

Case Study

VANGUARD GLOBAL EQUITY INCOME FUND



Industria de Diseno Textil (Inditex)

Global fashion retailer, benefitting from supply chain integration and flexibility.

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?

Leading retailer of clothing, home goods and accessories, with over 5,500 stores and online capabilities across the globe.

Why does Wellington own it?

Inditex, one of the world's largest clothing retailers, has a stand-out supply chain and logistics system that Wellington believes allow it to consistently compete with and frequently outperform its peers in terms of sales and profitability. It leverages its digital

capabilities and store base to gain share in the online space, in a margin-accretive way. Wellington believes the company's resulting profitability and conservative balance sheet sustainably underpin management's ability and willingness to pay attractive dividends, which is central to Wellington's investment thesis.

Competitive advantage – supply chain responsiveness

Inditex has invested in an integrated and diversified supply chain over the past few decades that minimises the time from product design to store delivery. This allows the company to quickly adapt to local consumer trends, avoid fashion missteps, improve inventory turns, and avoid costly product markdowns. Inditex effectively leverages this logistical superiority to move more sales online and optimise its store base, further enhancing growth potential and returns on capital. The company's integrated and geographically dispersed supply chain has also helped it stay at the forefront of responsible sourcing of cotton.

Key points for Inditex^{1,2}

- Wellington sees the company's logistical advantages allowing them to drive higher full price sales, and lower inventory needs. Wellington believes this will allow them to generate higher gross margins, ROIC and FCF conversion than industry peers.
- Management maintains a net cash balance sheet and returns all excess capital to shareholders via dividends.
- Inditex continues to strive for the next level, seeking global growth opportunities, with store openings in 36 different markets in 2023.

¹ Source: Inditex Interim Nine Months 2023, 13 December 2023.

² Source: Wellington Estimates.

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>.

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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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