

Digital Advice — threat or opportunity?

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Simon Munday — Founder, Prosperity IFA

Alex Wheelan — Business Development Manager, Vanguard



A close-up photograph of a person's hand pointing their index finger at a tablet screen. The background is blurred, showing more of the tablet and some light streaks. The text "Digital advice is here!" is overlaid in white on the left side of the image.

“Digital advice
is here!”

Intelliflo



“The digital revolution is far more significant than the invention of writing or even of printing”

Douglas Engelbart



“You're talking about a younger generation, Generation Y, whose interpersonal communication skills are different from Generation X. The younger generation is more comfortable saying something through a digital mechanism than even face to face”

Erik Qualman



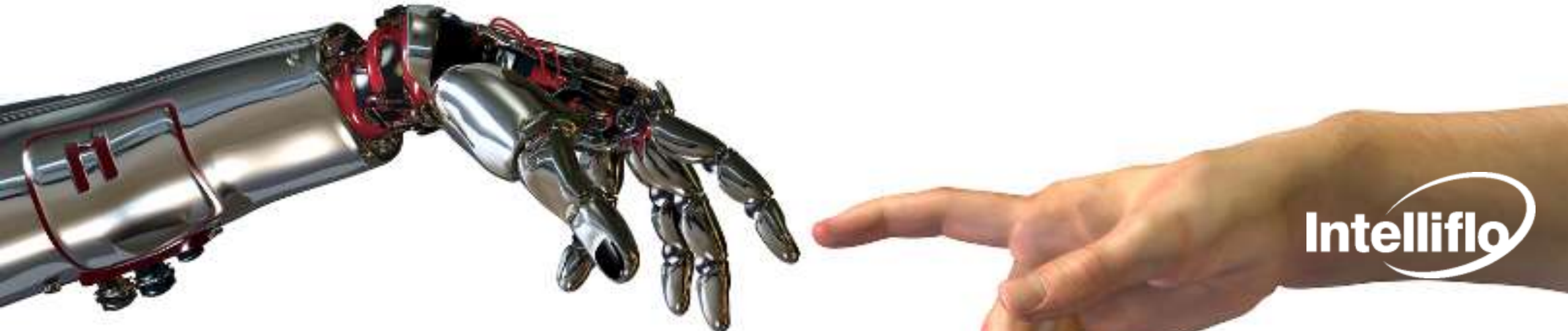
“Generation Y is much smarter. They just get information much more quickly. They really understand the idea of quality and value”

