

Asset Allocation Commentary

Summary

- **Canadian equities:** Higher returns versus those of global ex-Canada equities (1.6% vs -1.4%), contributed to returns, partly due to US growth stocks which significantly detracted from equity market returns.
- **Canadian bonds:** Generated 1.9% return during the quarter, higher than global bonds (1.0%) driven partly by two 25 basis points interest rate cuts by Bank of Canada.
- **Global equities:** Global ex-Canada equities posted a -1.4% return and underperformed Canadian equities, partly due to the underperformance of US stocks.
- **Global bonds:** Produced a 1.0% return during Q1 2025, partly driven by lower longer-term yields. Global bonds underperformed Canadian bonds, the latter of which benefitted from two 25 basis points interest rate cuts.

Performance contributors and detractors

During the first quarter of 2025, Canadian equities outperformed Global ex-Canada equities. Growth stocks underperformed value stock both in the US and Canada with the performance differential much greater within US equities.

This quarter saw heightened concerns about a global trade war which contributed to lower expectations of rate cuts in 2025. These concerns weighed more on growth and small cap stocks which are more sensitive to the interest rate environment. The US technology sector and small cap stocks slid by 12.6% and 9.4% respectively. Basic materials, healthcare, and energy sectors all performed well.

Emerging markets outperformed their developed peers, driven by strong performance from Chinese and South Korean equities. European stocks had strong double-digit gains as the European Commission President Ursula von der Leyen announced her proposal for an 800 billion Euro spending plan to boost the EC's defense capabilities. That news coupled with Germany lifting restrictions on spending limits boosted growth prospects for European equities.

Asset classes at a glance¹

For the quarter ended
March 31, 2025

	Quarterly Returns
Canadian equities	1.6%
Canadian bonds	1.9%
Global equities	-1.4%
Global bonds	1.0%

¹ Returns are in Canadian dollars.
Benchmarks referenced:

Canadian Equities:
FTSE Canada All-Cap Index

Global ex- Canada Equities:
FTSE Global All-Cap ex-Canada Index

Canadian Bonds: Bloomberg Global
Aggregate Canadian Float Adjusted
Bond Index

Global Bonds: Bloomberg Global
Aggregate Float Adjusted Composite
Index (CAD-hedged).

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Global bonds hedged to CAD underperformed Canadian bonds, similarly to last quarter. Canadian bonds relative outperformance versus global ex-Canada bonds hedged to CAD was driven partly by two 25 basis points interest rate cuts from 3.25% to 2.75% over the quarter by Bank of Canada. In the US, the 10-year US Treasury bond yield ended the quarter at 4.23%, down substantially from where it began the year at 4.57%, boosting US bond returns (2.3%) The term premium for US aggregate bonds only rose by 2 bps. Spreads also rose by 14 bps, negatively impacting corporate bonds.

About Asset Allocation ETFs

Vanguard is a top global asset manager, overseeing \$10 trillion USD² in assets worldwide for over 50 million investors, both big and small. We lead the industry in our multi-asset offerings, which boast a total of over \$2.3 trillion² in AUM through a combination of balanced, target-date, and target-risk funds. Our Vanguard Asset Allocation ETFs provide a simple yet sophisticated solution, incorporating cutting-edge research, world-class portfolio construction and worldwide knowledge into a convenient, all-in-one package.

What are Asset Allocation ETFs?

We've made investing simple. Each Asset Allocation ETF combines multiple individual index funds into one ETF portfolio, giving you access to thousands of global stocks and bonds in a single ETF investment. This helps reduce risk by spreading your investments.

Professionally managed single-ticket solution

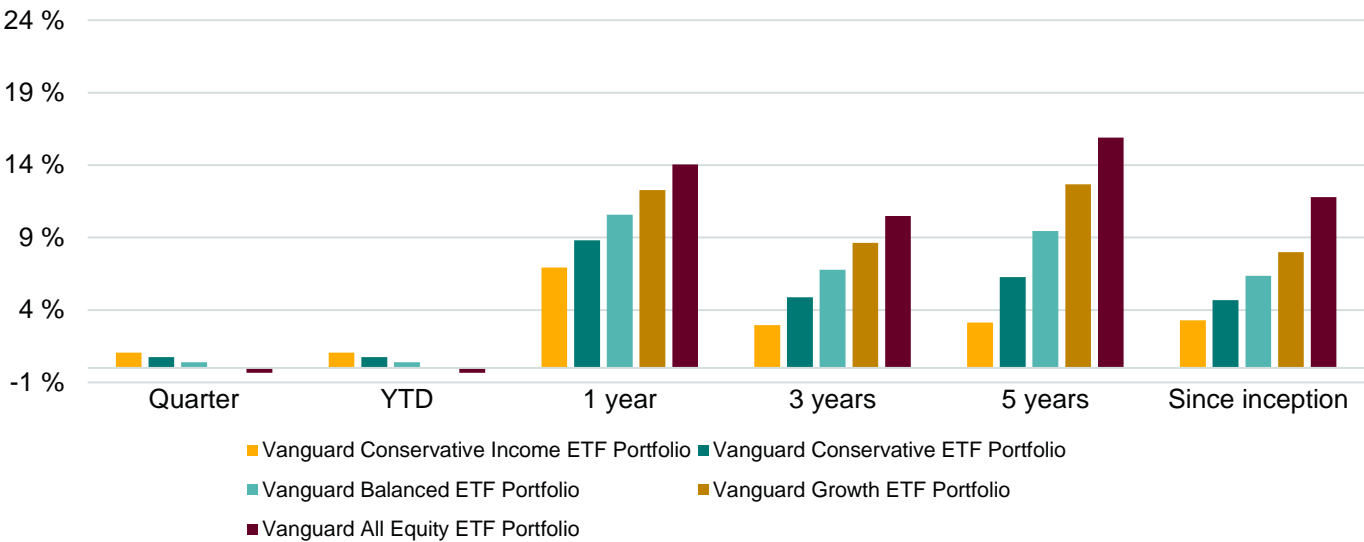
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Effortless Rebalancing

As markets are always changing, investors must consistently maintain their preferred risk level in their portfolio. Instead of constantly monitoring and manually rebalancing your investments, let Vanguard's team of over 100 investment professionals do it for you. Our Asset Allocation ETFs are actively monitored and efficiently rebalanced, saving you time and effort in ongoing portfolio management.

