

## GLOBAL EQUITY INCOME FUND

LOW-COST ACTIVE  
EQUITY

## Quarterly update

**Vanguard Global Equity Income Fund is an actively managed core fund. Its two independent sub-advisers follow distinct yet complementary approaches in managing the Fund's assets. Wellington is a traditional bottom-up manager, while Vanguard's Quantitative Equity Group utilises a quantitative approach to find securities with an attractive combination of quality, valuation and yield.**

**Highlights**

- Equity markets moved lower.
- European and emerging-market stocks were among the laggards.
- High dividend-yield stocks largely outperformed the broader market.
- The Vanguard Global Equity Income Fund outperformed its benchmark.
- Wellington's portfolio is well-positioned for an inflationary environment.

**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.

**Fund performance**

The Vanguard Global Equity Income Fund

returned +4.75% over the quarter and outperformed its benchmark, the FTSE Developed Index (in GBP), which returned -2.46%<sup>1</sup>.

As an income-focused fund, the outperformance this quarter was not surprising as high-dividend stocks outperformed the broader market.

Both management teams from Wellington and Vanguard Quantitative Equity Group largely outperformed over the quarter. The fund's overweight to high dividend-yielding stocks, security selection and sector allocation contributed to performance. Strength came from security selection in industrials and health care in particular, as well as from the fund's overweight exposure to energy and underweight to technology.

At the individual stock level, metals and mining multinational Rio Tinto and BAE Systems, an arms, security and aerospace company, were the largest contributors. Steel mining and manufacturing company Evraz and fast-fashion retailer Industria de Diseno (Inditex) were the top detractors.

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

Shares of Anglo-Australian firm Rio Tinto ended the period higher after reporting record annual profits and a record full-year dividend for the year ended 2021. The results were boosted by high iron ore prices and strong demand from China as the global economy continued to recover from Covid-19. Wellington believes the company has an advantaged cost-position within the supply-constrained iron-ore industry.

Shares of London-based BAE Systems rose sharply during the period. The company expects to benefit from increased government spending on defence following Russia's invasion of Ukraine. Wellington sees reaccelerating top-line growth for BAE, driven by strong positioning in key defence programmes. Wellington expects strong free cash flow accretion and an increase in the company's exposure to the US defence market, where it has a valuation discount versus peers.

Shares of Spanish retailer Industria de Diseno (Inditex) fell during the period after its Q4 earnings missed consensus estimates, driven by the spread of the Omicron variant in key markets, halting sales in Russia (due to the sanctions imposed by Western governments on Russia following Russia's invasion of Ukraine) and growing fears of recession across Europe. Wellington believes the firm has a strong capital allocation programme with excess cash returned to shareholders in the form of regular and special dividends.

Shares in UK-listed steel producer Evraz fell during the quarter. The company was founded by and is largely still owned by Russian oligarch Roman Abramovich, who has been sanctioned by the UK government. The stock fell following the Russian invasion of Ukraine and is no longer held in the fund.

## Activity

The fund's overweight to utilities increased on purchases from Wellington, while its underweight to the technology sector increased as the benchmark holdings lagged the broader market. On a regional level, the

fund's exposure to Japan increased to a slight overweight position.

Wellington purchased Spanish multinational electric utility company Iberdrola during the quarter, citing a strong set of transmission assets which should position it well in the transition towards clean energy. Wellington expects Europe's desire to reduce its dependence on Russian gas to further accelerate demand for renewables, which will allow Iberdrola to achieve better incremental returns from its investment activities.

Wellington sold its position in German car manufacturer Volkswagen during the quarter, having originally invested due to it being well-positioned in the electric vehicle market. However, the company has been negatively impacted by supply chain issues with metal prices increasing as a result of Russia's invasion of Ukraine (Russia being a large supplier of nickel globally). Wellington sold its position due to better risk/return opportunities elsewhere.

Vanguard's Quantitative Equity Group's activity is driven by technical analysis of individual stocks in its model. The team added US utility firm American Electric Power Company and electric products and services company Emerson Electric, while positions in US technology company Intel and biopharmaceuticals firm Bristol-Myers Squibb were sold off entirely.

