

## GLOBAL EMERGING MARKETS FUND

LOW-COST ACTIVE  
EQUITY

## Quarterly update

**Vanguard Global Emerging Markets Fund is an actively managed fund. Three traditional, bottom-up active managers, each with a complementary style, are blended together to deliver long-term capital growth in a core emerging markets fund. Pzena is a deep value manager, Oaktree is a core manager and Baillie Gifford is a growth manager.**

**Highlights**

- Emerging equity markets fell and lagged developed markets.
- China and Russia were notable laggards.
- Value stocks led growth stocks in emerging markets.
- The Vanguard Global Emerging Markets Fund underperformed its benchmark.
- Pzena, Baillie Gifford and Oaktree continue to monitor the market volatility.

**Market overview**

Volatility surged as Russia's invasion of Ukraine and rising inflationary pressures dominated global equity markets in the first quarter of 2022. In January, rising prices and the prospect of less accommodative monetary policy were already weighing on market sentiment. By the end of February, Russia's invasion of Ukraine had injected substantial uncertainty into global equity markets. Energy prices soared, helping to push consumer prices to multi-decade highs across much of the world. Some central banks, including those in the US and UK, raised short-term interest rates. The European Central Bank (ECB) continued to reduce its bond purchases, and financial markets expected the ECB to raise interest rates later this year. Stocks regained some ground in March but finished the quarter in negative territory, with European and emerging-market stocks among the laggards. The rising interest rate environment helped value stocks to largely outperform growth stocks.

**Performance and positioning**

The Vanguard Global Emerging Markets

Fund returned -2.60% over the quarter and marginally underperformed its benchmark, the FTSE Emerging Net Tax (UK UCITS) Index, which returned -2.51%<sup>1</sup>.

Pzena and Oaktree outperformed, while Baillie Gifford underperformed. At the fund level, security selection contributed positively led by holdings in the energy sector, while security selection in financials detracted. The fund's overall exposure to Russia also detracted.

Pzena's outperformance was driven by strong security selection, notably in consumer discretionary and utilities, while the team's holdings in energy and financials detracted.

Oaktree's outperformance was driven by its sector positioning. The team's overweight to companies in the materials sector contributed, while security selection in financials detracted.

Baillie Gifford's underperformance was driven by security selection in financials, while security selection in energy contributed positively. The team's exposure to growth sectors, such as technology and consumer discretionary, also detracted.

<sup>1</sup> Source: Vanguard as at 31 March 2022

At the individual stock level, the largest detractors were Russian companies Lukoil and Sberbank. The top contributors held in the portfolio during the quarter were Brazilian multinationals Petrobras and Vale.

Shares in oil and gas supplier Lukoil and financial services firm Sberbank fell as sanctions were imposed on Russian companies following the invasion of Ukraine.

Shares of oil company Petrobras and mining firm Vale benefitted from increased commodity prices.

## Activity

The portfolio entered the quarter with a 1.6% overweight to Russia<sup>2</sup>. The managers began to sell significant portions of their positions in Russian companies in the middle of February. Sanctions on trading Russian securities means small positions remain. The one exception is Moscow Exchange, which is still the same size position (by shares).

Pzena added to its position in Taiwan's Elite Material during the quarter. Elite specialises in the production of printed circuit boards and Copper Clad Laminates (CCLs), particularly high-density CCLs, which it pioneered.

Pzena sold its position in South African energy company Sasol to fund more attractive opportunities.

The team at Oaktree initiated a position in Chinese aviation company Air China following a Covid-influenced sell-off. The company benefits from having Beijing Capital Airport as its hub and offers strong passenger traffic in both long haul as well as domestic routes, according to Oaktree.

The Oaktree team sold its position in Chinese real estate firm Shimao Group. The company failed to meet its debt obligation due to the prolonged nature of Beijing's crack-down on the real estate industry with restrictive policies.

Baillie Gifford's team purchased a holding in Anker, a Chinese consumer electronics company. The team believes the firm's track

record of making quality products at fair prices has earned it a valuable brand reputation amongst their mainly Western customers.

Baillie Gifford sold its position in online gaming company Huya, citing a worsening regulatory environment with significant additional controls and burdens placed on companies operating within the internet space.

## Outlook

Baillie Gifford continues to focus on long-term fundamentals. Given the uncertainty in the market, the team believes that maintaining a barbell approach to growth remains appropriate.

Oaktree remains overweight in the traditional value sectors and maintains its view that many commodity and cyclical companies are poised to benefit from a strong pricing environment over the next few years, owing to disciplined capital allocation. The team has seen steady improvement in shareholder returns via both increased dividend payouts as well as share buybacks, and believes investors are starting to notice the healthy cash flow generation and the increased returns to minority shareholders.

