

GLOBAL EQUITY FUND

Quarterly update

LOW-COST ACTIVE
EQUITY

Vanguard Global Equity Fund is an actively managed fund that can invest anywhere in the world. Its two independent sub-advisers follow distinct, yet complementary approaches in managing approximately equal portions of the fund's assets. Baillie Gifford is a growth investor with a long-term perspective. Wellington is a value manager seeking to take advantage of opportunities created by behavioural biases.

Highlights

- Developed equity markets moved higher.
- Emerging equity markets finished lower.
- Growth stocks retained leadership over value stocks.
- The Vanguard Global Equity Fund underperformed its benchmark index.
- Both managers continue to find investment opportunities.

Market overview

Global equity markets had a turbulent quarter with the FTSE Developed World Index finishing in positive territory while the FTSE Emerging Market Index posted a negative return.

Developed equity markets were strong throughout much of the quarter before selling off into quarter-end. Sentiment deteriorated, as the Covid-19 Delta variant continued to spread, high inflation readings in some economies (including the US) began to look as if they might persist for a while, and worries surfaced about contagion from debt issues in the Chinese property sector.

Emerging markets were weak throughout the quarter. The US, Japan and the UK contributed the most to the developed equity markets index. China and Brazil detracted from the emerging markets equities index. In terms of investment styles, growth stocks outperformed value in the third quarter for developed markets, but value roared back (relative to growth) during the September market sell-off. Value led growth in emerging markets over the course of the review period.

Fund performance

The Vanguard Global Equity Fund returned 0.15% over the quarter and trailed its benchmark, the FTSE All World Net Tax (UK UCITS) Index in GBP, which returned 1.42%¹.

Both managers underperformed over the quarter. At the total fund level, security selection detracted from performance, led by Baillie Gifford, whose allocation in the emerging market technology sector was the largest detractor. Wellington's security selection in technology also detracted from performance, while its stock picks in industrials contributed positively to returns.

Overall, the largest held individual detractors were Macau-based casino resort operator Sands China and South African conglomerate Naspers. Shares of Sands China ended the period lower after government officials announced plans to tighten gambling restrictions. The restrictions would introduce strict oversight of new live-dealer gaming tables and the possibility for government-appointed representatives. The casino reported mixed earnings for the first half of 2021 as the company's path to recovery continued to be challenged by restrictions designed to contain the spread of Covid-19.

¹Source: Vanguard, as at 30 September 2021.

The stock sold off sharply in September, but David Palmer (lead portfolio manager in Wellington's Opportunistic Value team, which oversees 50% of the mandate) believes this weakness is pricing in a worst-case scenario that won't come to pass. As such, Palmer's team used this weakness to meaningfully add to its existing position.

Nasper's share price fell on the back of two primary concerns relating to its large holding in Tencent. The first being that investors are worried about possible actions from China's market regulators. Secondly, Tencent has committed to increase its capital investment, such that 2021 margins will be depressed. The Global Alpha team at Baillie Gifford, which holds this stock, believes Tencent remains a world class company with a huge core advertising, gaming and cloud business, in addition to an extremely valuable, and growing, investment portfolio.

The top individual contributors over the quarter were US-based pharmaceutical and biotechnology firm Moderna and Indian conglomerate Reliance Industries.

Moderna's shares rose sharply, buoyed by sales of its high-efficacy Covid-19 vaccine. Research shows the vaccine to be effective against emerging variants of Covid-19, including the Delta variant. Baillie Gifford's team has been impressed by the speed at which the company continues to adapt and evolve its vaccine to address new mutations of the virus.

Shares of Reliance Industries rose over the quarter as Covid-19 cases continued to decrease in India. The company announced that its New Energy Solar subsidiary had invested in US-based energy storage company, Ambri. Shares also jumped on news that Saudi Aramco is in advanced talks for an all-stock deal to acquire a stake in Reliance's oil refining and chemicals business.

Activity

Wellington's team increased its exposure to the consumer discretionary sector and reduced its real estate holdings. In terms of regional exposure, the team grew its exposure to equity markets in Europe and Asia Pacific, while exposure to North American equities was reduced.

The Wellington team initiated a new position in biotechnology firm Seattle Genetics and sold its stake in US pharmaceutical firm Eli Lilly.

Wellington also initiated a position in biotechnology company Seagen, which is engaged in the development and commercialisation of antibody-based therapies for the treatment of cancer. The Wellington team is excited about Seagen's current portfolio of three approved oncology drugs along with their pipeline of drugs in trial.

Wellington took profits in Eli Lilly after the stock had a strong run moving in line with Biogen's Alzheimer treatment, which gained regulatory approval in the US.

