



19 March 2019

4th Floor
The Walbrook Building
25 Walbrook
London EC4N 8AF

Dear Investor,

Important Change Affecting Vanguard's UK Funds

We* are writing to notify you that we will be implementing a change of pricing policy for all of Vanguard's UK-based funds (the "**Funds**") on 20 May 2019.

You are receiving this letter because you are an investor in one or more of the Funds. This letter is important and requires your attention but does not require you to take any action.

Background

The pricing of shares or units in each Fund is 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 shares or units. The single price is based on the mid-market valuation of the underlying investments less liabilities known as the net asset value (the "NAV").

The actual costs of purchasing shares or units in a Fund 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 shares or units, such costs can have a materially disadvantageous effect on an investor's interest in a Fund, known as "dilution". Investors in our Funds are currently protected from the effects of dilution by our ability to apply a dilution adjustment to the NAV of a Fund on any dealing day in order to cover the costs incurred when an investor buys or sells shares or units in a Fund (a policy called "swing pricing"). When applying a dilution adjustment, we will calculate the NAV for the relevant Fund, and then adjust or "swing" the NAV with reference to the rate of the applicable dilution adjustment. Our current policy is, generally, to apply a dilution adjustment (or swing the price) whenever there are net purchases or net redemptions in the Funds, irrespective of the size of those transactions.

Change to our Dilution Adjustment Policy

Following a review of our dilution adjustment policy, we have decided to amend our policy through the introduction of cashflow thresholds which need to be reached in order to apply a dilution adjustment (a "Swing Threshold"). This means that if the net cashflow into or out of a Fund on a dealing day is below the relevant Swing Threshold for that Fund, a dilution adjustment will not be applied.

Since introducing the application of dilution adjustments in 2017, we have been able to analyse the impact of costs arising from investors transacting in our Funds, as well as the impact on our Funds' performance, including, in regard to Funds that track an index, tracking error. Based on this analysis, we are confident that the introduction of Swing Thresholds will continue to protect continuing investors from the effects that dealings in the shares or units of a Fund may have on the value of that Fund, as well as enabling investors to better measure how effectively the Funds are performing relative to their benchmark.

In addition, we believe 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 Funds, enabling existing investors to benefit from the economies of scale of a larger Fund. We also understand that the application of a dilution adjustment with thresholds is more in line with market standards.

How it works

When applying a dilution adjustment, we will calculate the NAV for the relevant Fund 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 Fund will be made following a consideration of the dealing activity (i.e. purchases or redemptions) in the relevant Fund on that dealing day and whether this activity, either net inflow or outflow, exceeds the pre-determined Swing Threshold for that Fund. If a price is adjusted, this will be the official price for the Fund for all deals that day - buys, sells and switches.

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

It will remain in our discretion, to decide not to make a dilution adjustment on any day, even if a Swing Threshold is reached, if we determine that the benefits to investors of not making one outweigh the detriments.

A price adjustment will not benefit Vanguard in any way. It is designed to treat all investors in a Fund fairly.

Timing

The change set out above will take effect automatically from 20 May 2019. Updated Prospectuses for the Funds will be published on this date to reflect these changes.

Our regulator, the Financial Conduct Authority, has confirmed that the change explained in this letter will not affect the ongoing authorisation of the Funds.

Should you have any queries regarding this change, please contact your financial adviser or Vanguard's Client Services team at uk_client_services@vanguard.co.uk or on +44 (0)20 3753 4305 between 9am and 5pm, Monday to Friday (excluding public holidays in England).

Yours faithfully



For and on behalf of

Vanguard Investments UK, Limited

*** Authorised Corporate Director of Vanguard Investments Funds ICVC and Vanguard LifeStrategy Funds ICVC, and Manager of Vanguard FTSE UK All Share Index Unit Trust and Vanguard FTSE 100 Index Unit Trust**