Pzena believes controversy and fear can create opportunities for value investors and the team is excited by the cheap fundamental valuations it sees in emerging markets. The Pzena team is looking for opportunities in China and will continue to be highly selective when adding positions here. It sees tailwinds in India from a generally improving economy competing with the headwinds of higher commodity prices. The current situation in Brazil is harder to invest into, according to Pzena, as the result from upcoming elections could create significantly different regulatory outcomes.

<sup>2</sup> Source: Vanguard as at 31 March 2022

## Key fund facts (as at 31 March 2022)

**Investment manager:** Baillie Gifford Overseas Ltd.  
Oaktree Capital Management, L.P., Pzena Investment Management, LLC

**Inception date:** 25 May 2016

**Domicile:** United Kingdom

**Benchmark:** FTSE Emerging Index

**Ongoing charges figure<sup>1</sup>:** 0.78%

**Fund AUM:** GBP 310m

**Number of holdings:** 159

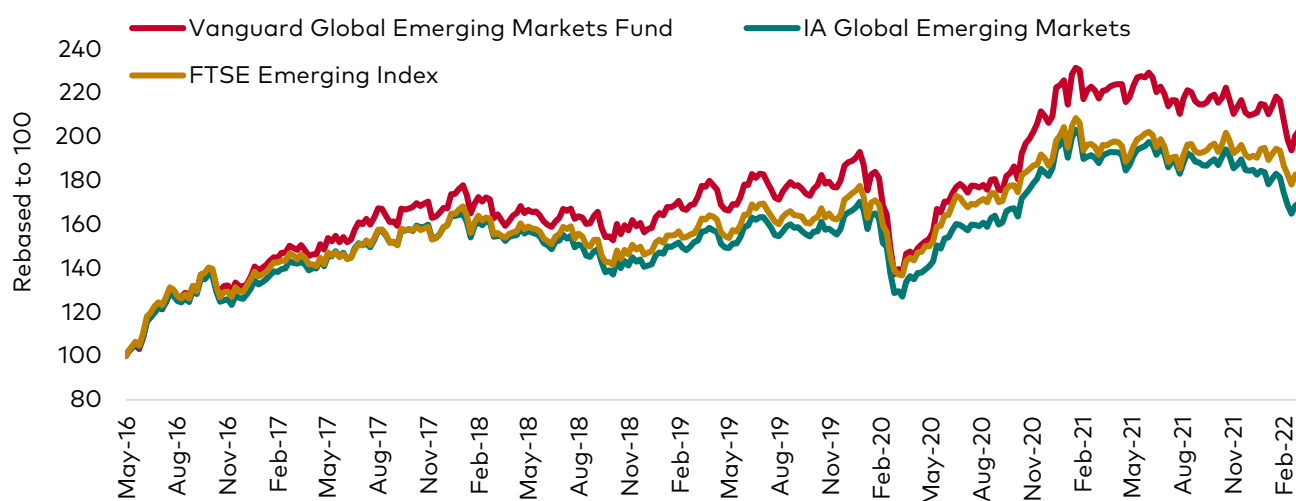
**Median market cap:** GBP 23.6B

**PE ratio:** 9.8X

**Equity yield (dividend):** 3.2%

**ISIN:** GB00BZ82ZY13

## Fund performance (as at 31 March 2022)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	-2.60	-2.60	-6.44	5.88	6.67	13.05
Peer Group	-6.99	-6.99	-9.91	4.26	4.16	9.94
Benchmark	-2.51	-2.51	-3.54	5.54	5.32	11.25

Year on year (%)	1 Apr 2017 - 31 Mar 2018	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020	1 Apr 2020 - 31 Mar 2021	1 Apr 2021 - 31 Mar 2022
Fund	10.91	4.89	-18.85	56.34	-6.44
Peer Group	10.67	-2.12	-14.75	48.03	-9.91
Benchmark	8.47	1.64	-13.26	40.49	-3.54

### Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 31 March 2022. Peer group is IA Global Emerging Markets. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV. Basis of index performance is total return. All performance is calculated in GBP, net of fees.

