

Vanguard Stable Value Group

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This brochure provides information about the qualifications and business practices of Vanguard's Stable Value Group, a service of Vanguard Advisers, Inc. ("VAI"). If you have any questions about the contents of this brochure, please contact Christy Miller at 610-503-2735. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about VAI also is available on the SEC's website at www.adviserinfo.sec.gov.

VAI is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.

MATERIAL CHANGES:

There have been no material changes in the Stable Value Group's advisory business, fees and compensation, methodology, disciplinary information, or other practices.

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ADVISORY BUSINESS

VAI is a Pennsylvania corporation that provides investment advisory services to a wide variety of clients, including the following:

- **Stable Value:** discretionary investment advisory services to separate accounts that are offered as investment options in state-sponsored education savings plans (“529 Plans”) and state-sponsored retirement plans;
- **Vanguard Institutional Advisory Services:** discretionary and nondiscretionary advisory services and administrative services to institutional clients such as endowments, foundations, employee benefit plans and trusts, and family offices;
- **Vanguard ETF Strategic Model Portfolios:** model portfolios comprised of Vanguard Funds and exchange traded funds (ETFs) (as defined below) that are accessed by third party intermediaries through third party platforms;
- **Interactive Advice Tools: Personal Online Advisor (“POA”)** is a nondiscretionary advisory service previously offered to certain retail clients and currently to participants of eligible employer-sponsored retirement plans. POA is sub-advised by Financial Engines Advisors L.L.C. (“FE”), an independent investment advisory unaffiliated with VAI;
- **Vanguard Personal Advisor Services (“PAS”):** ongoing advised account services for certain retail clients and point-in-time advice services to participants in certain employer-sponsored retirement plans;
- **Vanguard Digital Advisor:** discretionary advisory service offered to retail clients and to

participants of eligible employer-sponsored retirement plans; and

- **Vanguard Managed Account Program (“VMAP”)** and **POA:** discretionary advisory service offered to participants of eligible employer-sponsored retirement plans. POA is a nondiscretionary advisory service offered to participants of eligible employer-sponsored retirement plans. VMAP and POA are sub-advised by FE.

The Stable Value Group

The Stable Value Group (“Stable Value”) is comprised of a team of advisers who provide investment advisory and discretionary management services to Stable Value Accounts (“Accounts”), which are separate accounts that are offered as investment options in state-sponsored education savings plans and other state-sponsored retirement plans (“State Plans”). Each Account seeks income consistent with the preservation of principal through its ownership of funding agreements and investment contracts issued by one or more insurance companies and other financial institutions, and other types of eligible fixed-income investments, as well as shares of Vanguard money market mutual funds.

Stable Value is responsible for continuously reviewing, supervising, and administering the Accounts’ investment guidelines. These activities include managing and determining the investments that are bought, sold, exchanged, converted and otherwise traded by the Accounts; and providing the appropriate records and documentation concerning these activities.

Stable Value manages \$8.79 billion in assets (as-of 12/31/2020) on a discretionary basis. Stable Value does not manage non-discretionary assets.

FEES AND COMPENSATION

VAI is paid a contractually negotiated fee based on a percentage of Account assets under management.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither VAI nor Stable Value receives performance-based fees for advisory services provided to clients.

TYPES OF CLIENTS

Stable Value provides advisory services to stable value accounts that are offered as investment options in State Plans.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Stable Value Group provides advisory services to Stable Value Accounts that are included in Portfolios that are offered as investment options in State Plans. Stable Value Accounts generally direct all assets into short-term reserves initially, and then invest in funding agreements and investment contracts issued by one or more insurance companies and banks, as well as in shares of Vanguard money market funds.

Funding agreements and traditional investment contracts are interest-bearing contracts that are structured to preserve principal and accumulate interest earnings over the life of the investment. These instruments generally pay interest at a fixed interest rate and have fixed maturity dates that normally range from 2 to 5 years. Investments in these instruments are based upon available liquidity in the Stable Value Accounts and the competitiveness of the interest rates offered by eligible high-quality issuers, and depend on market conditions and trends.

Stable Value Accounts may also invest in synthetic investment contracts, commonly referred to as “wrap” agreements, under which the State Plan owns a portfolio of generally investment-grade short- to intermediate-term fixed-income securities, including shares of Vanguard mutual funds invested principally in fixed-income securities, and an insurance company or other financial institution provides a benefit-responsive guarantee for participant-directed transactions pursuant to the wrap agreement. The yield under a wrap agreement

is generally based on the crediting rate specified in the wrap agreement that takes into account a number of factors, including but not limited to, the return on the underlying fixed-income assets, the wrap issuer’s fees, and the average duration of the underlying securities.

There is a limited universe of high-quality insurance companies and other issuers that issue investments eligible for purchase. Within certain constraints, VAI seeks to diversify among eligible issuers and investments. VAI may invest all, or a large portion, of a Stable Value Account’s assets in Vanguard money market funds to limit the Stable Value Account’s exposure to any single issuer or to meet normal liquidity needs.

The Stable Value Accounts have a longer average maturity than most money market funds, which should result in higher yields when interest rates are stable or declining. However, because only a portion of the Stable Value Accounts’ investment matures each year, its yield will change more slowly than that of a money market fund. As a result, when interest rates are rising, the Stable Value Accounts’ yield may fall below money market funds’ yields for an extended time period.

