

LifeStrategy Funds Panel Discussion

September 9th, 2019

Vanguard started the LifeStrategy funds in 1994. LifeStrategy funds were intended to be easy to pick one-choice funds. Vanguard had considerable success, but the Vanguard Target Retirement funds were arguably more popular in 401k accounts.

LifeStrategy Growth Fund (VASGX)

80% stock / 20% bond

Targeted for aggressive investors.

Asset Under Management: \$15.4 billion

LifeStrategy Moderate Growth Fund (VSMGX)

60% stock / 40% bond

Targeted for investors transitioning to retirement.

Asset Under Management: \$16.5 billion

LifeStrategy Conservative Growth Fund (VSCGX)

40% stock / 60% bond

Targeted for conservative retired investors.

Asset Under Management: \$9.9 billion

LifeStrategy Income Fund (VASIX)

20% stock / 80% bond

Targeted for very conservative investors.

Asset Under Management: \$4.3 billion

LifeStrategy Funds Composition Study

John Bogle traditional Bogleheads:

Stock composition: 8/10 US stock, 2/10 international stock

Bond composition: 10/10 US bond, no international stock

Vanguard LifeStrategy funds composition:

Stock composition: 6/10 US stock, 4/10 international stock

Bond composition: 7/10 US bond, 3/10 international bond

Global Market Capitalization of April 2019:

Stock composition: 55/100 US, 45/100 international

Bond composition: 48/100 US, 52/100 international

There is no single answer to the “proper” weighting of US securities versus the rest of the world. Opinions vary.

All LifeStrategy funds had capital gain distributions last year. Total Stock Market ETF distributed none (better tax efficiency).

LifeStrategy funds have no US Treasury inflation indexed bonds.

Interesting Balanced Fund Pairing for retired investors

50% LifeStrategy Conservative Growth Fund

50% Vanguard Balanced Index

Make Your Own Balanced Fund with ETFs

25% US stock (VTI)

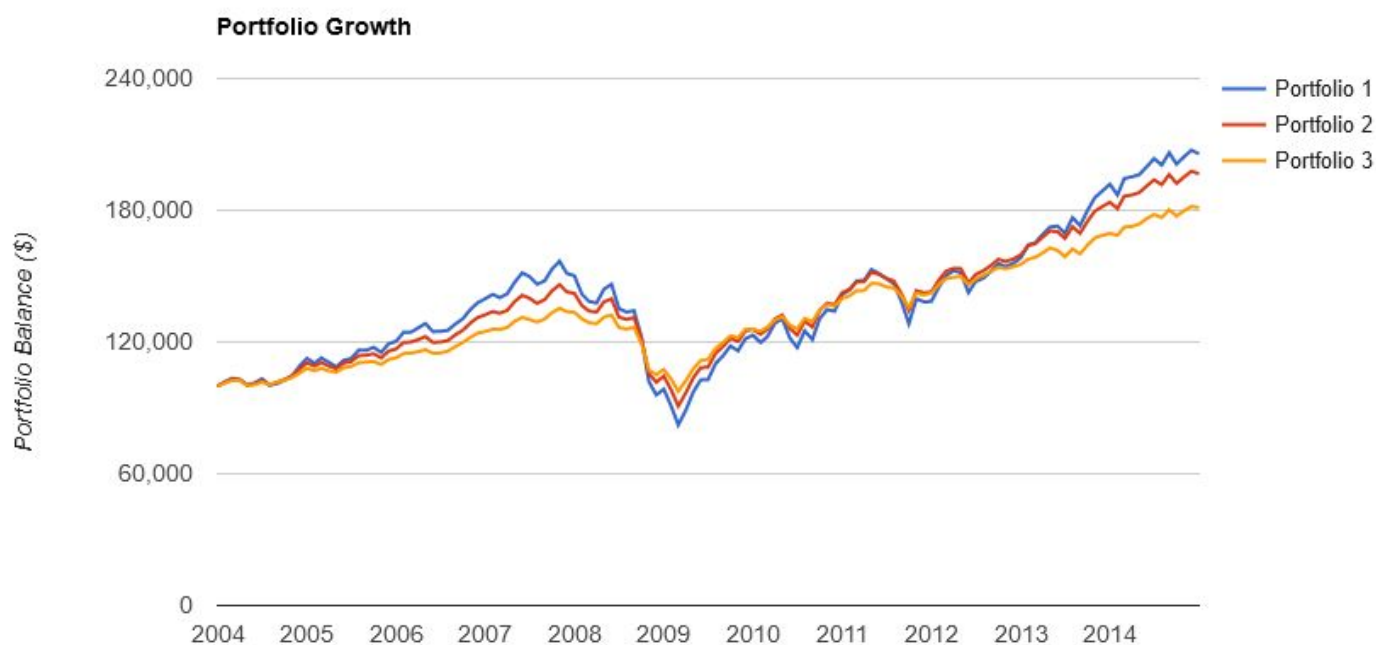
25% global stock (VT)

25% US bond (AGG)

25% US bond (BND)

LifeStrategy Return at 80% stock, 60% stock, 40% stock

| Portfolio | Initial Balance | Final Balance | CAGR | Stdev | Best Year | Worst Year | Max. Drawdown | Sharpe Ratio | Sortino Ratio | US Mkt Correlation |
|-------------|-----------------|---------------|---------|--------|-----------|------------|---------------|--------------|---------------|--------------------|
| Portfolio 1 | \$100,000 | \$205,680 ⓘ | 6.78% ⓘ | 12.90% | 24.99% | -34.39% | -47.55% ⓘ | 0.47 | 0.65 | 0.99 |
| Portfolio 2 | \$100,000 | \$196,632 ⓘ | 6.34% ⓘ | 9.92% | 20.33% | -26.50% | -37.84% ⓘ | 0.53 | 0.74 | 0.98 |
| Portfolio 3 | \$100,000 | \$181,227 ⓘ | 5.55% ⓘ | 7.18% | 17.06% | -19.52% | -27.96% ⓘ | 0.60 | 0.84 | 0.96 |



(chart data and image from PortfolioVisualizer.com)