

## GLOBAL EMERGING MARKETS FUND

LOW-COST ACTIVE  
EQUITY

## Quarterly update

**Vanguard Global Emerging Markets Fund is an actively managed fund. Two 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 and Baillie Gifford is a growth manager.**

**Highlights**

- Global financial markets performed unevenly over the quarter.
- Taiwan and the United Arab Emirates drove emerging market returns.
- Telecommunications and technology were the top-performing sectors.
- The Vanguard Global Emerging Markets Fund underperformed its benchmark.
- The managers see attractive long-term growth prospects for emerging markets.

**Market overview**

Global financial markets performed unevenly in the fourth quarter of 2024. US equities posted gains amid resilient economic growth and optimism about future tax cuts and deregulation. The US Federal Reserve's (Fed) signalling of less enthusiasm for further interest rate cuts, however, trimmed those returns and led to a decline in bond markets. Weaker economic growth outside the US contributed to negative returns from many regions, notably European equities.

Emerging market (EM) equities faced several challenges during the quarter, including global economic growth concerns and a strong US dollar. China's underperformance was driven by weak economic growth, and concerns around regulation and the potential impact of US tariffs. Brazilian shares were among the weakest in EM equities, as investors reacted to a new fiscal package. South Korean equities experienced losses due to concerns about political instability, including a sudden declaration of martial law. India also recorded a weak quarter in US dollar terms and underperformed the broader index.

**Performance and positioning**

The Vanguard Global Emerging Markets Fund returned -3.62% over the quarter and underperformed its benchmark, the FTSE Emerging Net Tax (UK UCITS) Index, which returned 0.16%<sup>1</sup>.

At the overall fund level, negative returns from stock selection in the financials and telecommunications sectors detracted from performance. Positive returns from stock selection in the energy sector boosted

returns, as did an underweight exposure to utilities. At a country level, stock selection in Taiwan and an underweight allocation to India boosted returns, while selection in China weighed on performance.

Both Pzena and Baillie Gifford underperformed.

Pzena's underperformance was driven by negative returns from stock selection in the telecommunications sector and an underweight allocation to technology. This was partially offset by positive returns from stock selection in the consumer staples and energy sectors.

Baillie Gifford's underperformance was driven by negative returns from stock selection within the financials and telecommunications sectors. However, an overweight exposure to telecommunications and an underweight exposure to utilities boosted performance.

At the individual stock level, the largest held detractors over the quarter were Samsung Electronics and Pacific Basin Shipping. The share price of Samsung Electronics, a South Korean technology conglomerate, continued to fall over the quarter due to challenges in both its foundry and high-end memory chips businesses.

The share price of Pacific Basin Shipping, a Hong Kong-based maritime transport company engaged in international dry bulk shipping, fell amid declining freight rates driven by China's continued economic malaise and concerns over potential tariffs.

The largest held positive contributors over the quarter were United Integrated Services and Accton Technology. The share price of United Integrated Services, an engineering and construction company

<sup>1</sup> Source: Vanguard as at 31 December 2024. Performance is calculated net of fees, on a NAV-to-NAV basis with gross income reinvested.

based in Taiwan with a focus on semiconductor manufacturing facilities, surged after the company reported robust results. These were driven by strong demand for AI chips and increased capital expenditure from its largest customer, Taiwan Semiconductor Manufacturing Company.

The share price of Accton Technology, a networking solutions provider based in Taiwan, rose over the quarter following the company's successful rotation into advanced AI accelerators, which now account for 40% of the firm's revenue.

## Activity

Pzena initiated a position in Saudi Arabian Oil Company (Aramco), a majority state-owned petroleum and natural gas company that is the national oil company of Saudi Arabia, on the back of weakness in the oil price.

Pzena trimmed its position in Alibaba, a Chinese tech giant, as the shares advanced in the third quarter following the Fed's rate cut and the announcement of stimulus measures by the Chinese government.

Baillie Gifford initiated a position in Meituan, a Chinese food delivery and services business. Competition and regulatory hurdles that previously posed a challenge appear to be lessening and the investment team believes that the valuation offered an attractive entry point.

Baillie Gifford exited its position in Zai Lab, a biopharmaceutical company based in the US and China. The company's operational performance has not met the investment team's expectations and there were increasing concerns about regulatory tensions from both China and the US.

