Target Market Determination (TMD)

Vanguard Investments Australia

Issuer	**Vanguard Investments Australia Ltd**
Issuer ABN	72 072 881 086
Issuer AFSL	227263
Fund	**Vanguard International Shares High Yield Fund**
ARSN	691 213 037
APIR Code	VAN8886AU
ISIN Code	AU60VAN88860
Market Identifier Code	N/A
Product Exchange code	N/A
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TMD Version	1.0
TMD Status	Final

Target Market Summary

This product is likely to be appropriate for consumers:

- Seeking long-term capital growth and regular income via exposure to a diversified portfolio of international equity securities
- who have a high or very high risk/return profile
- who intend to use the product as a major allocation, core component, minor allocation or satellite allocation within a portfolio
- who have a long-term investment timeframe and
- who are likely to need to access their capital with less than one week's notice.

This Target Market Determination (TMD) is issued in accordance with section 994B of the Corporations Act 2001 (Cth) (the Act). It sets out:

- The class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs.
- In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of Issuer's design and distribution arrangements for the product.

Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is not a product disclosure statement (PDS) and is not a complete summary of the product features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS for the product before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the PDS, unless otherwise defined.

New direct applications are limited to eligible investors as described in the PDS. Individual and SMSF investors can only access the unlisted wholesale class of the Fund indirectly (for example, through Vanguard Personal Investor, a master trust, wrap platform or a nominee or custody service).

Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Appropriateness

Vanguard has assessed this product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described below, as the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator (Column 2).

Description of the Target Market

TMD Indicator Key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red /green rating methodology with appropriate colour coding:

(G) In target market

(R) Unlikely to be in target market

Note on investment products and diversification



A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of minor allocation). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole. For example, a consumer may seek to construct a balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a High risk/return profile may be consistent with the consumer's objectives for that minor allocation notwithstanding that the risk/return profile of the consumer as a whole is Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

The FSC has provided more detailed guidance on how to take this portfolio view for diversification, available on the FSC website.

Consumer Attributes	TMD indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth	G	**Investment objective** Vanguard International Shares High Yield Fund seeks to track the return of the FTSE All-World ex Australia High Dividend Yield Net Tax Index (with net dividends reinvested), in Australian dollars before taking into account fees, expenses, and tax. **Fund overview** The Fund provides exposure to large and mid-cap stocks in developed and emerging markets that are characterised by higher-than-average forecast dividend yields. The Fund offers low-cost access to a diversified range of securities that allows investors to participate in the long-term growth potential of the international economies outside Australia. Real Estate Investment Trusts (REITS) are excluded from the index. The Fund is exposed to the fluctuating values of foreign currencies, as there will not be any hedging of foreign currencies to the Australian dollar. As the Fund will largely provide exposure to equity securities, by virtue of the nature of these assets being higher yielding growth assets, the Fund is likely to be appropriate for consumers who are seeking capital growth and regular income. **Income** The Fund is expected to distribute a cash distribution which may include either income and/or capital on a quarterly basis.
Capital Preservation	R	
Income Distribution	G	
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (up to 100%)	R	The portfolio diversification of the Fund is high, and the Fund is therefore likely to be appropriate as a major allocation, core component or minor or satellite allocation to a consumer's portfolio.
Major allocation (up to 75%)	G	
Core component (up to 50%)	G	
Minor allocation (up to 25%)	G	
Satellite allocation (up to 10%)	G	
Consumer's investment timeframe		
Minimum investment timeframe	7 years	The minimum suggested timeframe for holding investments in the Fund is 7 years. As the Fund aims to deliver on its objectives over the long-term, the Fund is therefore likely to be appropriate for a consumer who has a long investment timeframe.
Consumer's Risk (ability to bear loss) and Return profile		
Low	R	The Fund is expected to have the potential for higher returns than lower risk investments, however there is the higher potential for very high volatility (for example, below-average returns) and/or loss of capital.
Medium	R	
High	G	
Very high	G	
Extremely high	R	
Consumer's need to access capital		
Within one week of request	G	The Fund is very liquid as it invests in liquid, high quality instruments, as well as cash and cash equivalent assets that are readily realisable. Consumers will normally be able to withdraw their interest in the Fund on any Business Day, with redemption proceeds normally available within 3 business days.
Within one month of request	G	
Within three months of request	G	
Within one year of request	G	
Within 5 years of request	G	
Within 10 years of request	G	
10 years or more	G	
At issuer discretion	G	

Distribution conditions/restrictions

Distribution Condition	Distribution Condition Rationale	Distribution condition applies to
This product is available to retail clients investing directly through Vanguard Personal Investor.	The issuer has control and direct oversight of Vanguard Personal Investor, meaning it can be confident that distribution of the product through this channel will be directed towards the target market.	Vanguard Personal Investor
This product is available to retail clients investing with an adviser, where they receive personal advice.	Distribution as a result of personal advice means that a consumer's individual circumstances will have been considered and advisers will be subject to a best interests duty and related obligations under Pt 7.7A of the *Corporations Act 2001*.	Personal financial advice providers
This Product is available to persons investing through an investor directed portfolio service (IDPS), IDPS-like scheme, nominee or custody service or any other trading platform or distributor authorised by the Responsible Entity.	The issuer has an arrangement with each platform provider governing their relationship noting that platform providers, as distributors, are required to take reasonable steps that will, or are likely to, result in distribution of the product being consistent with its TMD.	IDPS, IDPS-like scheme, nominee or custody service or any other trading platform or distributor authorised by the Responsible Entity