Jane Lauder

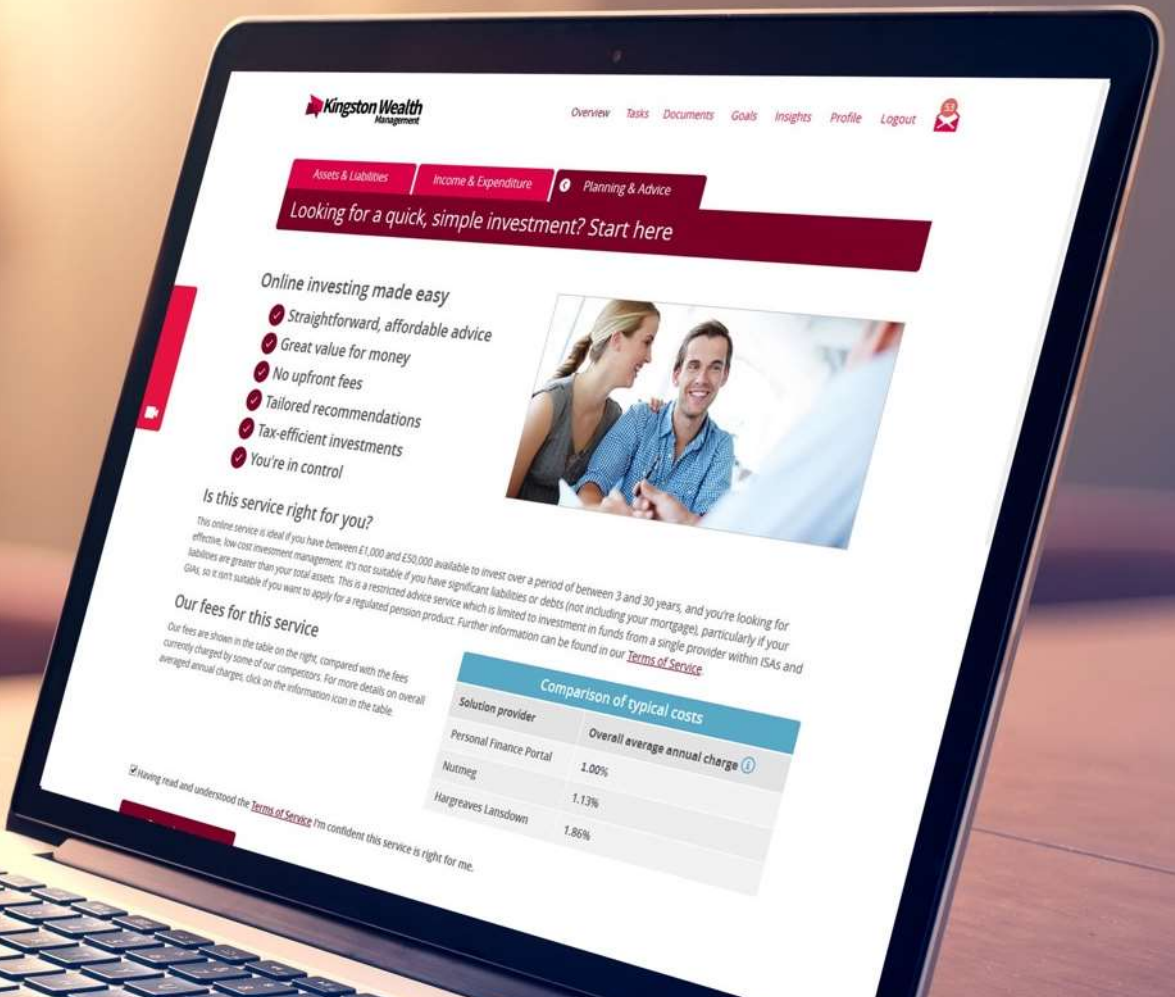


Today

- The future of digital advice - threat or opportunity?
- Simon Munday, Founder, Prosperity IFA
- Ben Nightingale, Strategic Account Manager of Vanguard
- Adopting digital and delivering it well
- What do your clients want?
- What does the future without a digital offering mean?



Personal Finance Portal (PFP) Why?



The benefits

- Better relationships with clients
- New business opportunities!
- Everything in one place

What do clients think?

- Positive
- Visualisation of wealth
- Premium benefits – well worth it

How did we get clients to engage?

- At first, we were naïve
- Now we've learnt the best way
- Added benefit – better data

Client satisfaction

- No more phone calls!
- Always most up-to-date information
- One simple to use app
- Shows spending habits



The impact on your business

- Stronger relationships
- Increased revenues
- Clients do the manual work



The future - my thoughts

- Crystal ball into the future
- The iWorld is standard
- Younger generation will need help too
- PFP easy to use
- Robo-advice is coming

To sum up ...

- Technology is the future – embrace it
- PFP alongside robo-advice will be a very powerful tool

Vanguard LifeStrategy Funds

Alex Wheelan

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The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.



Agenda

- Why Vanguard?
- Four Investment Principles
- Why LifeStrategy?

Why Vanguard?

Why Vanguard

Three things that make us different

- Client focus – our ownership structure
- Low-cost investing – scale
- Long-term thinking – stability and experience

