



# Vanguard Global Momentum Factor ETF

## Product brief

### A global equity portfolio that seeks long-term growth by capturing the momentum premium

#### Product summary

- A long-only, broadly diversified investment strategy that invests in developed market equities.
- A portfolio that seeks significant exposure to the momentum factor, which has been shown to provide long-term outperformance.
- An actively managed ETF with a flexible investment strategy that can adapt to changing market conditions and ensure the portfolio's exposure to momentum remains intact.

#### Key facts

Ticker	VMO
Management fee <sup>1</sup>	0.35%
Investment universe <sup>2</sup>	FTSE Developed All Cap Index, Russell 3000 Index
Inception date	June 14, 2016
Exchange	Toronto Stock Exchange
Currency	CAD

#### What is the momentum factor?

Studies have shown that stocks with strong recent performance have tended to outperform over subsequent short-term periods. This phenomenon—called the momentum factor—may exist because of certain investor behavioural biases, such as the tendency to overreact or underreact to new information and base decisions on recent market activity.

#### Why Vanguard Global Momentum Factor ETF?

**Factor exposure.** A dynamic quantitative approach aims to maintain consistent exposure to the momentum factor.

**Active management.** The portfolio management team selects stocks and constructs the portfolio using quantitative models that are designed to ensure exposure to the momentum factor, while keeping tight control over transaction costs.

**Low costs.** Investors earn more when they pay less. The ETF's annual management fee is just 0.35%, which compares favourably with the industry average management fee of 0.89% for actively managed mutual funds and 0.65% for actively managed ETFs.<sup>3</sup>

**Global diversification.** A global portfolio offers potentially lower volatility and increased factor exposure compared with a single-country or regional portfolio. Our ETF provides broad diversification, with exposure to large-, mid- and small-capitalization stocks across all sectors of the world's developed markets.

#### Who manages the ETF?

Vanguard Global Momentum Factor ETF is managed by Vanguard Quantitative Equity Group (QEG), which operates from Vanguard's global headquarters in Valley Forge, Pennsylvania. QEG manages about \$33 billion across a wide range of active equity investments. Its investment approach is defined by rigorous research, vigilant risk management, discipline and low costs.

<sup>1</sup> The management fee is equal to the fee paid by the Vanguard ETF to Vanguard Investments Canada Inc. and does not include applicable taxes or other fees and expenses of the Vanguard ETF.

<sup>2</sup> The Vanguard Global Momentum Factor ETF is actively managed and does not seek to track the performance of a benchmark. Benchmark data is used for reference only.

<sup>3</sup> The figures provided are a straight average, as of December 31, 2015. The average management fee for industry mutual funds was provided by Investor Economics and includes Series F mutual funds only and excludes ETFs, funds with performance fees, money market funds, funds with management fees charged at account level, hedge funds, index funds and LSVCC funds. The average management fee for industry ETFs was provided by Bloomberg and Vanguard and excludes funds with performance fees, funds with management fees charged at account level and index funds.

## How we target the momentum factor

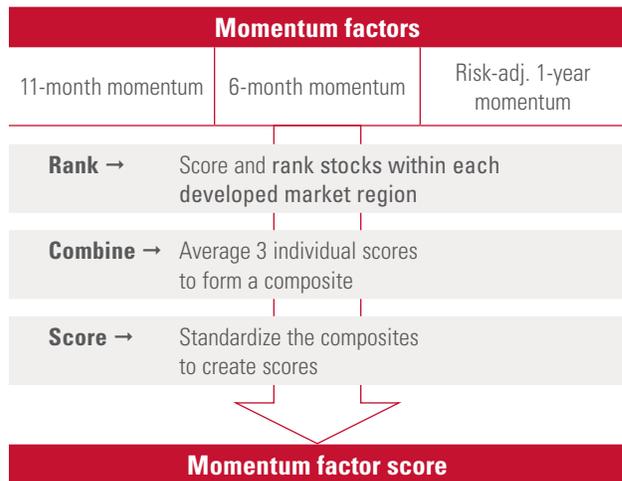
The investment universe is the FTSE Developed All Cap Index and the Russell 3000 Index. We divide the universe into regions—the United Kingdom, Europe ex-U.K., Japan, Asia Pacific ex-Japan, Canada and the United States. Our quantitative models assess each stock daily and assign it a score based on its momentum factor strength. Stocks are then ranked within each region based on their scores.

High-scoring stocks are included in the portfolio and weighted according to their score, subject to a set of risk controls. These controls aim to create a globally diversified portfolio and keep transaction costs low.

## Risk management is an integrated part of our process

Vanguard’s Risk Management Group (RMG) supports the investment process by providing high-quality analysis, insight and reporting that leads to informed risk taking and objective global risk management. RMG reports directly to Vanguard’s chief investment officer, which provides an additional, independent layer of risk control to the investment process.

## Scoring momentum factor strength



Source: Vanguard. Chart represents Vanguard’s proprietary factor portfolio construction process and is for illustration purposes only.

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