



# Vanguard Global Short Term Corporate Bond Index Hedged

Global Corporate Bond

## Introduction

(Offshore)

Vanguard Global Short Term Corporate Bond Index (Offshore) offers investors exposure to listed bonds globally. This passive product replicates the Bloomberg Global Aggregate Corporate 1-5 Year Float Adjusted Index using a stratified approach.

[Click here to read the Vanguard approach to ESG investing.](#)



## Why RSMR Rate this Fund

- Physically replicated product using a stratified sampling approach.
- Low cost solution for passive exposure to the bonds issued from companies across the globe.
- No stock lending on fixed income funds.
- Vanguard are one of the largest providers of index products in the world.

## Fund Process

The selection of bonds is led by the credit research analysts within Vanguard. The credit research team serves both the active and passive teams, leveraging the resources across both business units. The first step in the research process is identifying the bonds and issuers that are included in the index and analysing the features of index in order to best replicate them within a stratified approach. The passive products operate within defined parameters to replicate the risk of the underlying index. The aim is to match the risk and characteristics of the underlying index. The analysts will look for relative value opportunities within the defined universe. Part of their analysis will take into account the credit spread and pricing of individual bonds. The analysts are aiming to assess whether an issuer is being priced appropriately by the market. Trading of bonds is assigned by industry, geography and currency as Vanguard believe the operational expertise and knowledge of industry and sectors adds value for investors. Vanguard has trading desks located across the world allowing for local execution of trades.

The index includes global corporate bonds with maturities of between 1 and 5 years. The index is a multi-currency index that includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors.

There is no stock lending undertaken within fixed income funds.

## Evaluation

This passive product will offer investors exposure to bonds on a global basis, with low costs and low intended tracking error. Vanguard have local dealing desks that undertake the trading requirement of this product. Bonds often trade with an inverse relationship to interest rates which will have a leading effect on returns. However Vanguard's stratified sampling method allows portfolio managers and research analysts the opportunity to take advantage of relative value situations as they arise in an attempt to offer investors a better return experience than benchmarks. This does not negate periods of absolute negative returns.

## Application

Investors can use this passive index as a core holding to gain broad exposure to short term debt from global companies. A blend with a longer duration product could allow for a barbell strategy to be used in portfolios alongside active funds.

## Our Opinion

Vanguard's credit research team have a proven track record on relative-value security selection within the active business which they incorporate into the passive product offering. The teams analysis and leveraging of trading desks globally offers investors a strong value proposition within the passive framework. Costs for the passive products do not generally stray from the advertised OCFs from year to year something which Vanguard is very conscious of. Vanguard have a low closure rate on products as they seek to offer scalable, liquid products to investors.



#### **Important Notice**

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