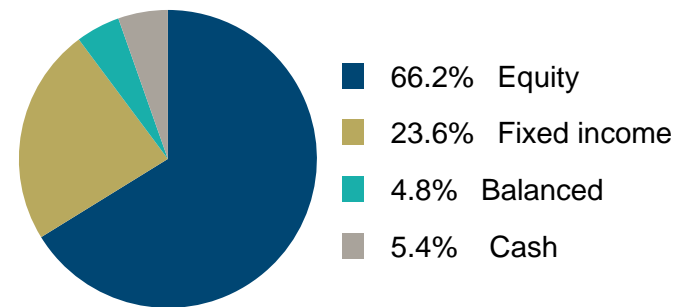
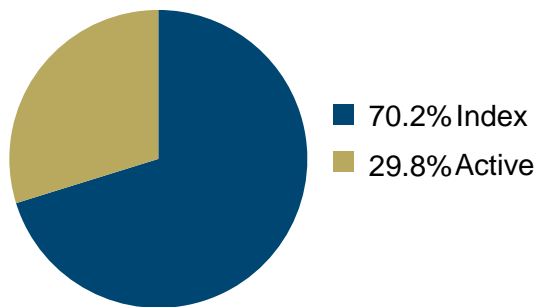
Our core purpose:

To take a stand for all investors, to treat them fairly,
and to give them the best chance for investment success.

The Vanguard Group – vital statistics

- The Vanguard Group launched 1975
- GBP 2.3 trillion Assets Under Management
- More than 10,500 institutional clients
- GBP 1,599bn under management in index funds
- GBP 679bn under management in active funds

Total assets worldwide: GBP 2.3 trillion



Four Investment Principles

LifeStrategy – embodying our four investment principles

Goals

Create clear, appropriate investment goals, for a specific tolerance to risk.

Balance

Develop a suitable asset allocation using broadly diversified funds.

Cost

Minimise cost.

Discipline

Maintain perspective and long-term discipline.

1. Goals - investor

Investment objective

- What are your clients investing for?
- When do they need the money?

Attitude to risk

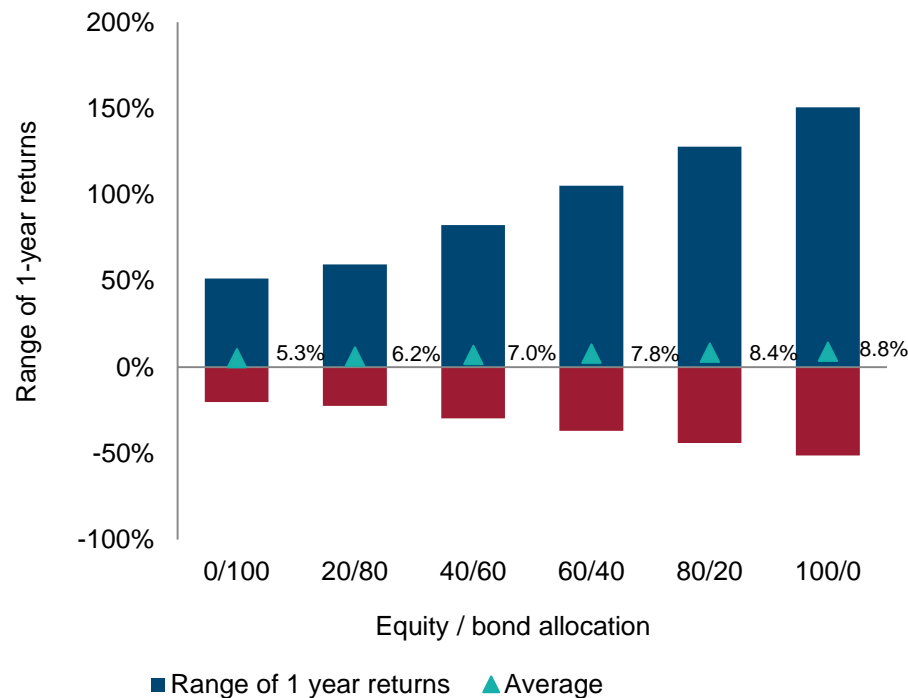
- Willingness
- Ability
- Need



One size does not fit all

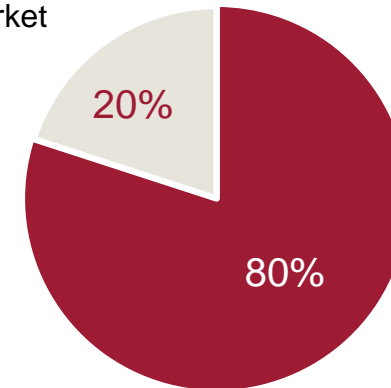
2. Balance – strategic asset allocation

UK/Global balanced portfolios, 1900-2015



Percentage of a portfolio's movements explained by...