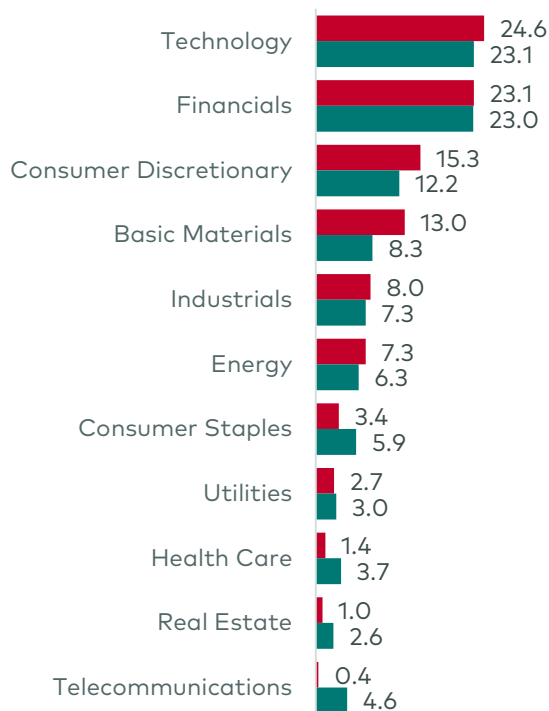
<sup>1</sup>The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

## Top 10 fund holdings (% exposure, as at 31 March 2022)

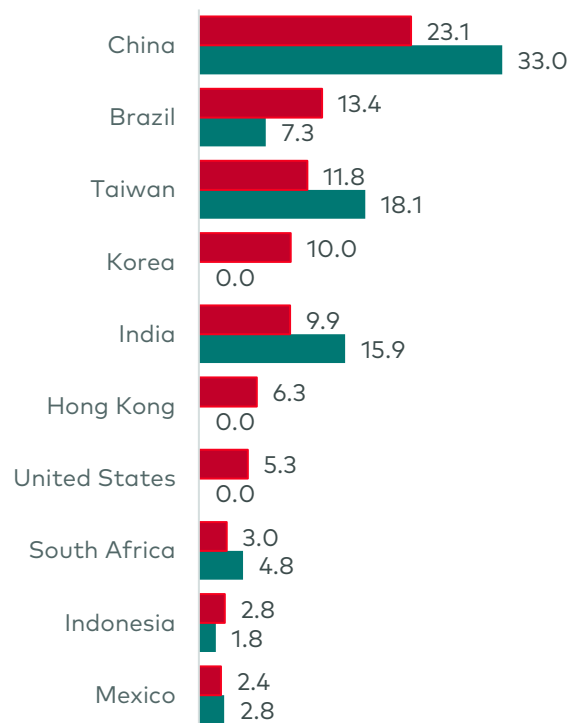
Company	%
Taiwan Semiconductor Manufacturing Co. Ltd.	5.8
Petroleo Brasileiro SA	3.3
Alibaba Group Holding Ltd.	3.1
Samsung Electronics Co. Ltd.	3.1
Reliance Industries Ltd.	2.8
Tencent Holdings Ltd.	2.5
Vale SA	2.0
Galaxy Entertainment Group Ltd.	1.7
Bank Rakyat Indonesia Persero Tbk PT	1.6
Cia Energetica de Minas Gerais	1.5

## Breakdown (as at 31 March 2022)

### Sector exposure (%)



### Region exposure (%)



■ Fund ■ Benchmark

Source: Vanguard, as at 31 March 2022.

## Performance analysis

### Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Petroleo Brasileiro SA	3.2	0.0	39.1	1.0
Public Joint-Stock Company Gazprom	0.0	0.0	-100.0	0.7
Vale S.A.	1.9	0.0	52.3	0.7
Oil Co. LUKOIL PJSC	0.0	0.0	-100.0	0.5
Pacific Basin Shipping Limited	1.2	0.0	52.2	0.5

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Oil Co. LUKOIL PJSC	0.1	0.0	-95.1	-1.70
Sberbank Russia PJSC	0.1	0.0	-94.8	-1.40
Public Joint Stock Company MMC Norilsk Nickel	0.1	0.0	-93.4	-0.80
Vale S.A.	0.0	1.2	53.5	-0.50
Petroleo Brasileiro SA	0.0	1.0	40.4	-0.30

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Petroleo Brasileiro SA	3.2	0.0	118.8	1.80
Vale S.A.	1.9	0.0	40.6	0.70
Companhia Energetica de Minas Gerais SA	1.5	0.1	78.3	0.70
CEZ as	0.7	0.1	94.2	0.50
Abu Dhabi Commercial Bank	0.9	0.1	91.8	0.40

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Oil Co. LUKOIL PJSC	0.1	0.0	-94.1	-1.20
Sberbank Russia PJSC	0.1	0.0	-94.3	-1.10
Public Joint Stock Company MMC Norilsk Nickel	0.1	0.0	-93.1	-0.70
Ping An Insurance (Group) Company of China Ltd.	0.8	0.7	-35.0	-0.30
Al Rajhi Bank	0.0	0.8	72.3	-0.30

#### Past performance is not a reliable indicator of future results.

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information.

Source: FactSet, as at 31 March 2022. FactSet is a holdings-based attribution tool. Portfolio transactions are valued at closing price, which may cause some slight deviations with the fund return (based on NAV).

## 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.

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.

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.

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 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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