The Stable Value Accounts primarily are subject to inflation risk and industry concentration risk. It also has low levels of credit risk, income risk, manager risk, and derivatives risk. Funding agreements and investment contracts are backed by the financial strength of the financial institutions that issue the contracts. Every effort is made to select high-quality institutions. However, the Stable Value Accounts may lose value if a financial institution is unable to make interest or principal payments when due.

VAI's investment methodology

VAI's investment methodology incorporates our own investment philosophies and beliefs, such as the benefits of cost effective strategies, high-credit quality investments, and risk management. Our methodology, which is approved and periodically reviewed by senior Vanguard management, is based on Vanguard's own fundamental research, as well as research obtained from a wide variety of external

sources, both public and private. Our methodology is driven by long-term financial goals, not by market-timing or short-term investment performance.

Please remember that all investments, involve some risk, including possible loss of principal. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Diversification does not ensure a profit or protect against a loss in a declining market.

DISCIPLINARY INFORMATION

VAI has no disciplinary information to disclose.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Vanguard Group, Inc. (Vanguard)

Through an intermediary entity, VAI is 100% owned by The Vanguard Group, Inc. (Vanguard). Vanguard, also a registered investment adviser, provides a range of investment advisory and administrative services to the Vanguard family of mutual funds (Vanguard Funds).

When giving advice to clients, VAI will recommend the purchase of Vanguard Funds serviced by VAI's corporate parent, Vanguard. VAI addresses the competing interests that could arise between us and our clients as a result of recommending proprietary funds by relying on our time-tested investment philosophies and beliefs, such as the benefits of low costs, diversification, and indexing, when formulating target allocations for clients. VAI discloses to prospective clients that it recommends Vanguard Funds prior to or at the establishment of the advisory relationship. Although acting in accordance with VAI's advice to purchase Vanguard's proprietary funds will result in the payment of fees to the Vanguard Funds and ETFs that are separate from, and in addition to, any fees assessed by VAI, any competing interests that could arise are mitigated by the cost structure of

Vanguard's services to the funds. Clients may separately arrange for the provision of advice by another provider that has no material affiliation with and receives no compensation in connection with the mutual funds, securities, or other property that is the subject of the advice.

Vanguard Marketing Corporation (VMC)

Shares of the Vanguard Funds are marketed and distributed by Vanguard Marketing Corporation (VMC), a registered broker-dealer that is a wholly owned subsidiary of Vanguard, and an affiliate of VAI. VMC's marketing and distribution services are conducted in accordance with the terms and conditions of a 1981 exemptive order from the Securities and Exchange Commission, which permits Vanguard Funds to internalize and jointly finance such activities. Each Vanguard Fund (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) pays its allocated share of VMC's marketing costs. VMC does not receive transaction based compensation in connection with the distribution of the Vanguard Funds.

When giving advice to clients under this Service, VAI may recommend the purchase of Vanguard Funds distributed by VAI's affiliate, VMC. Since VMC does not receive transaction based compensation in connection with the distribution of the Vanguard Funds, no competing interests arise from VAI's affiliation with VMC.

Certain members of VAI's management and the Stable Value Group are registered representatives of or are affiliated with VMC. Please refer to the Stable Value supplement for further information.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

VAI operates under a Code of Ethics that complies with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Investment Advisers Act of 1940.

The Code sets forth fiduciary standards that apply to all employees, incorporates Vanguard's insider trading policy, and governs outside employment and receipt of gifts. Additionally, the Code imposes restrictions on the personal securities trading of Vanguard employees, as well as reporting requirements. The trading restrictions and reporting requirements are more involved for employees that have access to information about Vanguard Fund trading activity or Vanguard client trading activity and are designed to ensure that Vanguard employees do not misuse fund and/or client information for their own benefit.

Vanguard will provide a copy of its Code of Ethics to any client or prospective client upon request at no charge.

Please see the section of this Brochure entitled "Other Financial Industry Activities and Affiliations" for a discussion of VAI's affiliations with other Vanguard entities, and how those affiliations may impact clients of VAI.

BROKERAGE PRACTICES

VAI does not recommend broker-dealers in connection with client transactions arising out of VAI's advice under this service.

REVIEW OF ACCOUNTS

Vanguard provides quarterly Account updates concerning the financial status of each Account, its current assets, significant account activities, including guideline compliance, and other relevant information. In addition, Vanguard provides investment reviews that include, but are not limited to: total assets, trading activities, portfolio holdings and performance reviews, and other measures.

CLIENT REFERRALS AND OTHER COMPENSATION

VAI receives no economic benefits from persons that are not clients for providing investment advice or advisory services to its clients.

VAI does not directly or indirectly compensate any person who is not a supervised person for client referrals to the services provided herein.

CUSTODY

VAI does not have direct custody of client funds or securities through the Stable Value advisory service. The Vanguard Group, Inc., in its capacity as a transfer agent, acts as the qualified custodian on behalf of VAI for the assets invested in the products.

INVESTMENT DISCRETION

Stable Value has discretion over the assets invested in the Accounts, which are the separate accounts offered as investment options in State Plans.

VOTING CLIENT SECURITIES

VAI will not vote client securities through this service. The exercise of all voting rights associated with any security or other property held by a client shall be the responsibility of the client. VAI will not advise or act for the client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client or the issuers of those securities. Proxies will be delivered to the client through the issuer, by its custodian or its agent.

FINANCIAL INFORMATION

VAI is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

VAI is a federally registered investment adviser.