Baillie Gifford's team added to its consumer discretionary and healthcare exposures while it reduced its exposure to technology stocks. The team added to its weighting in Europe and reduced its emerging market exposure.

Baillie Gifford initiated a position in Certara, a global leader in biosimulation, the software-driven modelling of biological processes and systems used to predict how drugs will interact with our bodies. Robust biosimulation helps improve decision-making and speed within drug development. The Baillie Gifford team sold its entire position in US-based oil and gas company EOG Resources to fund higher conviction ideas.

Outlook

Baillie Gifford believes the pandemic has set in motion structural changes, some of which are clear to see and others they don't yet fully understand or appreciate. They believe that innovation is speeding up and spreading out these structural changes, offering diverse and exciting opportunities for growth.

Wellington's Opportunistic Value team continues to look for names that have a combination of attractive valuations and improving fundamentals. The team is currently finding many opportunities which fall into this category.

Key fund facts (as at 30 September 2021)

Investment managers: Baillie Gifford Overseas Ltd,
Wellington Management Company LLP

Inception date: 25 May 2016

Domicile: United Kingdom

Benchmark: FTSE All World Index

Ongoing charges figure¹: 0.48%

Fund AUM: GBP 319m

Number of holdings: 197

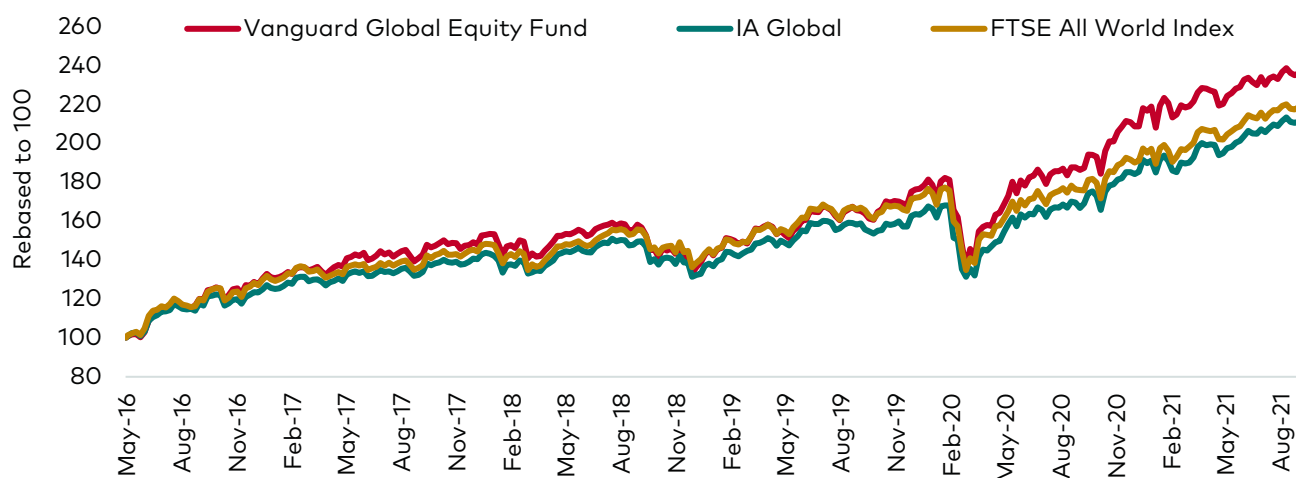
Median market cap: GBP 35.8B

PE ratio: 20.8X

Equity yield (dividend): 1.3%

ISIN: GB00BZ82ZT69

Fund performance since inception (as at 30 September 2021)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	11.59	0.15	24.77	14.09	14.23	17.10
Peer Group	11.68	1.49	23.11	11.62	12.19	14.71
Benchmark	12.83	1.42	22.41	11.53	12.57	15.43

Year on year (%)	1 Oct 2016 - 30 Sep 2017	1 Oct 2017 - 30 Sep 2018	1 Oct 2018 - 30 Sep 2019	1 Oct 2019 - 30 Sep 2020	1 Oct 2020 - 30 Sep 2021
Fund	19.19	9.87	5.65	12.68	24.77
Peer Group	14.79	12.20	5.86	8.08	23.11
Benchmark	15.22	13.12	7.50	5.42	22.41

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 30 September 2021. Peer group is IA Global. 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.