## Outlook

Comprising the Wellington portfolio is a broad set of companies that the team feels are resilient in the face of macro and inflationary pressures. Wellington expects further volatility ahead, given the dynamics the market is facing. However, Wellington remains grounded in its process and philosophy, focusing on the portfolio being driven by bottom-up company assessments. If risk premiums keep rising, they will continue to look for windows of opportunity to buy attractive companies at discounted valuations.

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

**Investment managers:** Vanguard Quantitative Equity Group, Wellington Management Company LLP

**Inception date:** 25 May 2016

**Domicile:** United Kingdom

**Benchmark:** FTSE Developed Index

**Ongoing charges figure<sup>1</sup>:** 0.48%

**Fund AUM:** GBP 113m

**Number of holdings:** 132

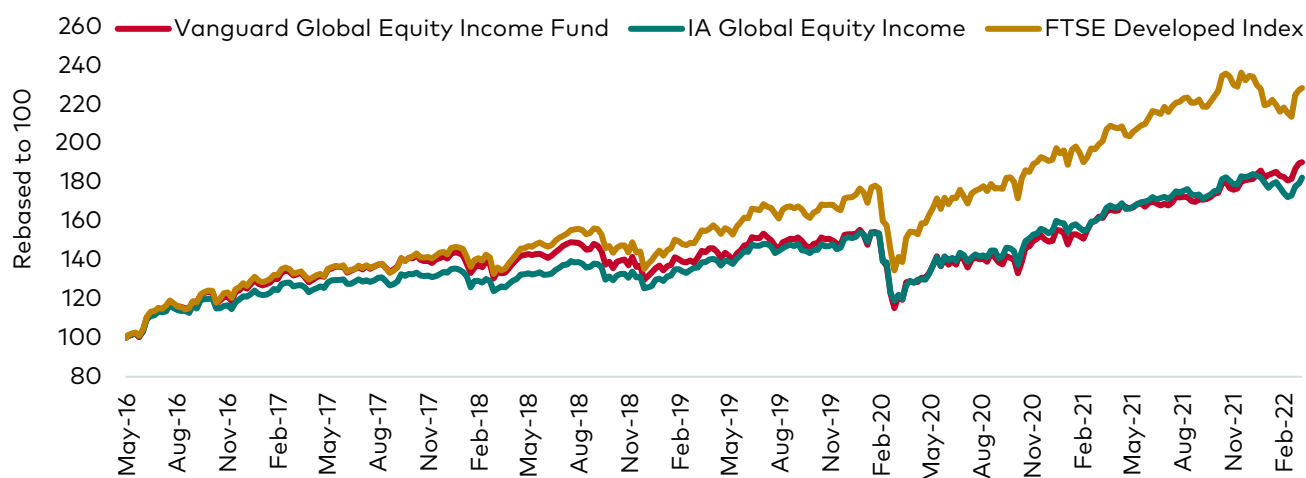
**Median market cap:** GBP 55.9B

**PE ratio:** 12.0X

**Equity yield (dividend):** 3.4%

**ISIN:** GB00BZ82ZW98

## Fund performance (as at 31 March 2022)



Cumulative (%)	YTD	3m	1 year	3 yr (ann.)	5 yr (ann.)	Since inception
Fund	4.75	4.75	18.05	10.40	7.47	11.61
Peer Group	-1.92	-1.92	11.50	10.02	7.33	10.53
Benchmark	-2.46	-2.46	14.60	14.58	11.34	15.15

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	0.87	5.63	-13.14	31.22	18.05
Peer Group	-0.19	8.47	-9.43	32.55	11.50
Benchmark	1.99	11.48	-5.64	39.12	14.60

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

Source: Vanguard and Morningstar, as at 31 March 2022. Peer group is IA Global Equity Income. 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.