Stock selection and market timing



Asset allocation

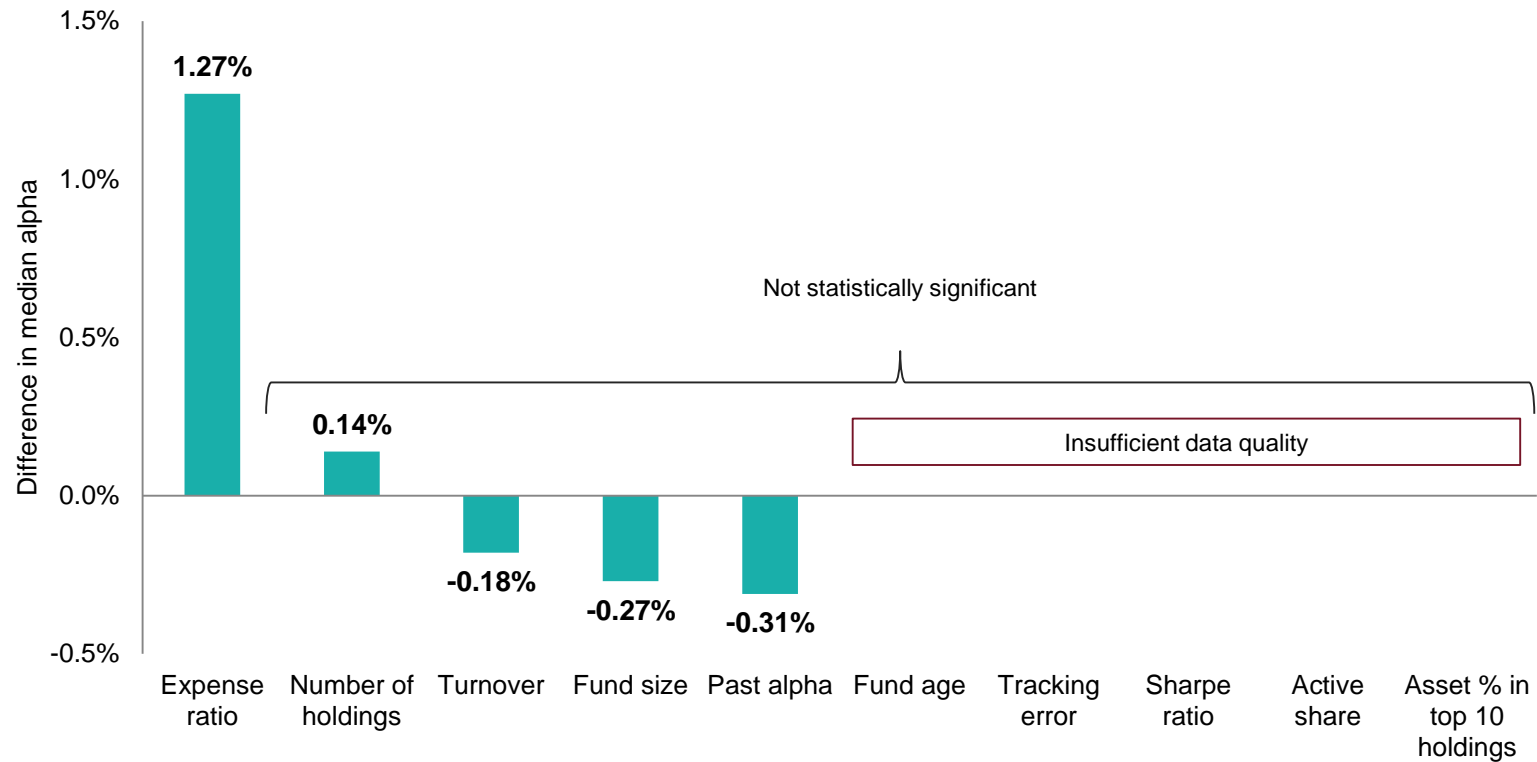
Past performance is not a reliable indicator of future results.

