



This letter is sent to you as a holder in Vanguard Common Contractual Fund (the “CCF”). It is important and requires your immediate attention. If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, solicitor or attorney or other professional advisor. If you sold or otherwise transferred your holding in the CCF, please send this letter to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**This letter has not been reviewed by the Central Bank of Ireland (the “Central Bank”) and it is possible that changes thereto may be necessary to meet the requirements of the Central Bank. The Directors are of the opinion that there is nothing contained in this letter nor in the proposals detailed herein that conflicts with the guidance issued by and regulations of the Central Bank.**

The Directors have taken all reasonable care to ensure that, as at the date of this letter, the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility for the information contained in this letter.

Unless otherwise indicated, all capitalised terms shall have the same meaning as otherwise described in the prospectus for the CCF dated 20 December 2018 (the “Prospectus”).

**VANGUARD GROUP (IRELAND) LIMITED**

*Registered Office  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland*

19 March 2019

Dear holder

We are writing to you as a holder of Vanguard Common Contractual Fund (the “CCF”) to notify you that there will be a change of pricing policy for the CCF on or about 20 May 2019.

***Background***

The pricing of units in each sub-fund of the CCF (the **Portfolio**) is, and will continue to be, carried out on a single pricing basis. This means that a single price is applied to any transaction, regardless of whether an investor is purchasing or redeeming units. The single price is based on the valuation provisions in respect of the underlying investments (as detailed in the Prospectus) less liabilities i.e. the net asset value (the “NAV”).

The actual costs of purchasing units in a Portfolio may be higher or lower than the NAV, as a result of costs such as transactions costs, taxes and dealing spreads. When investors purchase and redeem units, such costs can have a materially disadvantageous effect on an investor's interest in a Portfolio, known as “dilution”. Investors in the CCF are currently protected from the effects of dilution by our

ability to apply a dilution adjustment to the NAV of a Portfolio on any dealing day in order to cover the costs incurred when an investor buys or sells units in the Portfolio (a policy called “**Swing Pricing**”). When applying Swing Pricing, the NAV will be calculated for the relevant Portfolio, and then adjusted or “swung” according to the rate of the applicable dealing adjustment. Our current policy is to apply Swing Pricing whenever there are net purchases or net redemptions in the Portfolio, irrespective of the size of those transactions. However the CCF may, in its discretion, decide not to apply Swing Pricing on any day if it is determined that the benefits to investors of not applying Swing Pricing outweigh the detriments.

#### ***Change to the Swing Pricing Policy***

Following a review of the Swing Pricing policy, it has been decided to amend the policy through the introduction of cashflow thresholds which need to be reached in order to apply Swing Pricing (a “**Swing Threshold**”). This means that if the net cashflow into or out of a Portfolio on a dealing day is below the relevant Swing Threshold for that Portfolio, Swing Pricing will not be applied.

Since introducing Swing Pricing in 2017, the impact of costs arising from investors transacting in the CCF has been analysed, as well as the impact on each Portfolio’s performance, including, in regard to Portfolios that track an index, tracking error. Based on this analysis, the Directors have been advised that the introduction of Swing Thresholds will continue to protect continuing investors from the effects that dealings in the units of a Portfolio may have on the value of that Portfolio, as well as enabling investors to better measure how effectively the Portfolio is performing relative to its benchmark.

In addition, the Directors have been advised that the introduction of Swing Thresholds is better aligned with investor demand than the current approach without thresholds and that this will encourage further investments into the CCF, enabling existing investors to benefit from the economies of scale. The Directors have also been advised that the application of Swing Pricing with thresholds is more in line with market standards.

#### ***How it works***

When applying Swing Pricing, we will calculate the NAV for the relevant Portfolio and then, adjust, or “swing”, the NAV-based single price according to the rate of the applicable dealing adjustment. The determination to swing the NAV in respect of a Portfolio will be made following a consideration of the dealing activity (i.e. purchases or redemptions) in the relevant Portfolio on that dealing day and whether this activity, either net inflow or outflow, exceeds the pre-determined Swing Threshold for that Portfolio. If a price is adjusted, this will be the official price for the Portfolio for all deals that day - buys, sells and switches.

As the estimated costs of buying and selling the underlying investments of a Portfolio can vary with market conditions, and the impact of investor activity will vary by Portfolio, the Swing Threshold set will vary by Portfolio.

It will remain in the CCF’s discretion, to decide not to apply Swing Pricing on any day, even if a Swing Threshold is reached, if we determine that the benefits to investors of not applying Swing Pricing outweigh the detriments.

Swing Pricing will not benefit Vanguard in any way. It is designed to treat all investors in a Portfolio fairly.

#### ***Timing***

The change set out above will take effect on or about 20 May 2019, subject to the approval of the Central Bank. An updated prospectus will also be published on this date to reflect this change.

If you have any queries, or if any of the above is not clear, please consult with your professional adviser or Vanguard’s Client Services team by email at [european\\_client\\_services@vanguard.co.uk](mailto:european_client_services@vanguard.co.uk) or [personal\\_investor\\_enquiries@vanguard.co.uk](mailto:personal_investor_enquiries@vanguard.co.uk) or by telephone at +44 203 753 4305.

Yours faithfully



**Director**

**For and on behalf of**

**VANGUARD GROUP (IRELAND) LIMITED**