Asset Allocation ETF portfolio performance

NET PERFORMANCE FOR PERIOD ENDING March 31, 2025



NET PERFORMANCE FOR PERIOD
ENDING March 31, 2025

	Ticker	Quarter	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Vanguard Conservative Income ETF Portfolio	VCIP	1.05%	1.05%	6.93%	2.95%	3.12%		3.28%	1/29/2019
Vanguard Conservative ETF Portfolio	VCNS	0.75%	0.75%	8.82%	4.88%	6.28%		4.68%	1/25/2018
Vanguard Balanced ETF Portfolio	VBAL	0.40%	0.40%	10.57%	6.77%	9.45%		6.35%	1/25/2018
Vanguard Growth ETF Portfolio	VGRO	0.01%	0.01%	12.28%	8.64%	12.67%		7.99%	1/25/2018
Vanguard All Equity ETF Portfolio	VEQT	-0.33%	-0.33%	14.04%	10.50%	15.90%		11.79%	1/29/20179

Source: Vanguard as of March 31, 2025. Performance information of the Vanguard funds reflects waivers of certain expenses and/or fees. If the Vanguard fund had incurred all expenses, investment returns would have been reduced. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unit holder that would have reduced returns. The performance of the Vanguard fund is for illustrative purposes only and past performance may not be repeated.

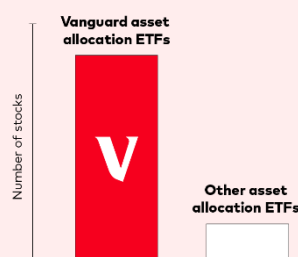
Asset Allocation ETF portfolio allocations

The table below shows the number of security holdings and underlying building block ETF weightings in the asset allocation portfolios.

		Vanguard Conservative Income ETF Portfolio	Vanguard Conservative ETF Portfolio	Vanguard Balanced ETF Portfolio	Vanguard Growth ETF Portfolio	Vanguard All Equity ETF Portfolio
Canadian Equities		VCIP	VCNS	VBAL	VGRO	VEQT
FTSE Canada All Cap Index ETF	VCN	6.0%	11.9%	17.9%	24.1%	30.6%
International equities						
U.S. Total Market Index ETF	VUN	8.9%	17.5%	26.4%	35.7%	44.4%
FTSE Developed ex North America Index ETF	VIU	3.4%	6.9%	10.5%	14.1%	17.7%
FTSE Emerging Markets Index ETF	VEE	1.5%	2.9%	4.4%	5.6%	7.1%
Canadian fixed income						
Canadian Aggregate Bond Index ETF	VAB	47.4%	35.7%	24.0%	12.0%	0.0%
International fixed income						
U.S. Aggregate Bond Index ETF (CAD-hedged)	VBV	16.3%	12.6%	8.4%	4.1%	0.0%
Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged)	VBG	16.4%	12.2%	8.2%	4.1%	0.0%
Total underlying holdings		32,777	32,777	32,777	32,777	13,401

Most diversified Asset Allocation ETFs in Canada

Why try and find the needle, when you can buy the haystack? Vanguard's asset allocation ETFs are the most diversified investment products in Canada. Each of our Asset allocation ETFs holds 13,000+ of underlying large, mid- and small-cap stocks and 19,000+ of high quality bonds, harnessing the full potential of indexing. This means that nearly all of your favourite stocks and well-known and lesser-known companies are represented in the ETFs.



Asset Allocation ETF underlying investment vehicle results

NET PERFORMANCE FOR PERIOD
ENDING March 31, 2025

VANGUARD FUND		QUARTER	YEAR- TO- DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION	INCEPTION DATE
Canadian equities									
Vanguard FTSE Canada All Cap Index ETF	VCN	1.6%	1.6%	16.4%	8.2%	17.1%	8.4%	177.1%	8/2/2013
Internationalequities									
Vanguard FTSE Emerging Markets All Cap Index ETF	VEE	2.9%	2.9%	18.1%	7.1%	9.3%	4.8%	114.7%	11/30/2011
Vanguard U.S. Total Market Index ETF	VUN	-4.8%	-4.8%	13.5%	12.9%	18.2%	12.8%	403.5%	8/2/2013
Vanguard FTSE Developed All Cap ex North America Index ETF	VIU	6.4%	6.4%	9.9%	9.7%	11.4%	--	82.8%	12/1/2015
Canadian fixed income									
Vanguard Canadian Aggregate Bond Index ETF	VAB	2.0%	2.0%	7.4%	2.4%	0.7%	1.6%	36.7%	11/30/2011
International fixed income									
Vanguard U.S. Aggregate Bond Index ETF (CAD-hedged)	VBU	2.4%	2.4%	3.4%	-0.6%	-1.0%	3.4%	11.8%	6/30/2014
Vanguard Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged)	VBG	-0.6%	-0.6%	1.4%	-0.6%	-1.1%	1.4%	13.5%	6/30/2014

Source: Vanguard.

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