LHS Source: Source: Vanguard calculations, based on Barclays UK Equity Gilt study, Thomson Reuters, FTSE, MSCI, Citigroup and Barclays.

Notes: Reflects the maximum and minimum calendar year returns, along with the average annualised return, from 1900-2015, for various stock and bond allocations, rebalanced annually. From 1900 through 1984, stocks are represented by the Barclays Equity Gilt Study from 1900 to 1964, Thomson Reuters Datastream UK Market Index Jan.1965 - Dec.1969; MSCI UK Jan.1970 - Dec.1985; Thereafter, stocks are represented by MSCI All Country World Index. Bonds are UK as represented by Barclays Equity Gilt Study 1900-1976 ;FTSE UK Government Index Jan.1977-Dec 1984, Citigroup World Global Bond Index from 1985 through 1989, Barclays Global Aggregate Index thereafter. Returns are in sterling, with income reinvested, through 2015.

RHS source: Vanguard calculations using data from Morningstar. Note: Calculations are based on monthly returns for 294 UK balanced funds from January 1962 through December 2011. For details of the methodology, see the Vanguard research paper *The Global Case for Strategic Asset Allocation* (Wallick et al., 2012).

3. Cost – powerful indicator of future alpha

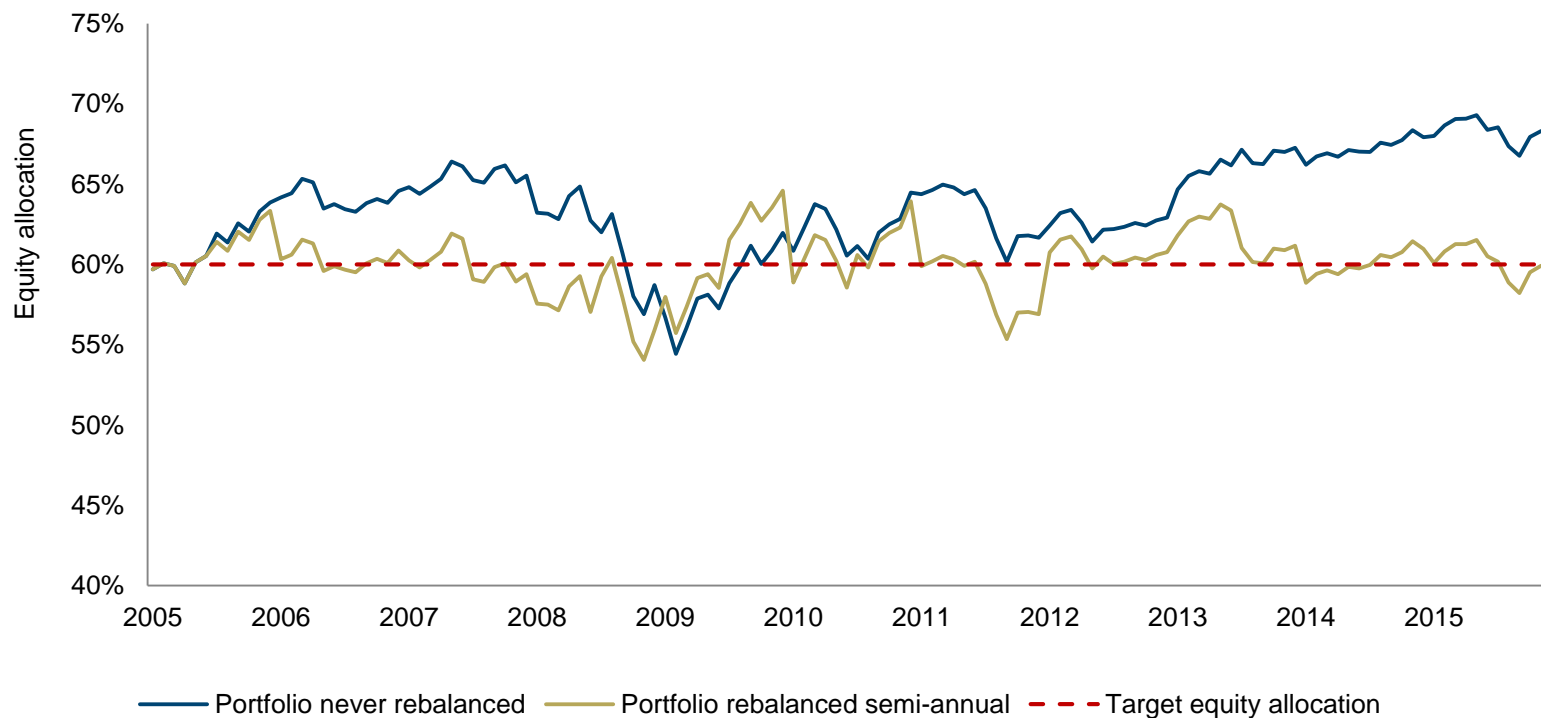


Sources: Vanguard calculations, using data from Morningstar Inc.

Note: The bars represent the difference in the median annual alpha from 1 January 2004 to 31 December 2013 of mutual funds in highest and lowest quartiles based on the five above metric measurements from 1 January 1999 to 1 December 2003.

4. Discipline – re-balancing

Changes in stock exposure for a re-balanced portfolio and a 'drifting portfolio', January 2005–December 2015



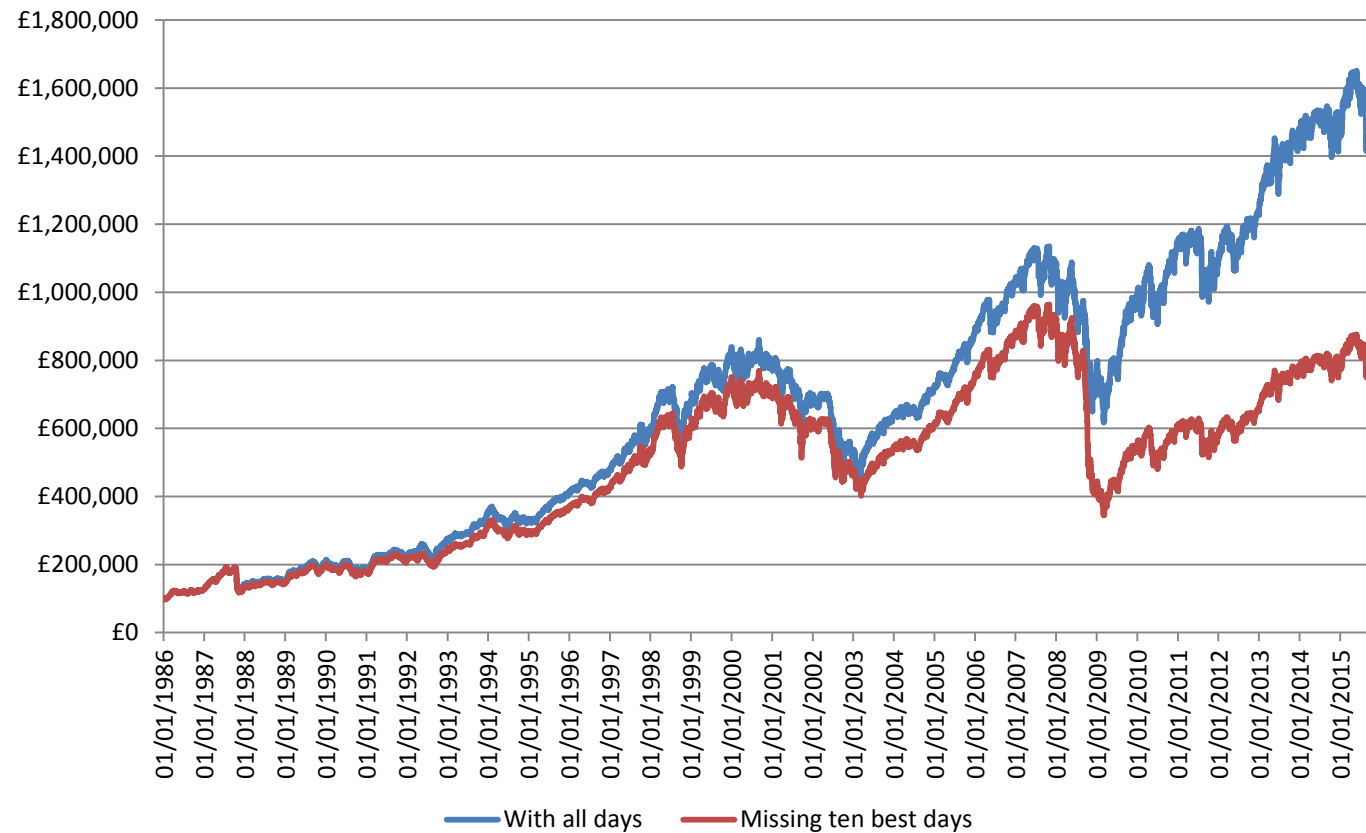
Source: Vanguard calculations, based on data from Thomson Reuters Datastream.