Review triggers This part is required under section 994B(5)(d) of the Act.
Material change to key attributes, fund investment objective and/or fees.
Material deviation from benchmark / objective over sustained period.
Key attributes have not performed as disclosed by a material degree and for a material period.
Determination by the issuer of an ASIC reportable Significant Dealing.
Material or unexpectedly high number of complaints (as defined in section 994A(2) of the Act) about the product or distribution of the product.
The use of Product Intervention Powers, regulator orders or directions that affects the product.

Mandatory review periods	
Review period	**Maximum period for review**
Initial review	1 year and 3 months.
Subsequent reviews	3 years and 3 months.

Distributor reporting requirements		
Reporting requirement	**Reporting period**	**Which distributors this requirement applies to**
Complaints (as defined in section 994A(2) of the Act) relating to the product. The distributor should provide all the content of the complaint, having regard to privacy.	As soon as practicable but no later than 10 business days following end of calendar quarter	All distributors
Significant dealing outside of target market, under s994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Vanguard using the method specified on this website: vanguard.com.au/adviser/en/tmd

Term	Definition
Consumer's investment objective	
Capital Growth	The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	The consumer seeks to invest in a product designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities).
Income Distribution	The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total *investable assets*. The consumer is likely to seek a product with *very high* portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total *investable assets*.
	The consumer is likely to seek a product with at least *high* portfolio diversification.
Core Component (up to 50%)	The consumer may hold the investment as up to 50%, of their total *investable assets*.
	The consumer is likely to seek a product with at least *medium portfolio diversification*.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total *investable assets*.
	The consumer is likely to seek a product with at least *low* portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of the total *investable assets*. The consumer may seek a product with *very low portfolio diversification* (see definitions below).
	Products classified as *extremely high* risk are likely to meet this category only.
Investable Assets	Those assets that the consumer has available for investment, excluding the residential home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use) Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.	
Very low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy).
Medium	The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources).
High	The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities).
Very high	The product provides exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other.
Consumer's intended investment timeframe	

Term	Definition
Minimum	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.
Consumer's Risk (ability to bear loss) and Return profile	
This TMD uses the Standard Risk Measure (SRM) to estimate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the ***Standard Risk Measure Guidance Paper For Trustees*** (note the bands in the SRM guidance differ from the bands used in this TMD): see https://www.fsc.org.au/web-page-resources/fsc-guidance-notes/2316-fsc-gn29. However, SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating. A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.	
Low	For the relevant part of the consumer's portfolio, the consumer: • has a conservative or low risk appetite, • seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2), and • is comfortable with a low target return profile. The consumer typically prefers stable, defensive assets (such as cash).
Medium	For the relevant part of the consumer's portfolio, the consumer: • has a moderate or medium risk appetite, • seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5), and • is comfortable with a moderate target return profile. The consumer typically prefers defensive assets (for example, fixed income).
High	For the relevant part of the consumer's portfolio, the consumer: • has a high risk appetite • can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6) and • seeks high returns (typically over a medium or long timeframe). The consumer typically prefers growth assets (for example, shares and property).
Very high	For the relevant part of the consumer's portfolio, the consumer: • has a very high risk appetite • can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7) • Seeks to maximise returns (typically over a medium or long timeframe). The consumer typically prefers high growth assets such as high conviction portfolios, hedge funds and alternative investments).
Extremely high	For the relevant part of the consumer's portfolio, the consumer: • has an extremely high risk appetite, • can accept significant volatility and losses, and • seeks to obtain accelerated returns (potentially in a short timeframe). The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).

Term	Definition
Consumer's need to access capital	
Daily/Weekly/Monthly/ Quarterly/ Annually or longer	This consumer attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in aligning the product to the consumer's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product should be considered.
Distributor Reporting	
Significant dealings	Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning. The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC. Dealings outside this TMD may be significant because: • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). In each case, the distributor should have regard to: • the nature and risk profile of the product (which may be indicated by the product's risk rating or access to capital timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red and/or amber ratings attributed to the consumer). Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if: • it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period, • the consumer's intended product use is solution / standalone, or • the consumer's intended product use is core component or higher and the consumer's risk/return profile is low, or • the relevant product has a green rating for consumers seeking extremely high risk/return

IMPORTANT INFORMATION

This TMD has been prepared by Vanguard Investments Australia Ltd (VIA) ABN 72 072 881 086 AFSL 227263. VIA is the responsible entity and issuer of units in the managed investment scheme referred to in this material.

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