedged) is Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263). Vanguard Investments Australia Ltd and Zealous, Inc. are wholly owned subsidiaries of The Vanguard Group, Inc.

### Key management personnel

Key management personnel includes persons who were directors of Responsible Entity at any time during the financial year are as follows:

Daniel Shrimski

John Bendl

Curt Jacques

Kim Petersen

No other person had authority and responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial year.

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 15 Related party transactions (continued)

### Transactions with key management personnel

Key management personnel services are provided by Vanguard Investments Australia Ltd and included in the management fees. There is no separate charge for these services. There was no compensation paid directly by the Funds to any of the key management personnel.

### Key management personnel unitholdings

The key management personnel of Vanguard Investments Australia Ltd (VIA) did not hold any units in the Funds during the financial year ended 30 June 2023 and 30 June 2022.

### Key management personnel remuneration

Key management personnel are paid by the Responsible Entity. Payments made from the Funds do not include any amounts directly attributable to key management personnel remuneration.

### Key management personnel loan disclosures

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Responsible Entity's fees and other transactions

During the year ended 30 June 2023, the Responsible Entity received an all-inclusive management fee (inclusive of GST, net of RITC available to the Funds) over the Funds' average net assets attributable to unitholders as follows:

	Management costs	
	2023 % per annum	2022 % per annum
Vanguard Active Global Growth Fund	0.60	0.60
Vanguard Active Emerging Market Equity Fund	0.88	0.88

Management fee comprises a base and a capped positive or negative variable fee based on the Funds' performance relative to the benchmark over the same period. Under the terms of the Funds' Product Disclosure Statement, each Fund applies a performance fee (positive or negative) on a sliding scale depending on how a Fund performs relative to its benchmark.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Funds and the Responsible Entity are as follows:

	Vanguard Active Global Growth Fund		Vanguard Active Emerging Market Equity Fund	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$	\$	\$	\$
Management fees for the year paid by the Fund to the Responsible Entity	547,020	646,060	146,811	179,074
Performance fees for the year paid by the Fund to the Responsible Entity	-	31,725	-	-
Total Management & Performance fees payable to the Responsible Entity at year end	45,836	42,110	12,079	12,240

# Notes to the financial statements (continued)

For the year ended 30 June 2023

## 15 Related party transactions (continued)

### Related party unitholdings

Parties related to the Funds, including the Responsible Entity, its affiliates or other schemes managed by the Responsible Entity held units in the Funds. The Funds did not have interests in unconsolidated structured entities as at 30 June 2023 (30 June 2022: Nil).

		Vanguard Active Emerging Market Equity Fund							
		Number of	Number of	Country of	Fair value of	Interest	Number	Number	Distributions
		units held	units held	Establishment	investments	held at	of units	of units	paid/payable
		opening	closing	and Principal		year end	acquired	disposed	by the Fund
				Place of					
30 Jun 2023	Unitholder	Units	Units	Business	\$	%	Units	Units	\$
	Zealous, Inc.	7,905,168	8,037,777	United States	7,602,404	38.33	132,609	-	136,459

		Vanguard Active Emerging Market Equity Fund							
		Number of	Number of	Country of	Fair value of	Interest	Number	Number	Distributions
		units held	units held	Establishment	investments	held at	of units	of units	paid/payable
		opening	closing	and Principal		year end	acquired	disposed	by the Fund
				Place of					
30 Jun 2022	Unitholder	Units	Units	Business	\$	%	Units	Units	\$
	Zealous, Inc.	7,631,727	7,905,168	United States	7,444,603	36.72	273,441	-	80,733

### Investments

The Funds did not hold any investments in Vanguard Investments Australia Ltd during the year.

The Funds did not hold any investments in other schemes managed by the Responsible Entity or its related parties.

### Other transactions within the Funds

Apart from those details disclosed in this note, no directors have entered into a material contract with the Funds during the financial year and there were no material contracts involving directors' interests subsisting at year end.

## 16 Events occurring after the reporting period

There are no significant events that have occurred since balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 30 June 2023 or on the results and cash flows of the Funds for the year ended on that date.

## 17 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (30 June 2022: Nil).

# Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 30 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2023 and of their performance, as represented by the results of their operations for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Daniel Shrimski  
*Managing Director, Vanguard Investments Australia Ltd*  
Melbourne  
13 September 2023



## Independent auditor's report

To the unitholders of:

- Vanguard Active Global Growth Fund
- Vanguard Active Emerging Market Equity Fund

referred to collectively as the Vanguard Wholesale International Equities Active Funds (Unhedged).

### Report on the audit of the financial report

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#### Our opinion

In our opinion:

The accompanying financial report of the Vanguard Wholesale International Equities Active Funds (Unhedged) (the Funds) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial positions as at 30 June 2023 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The financial report comprises:

- the balance sheets as at 30 June 2023
- the statements of comprehensive income for the year then ended
- the statements of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Funds, the accounting processes and controls and the industry in which the Funds operate.



### Materiality

- For the purpose of our audit, we used approximately 2.5% of each Fund's net assets to set our overall materiality for each Fund.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets because, in our view, it is the metric against which the performance of the Funds is most commonly measured and is a generally accepted benchmark.
- We utilised 2.5% as the threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

### Audit Scope

- Our audit focused on where the Funds made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit approach reflects the nature of the investments held by the Funds and the consideration of the work undertaken by third-party service providers. The key service provider relevant to our audit is the administrator and custodian, who maintains the accounting records of the Funds and provides custodian services for the investments.



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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matter to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Investments in financial assets at fair value through profit or loss</b> <i>Refer to note 2 (Summary of significant accounting policies) and note 4 (Fair value measurement)</i></p> <p>At 30 June 2023, investments in financial assets at fair value through profit or loss comprised primarily of investments in listed equity securities and listed unit trusts.</p> <p>Investments in financial assets at fair value through profit or loss was a key audit matter because investments represent the principal element of the balance sheet. A discrepancy in the valuation or existence of investments could cause the net asset value to be materially misstated which would also impact the Funds' reported performance as the valuation of investments is the main driver of movements in the profit of the Funds.</p>	<p>To assess the design and operating effectiveness of the service providers' relevant controls, we performed the following procedures, amongst others:</p> <ul style="list-style-type: none"><li>inspected the most recent reports provided to Vanguard Investments Australia Ltd (the Responsible Entity) by the service providers setting out the controls in place at those service providers, and that included an audit opinion from the service provider auditor over the design and operating effectiveness of those controls.</li><li>developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the service provider's auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the Funds.</li></ul> <p>We inspected an audit report issued by the third-party service provider's auditor on the valuation and existence of the Funds' investments as at balance sheet date. We compared the value of the investments at 30 June 2023 as recorded in the Funds' financial report and underlying accounting records to this report.</p>



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## Other information

The directors of the Responsible Entity (the directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the directors for the financial report**

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Adrian Gut'.

Adrian Gut  
Partner

Melbourne  
13 September 2023

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