Notes: The initial allocation for both portfolios is 60% global equity and 40% global bonds. The rebalanced portfolio is returned to this allocation at the end of each June and December. Global equity is defined as the MSCI All Country World Investable Market Index, GBP un-hedged. Global bonds are defined as the Barclays Global Aggregate, hedged to sterling. Returns are in GBP with income reinvested. Potential tax savings assumes a 9% return on equities and 3% return on fixed income for an additional rate tax payer who has exhausted their capital gains tax allowance and re-balances their portfolio annually.

4. Discipline – the importance of staying invested

Missing the best 10 days

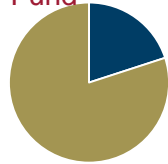
The danger of trying to time the market: FTSE All Share



Why LifeStrategy

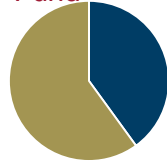
LifeStrategy – Outwardly simple. Inwardly sophisticated.™

Vanguard
LifeStrategy
™
20% Equity
Fund



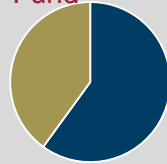
■ 20%
Equities
■ 80% Bonds

Vanguard
LifeStrategy
™
40% Equity
Fund



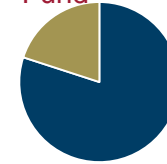
■ 40%
Equities
■ 60% Bonds

Vanguard
LifeStrategy
™
60% Equity
Fund



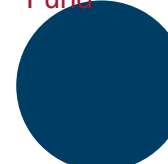
■ 60%
Equities
■ 40% Bonds

Vanguard
LifeStrategy
™
80% Equity
Fund



■ 80%
Equities
■ 20% Bonds

Vanguard
LifeStrategy
™
100% Equity
Fund



■ 100%
Equities

Inwardly sophisticated: 25+ sub-asset classes

U.K. equities

- 7.1% Large-cap
- 3.4% Mid-cap
- 4.5% Small-cap
- 6.5% Value
- 5.5% Core
- 3.1% Growth
- 0.3% U.K. REITs

U.K. nominal bonds

- 10.9% Treasury/Agency
- 2.5% Corporate
- 0.7% Other
- 0.0% Cash

Non - U.K. equities

- 3.8% Emerging
- 7.9% Europe
- 26.9% Americas
- 8.8% Pacific
- 0.7% Middle East/Other
- 1.1% Non-U.K. REITs

