

Case Study

VANGUARD GLOBAL EQUITY INCOME FUND



Cisco Systems, Inc.

A leading provider of networking, cloud and security products.

Vanguard Global Equity Income Fund is an active fund, co-managed by Vanguard Quantitative Equity Group and Wellington Management. It is designed for investors who want to generate long-term growth from their investments. The fund aims to achieve this by investing primarily in shares of companies which tend to pay out a larger amount of money as income (gross of fees).

First bought

Since inception, November 2022.

What is it?

Cisco is a multinational technology company whose products and services serve as the backbone of corporate and telecom networks, powering communication, cloud and security applications. Cisco is focused on creating and maintaining robust, secure, and efficient networks for organisations worldwide.

Why does Wellington own it?

Cisco, has a strong history of leadership within the enterprise technology space. Wellington believes this positions the company well to benefit from the growing demand in cloud-data centre switching and security markets, which underpin its attractive

revenue prospects. The company's growing mix of recurring software and services are expected to improve the stability and predictability of its revenue and earnings. Wellington believes Cisco's valuation remains attractive given its free cash flow growth and capital return profile.

Competitive advantage – scale and criticality

Cisco is an established provider of mission-critical IP-based communication products. Their innovative approach, with a team of 25,000 engineers and scientists, has helped the company to develop a range of cutting-edge networking and communications solutions that have been instrumental in shaping the technology industry. In Wellington's view, the company's scale and profitability allow it to invest more aggressively than others in R&D and intellectual property acquisitions to stay ahead of evolving client networking requirements. Beyond R&D, Cisco's focus on customer-centric solutions is pivotal in positioning the company as such a trusted partner in the tech sector. Secular growth in cloud-based applications and AI, as well as the ever-present need for effective security solutions, where Cisco is a key player, should in Wellington's opinion, all contribute to drive attractive levels of revenue and free cash flow for the company.

Key points for Cisco Systems, Inc.

- Cisco's superior competitive positioning drives impressive profit margins, ROIC and FCF conversion.
- FY 2023 saw Cisco's record revenue generation of nearly \$57 billion, up 11% year-over-year, and their highest growth rate in over a decade¹.
- Combined with what Wellington believes to be a pristine balance sheet, Wellington expects management to continue handsomely returning capital to shareholders and re-investing to sustain its leadership within enterprise.

¹ Source: Cisco 2023 Annual Report.

Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested. Past performance is not a reliable indicator of future results.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only.

The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For Vanguard Global Equity Income Fund – Charges are deducted from capital (not income). Whilst this may increase the level of income paid, it will result in capital erosion and will constrain growth.

For further information on risks please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com>.

Important information

This document is directed at professional investors and should not be distributed to, or relied upon by retail investors.

For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions. The KIID for this fund is available, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>.

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0925/2373. Reference number: 4757816.

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