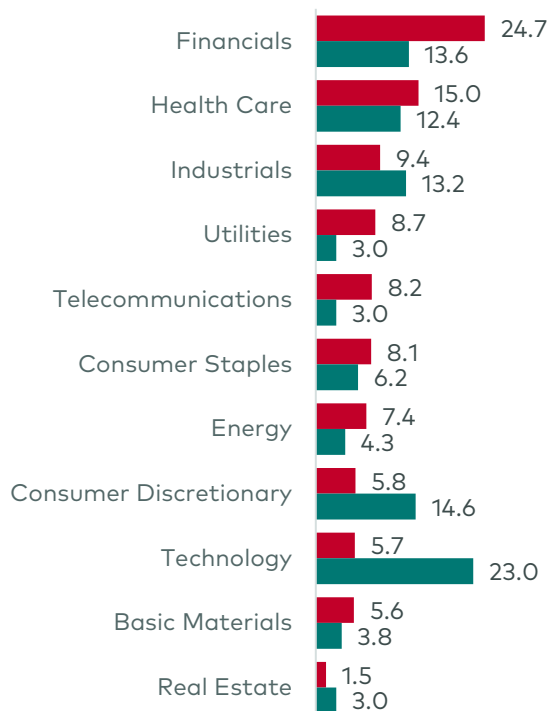
<sup>1</sup>The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

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

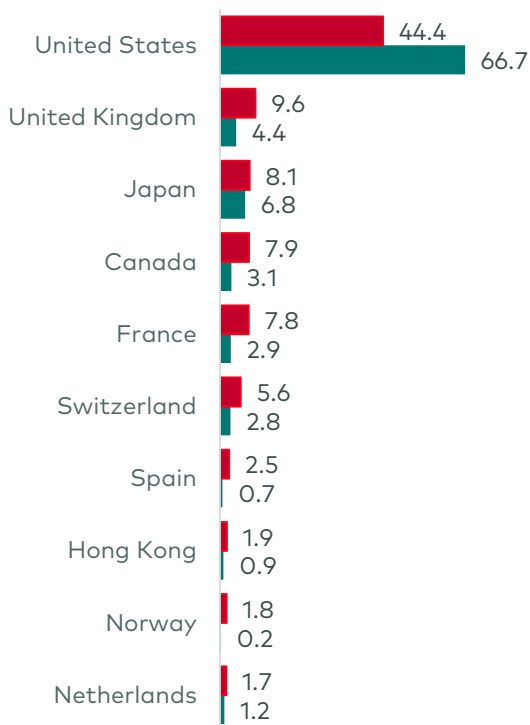
Company	%
Pfizer Inc.	2.4
Philip Morris International Inc.	2.0
Bank of Nova Scotia	2.0
Merck & Co. Inc.	2.0
Rio Tinto	1.9
Johnson & Johnson	1.9
Bank of America Corp.	1.9
AstraZeneca plc	1.9
UBS Group AG	1.9
Anthem Inc.	1.8

## 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
Rio Tinto plc	2.0	0.1	32.3	0.5
BAE Systems plc	1.3	0.1	30.5	0.4
Meta Platforms Inc.	0.0	0.9	-32.0	0.4
AstraZeneca PLC	1.9	0.3	18.7	0.3
TC Energy Corporation	1.4	0.1	26.3	0.3

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Chevron Corporation	0.1	0.5	-4.9	-0.20
Berkshire Hathaway Inc.	0.0	1.1	21.2	-0.20
Industria de Diseno Textil S.A.	0.9	0.0	-30.2	-0.20
ENN Energy Holdings Limited	0.9	0.0	-18.0	-0.20
Apple Inc.	0.0	4.5	1.2	-0.20

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Exelon Corporation	1.6	0.1	63.4	0.50
Walt Disney Company	0.0	0.4	-22.1	0.20
Royal Bank of Canada	1.6	0.3	29.6	0.20
Bank of Nova Scotia	2.0	0.1	25.7	0.20
FMC Corporation	1.2	0.0	27.0	0.20

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Standard Chartered PLC	0.8	0.0	4.0	-0.10
Citigroup Inc.	0.4	0.2	-20.8	-0.10
Tohoku Electric Power Company Incorporated	0.0	0.0	-26.2	-0.10
Covestro AG	0.2	0.0	-19.4	-0.10
AIA Group Limited	0.8	0.2	-7.8	-0.10

#### 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 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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