Non - U.K. nominal bonds

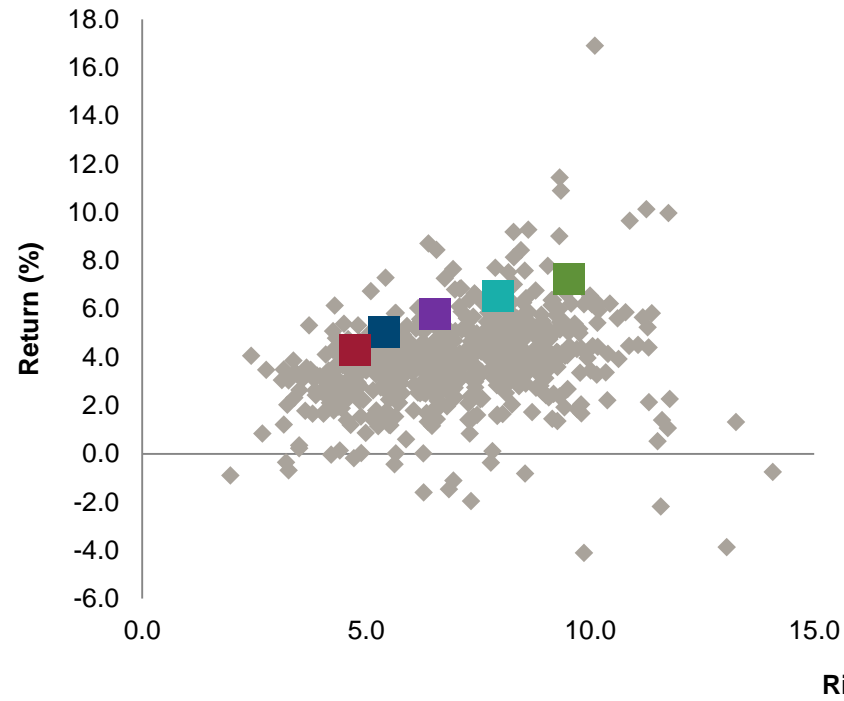
- 0.6% Emerging
- 9.2% Europe
- 12.0% Americas
- 4.7% Pacific
- 0.0% Middle East/Other
- 3.1% Linkers
- 0.0% Cash

More than 8,000 underlying holdings in every fund

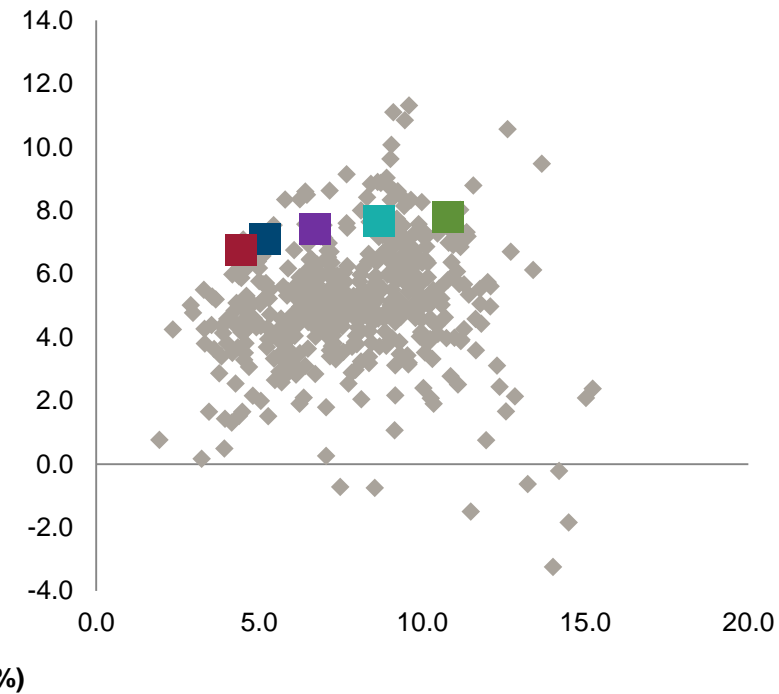
Source: Vanguard, as at 31 December 2015.

LifeStrategy – the performance results

Three-year



Since inception



■ LifeStrategy 100% ■ LifeStrategy 80% ■ LifeStrategy 60% ■ LifeStrategy 40% ■ LifeStrategy 20%

Past performance is not a reliable indicator of future results.

Source: Factset / Morningstar as at 31 March 2016. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV with gross income, reinvested. Please be advised that performance data up to 23 June 2011 are simulated. Simulated performance figures do not represent actual fund activity, and may not take account of relevant economic and market factors impacting actual fund performance.

Summary



- Buy and hold – strategic asset allocation does not change
- Automatic rebalancing – done within the fund
- Five funds – offers choice for different risk profiles
- Cost – 24bps
- Performance – 5 Years strong track record

Thanks for
listening



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eAdvisers are the future



Intelliflo

One final question

Do you think that you will now offer a digital proposition to your clients?

1. We already do
2. Yes in the next year
3. Yes at some point in the future
4. No
5. Still not sure