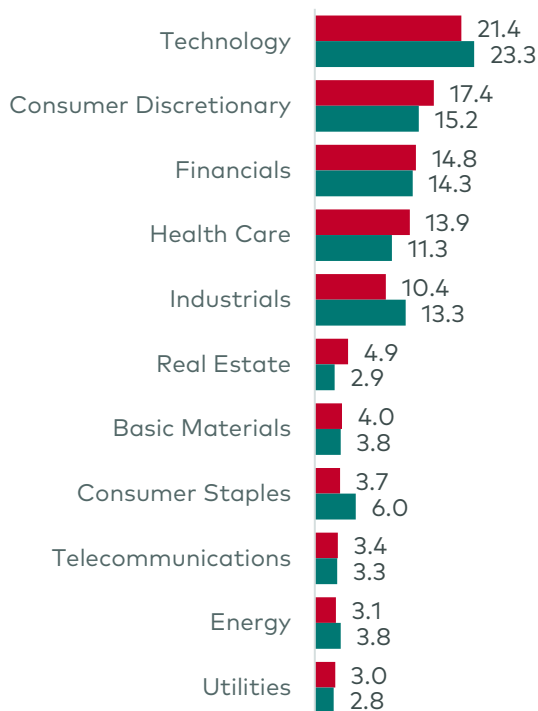
¹The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

Top 10 fund holdings (% exposure, as at 30 September 2021)

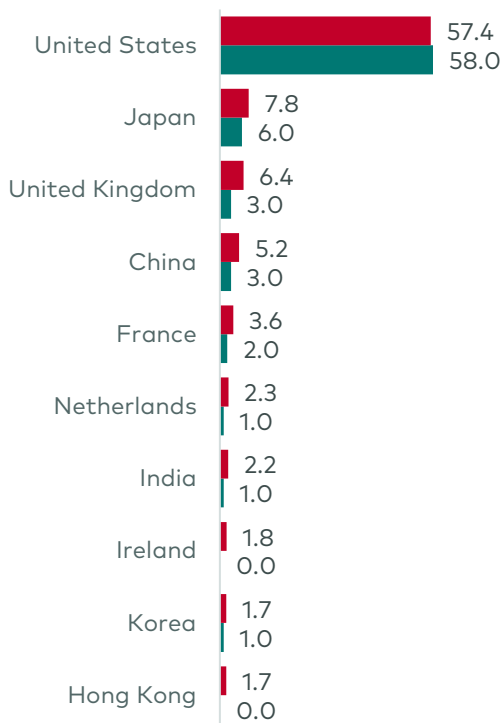
Company	%
Alphabet Inc.	1.6
Sea Ltd.	1.3
Reliance Industries Ltd.	1.3
Moody's Corp.	1.2
Ryanair Holdings plc	1.2
Microsoft Corp.	1.1
Moderna Inc.	1.1
Prosus NV	1.1
Airbus SE	1.1
Amazon.com Inc.	0.9

Breakdown (as at 30 September 2021)

Sector exposure (%)



Region exposure (%)



■ Fund ■ Benchmark

Source: Vanguard, as at 30 September 2021.

Performance analysis

Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Moderna Inc.	1.1	0.2	67.8	0.40
Reliance Industries Limited	1.3	0.0	23.1	0.20
Alibaba Group Holding Ltd.	0.0	0.4	-33.9	0.20
Sea Ltd. (Singapore)	1.3	0.0	18.9	0.20
Albemarle Corporation	0.6	0.0	33.4	0.10

Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Alibaba Group Holding Ltd.	0.9	0.0	-33.1	(0.50)
Sands China Ltd.	0.6	0.0	-50.0	(0.30)
Naspers Limited	0.4	0.1	-19.2	(0.30)
Ping An Insurance (Group) Company of China Ltd.	0.6	0.1	-27.1	(0.20)
NovoCure Ltd.	0.3	0.0	-46.3	(0.20)

Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Moderna Inc.	1.1	0.2	382.7	0.70
Sea Ltd. (Singapore)	1.3	0.0	98.4	0.50
Cloudflare Inc.	0.6	0.0	163.1	0.40
Canadian Natural Resources Limited	0.8	0.1	129.5	0.40
Charles Schwab Corporation	0.8	0.2	93.0	0.40

Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Alibaba Group Holding Ltd.	0.9	0.4	-51.7	(0.60)
Naspers Limited	0.4	0.1	-10.3	(0.40)
Sands China Ltd.	0.6	0.0	-48.8	(0.40)
Ping An Insurance (Group) Company of China Ltd.	0.6	0.1	-33.6	(0.30)
Teladoc Health Inc.	0.3	0.0	-44.5	(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 30 September 2021. 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>.

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For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIID"). The KIID and the Prospectus for the fund(s) is available from Vanguard via our website <https://global.vanguard.com/>

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