## Outlook

Pzena remains optimistic about emerging markets after what it believes were temporary setbacks in the fourth quarter, driven by concerns over US policies, namely the potential impact of tariffs, trade wars and foreign policy, as well as domestic issues in Brazil and South Korea. The investment team believes that the portfolio remains resilient, and they continue to focus on undervalued, fundamentally strong businesses with tremendous growth potential. The team at Pzena has found opportunities in China, Brazil and South Korea as well as in the financials, IT and consumer discretionary sectors. The team is confident in its ability to capitalise on the region's long-term growth trajectory.

The investment team at Baillie Gifford highlights the long-term potential of emerging markets, driven by transformative trends such as the growth of AI,

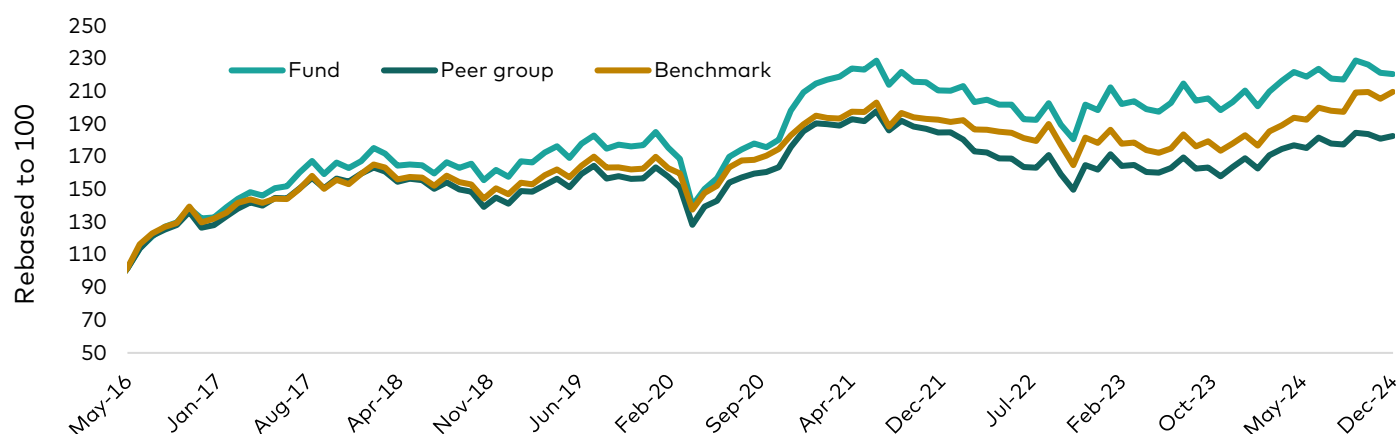
energy transition and rise of local champions. These trends are expected to increase demand for raw materials like copper and essential technologies, which are largely sourced or manufactured in emerging markets. While short-term market fluctuations are inevitable, the team is confident in the portfolio's composition and the alignment of share prices with earnings growth over time.

## Key fund facts (as at 31 December 2024)

**Investment managers:** Baillie Gifford Overseas Ltd.  
Pzena Investment Management LLC  
**Inception date:** 25 May 2016  
**Domicile:** United Kingdom  
**Benchmark:** FTSE Emerging Net Tax (UK UCITS) Index in GBP  
**Peer group:** IA Global Emerging Markets  
**Ongoing charges figure<sup>1</sup>:** 0.78%

**Fund AUM:** GBP 435m  
**Number of holdings:** 130  
**Median market cap:** GBP 23.9B  
**PE ratio:** 11.1X  
**Equity yield (dividend):** 3.4%  
**ISIN:** GB00BZ82ZY13

## Fund performance (Cumulative % growth, GBP, 25 May 2016 to 31 December 2024)



Cumulative return (%) as at 31 December 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund*	4.80	-3.62	4.80	1.60	3.57	9.63
Baillie Gifford	7.83	-3.27	7.83	-1.72	2.32	9.70
Pzena	8.70	-4.73	8.70	8.52	7.72	11.23
Peer group	8.05	-1.09	8.05	-0.38	2.27	7.26
Fund relative to peer group	-3.24	-2.53	-3.24	1.98	1.30	2.38
Benchmark	14.48	0.16	14.48	3.10	4.29	8.99
Fund relative to benchmark	-9.68	-3.78	-9.68	-1.50	-0.72	0.65

12-month return (%) to:	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024
Fund*	--	--	25.97	-5.74	17.37	13.09	0.46	-5.60	6.01	4.80
Peer group	-9.23	31.62	24.52	-11.53	15.72	13.56	-0.35	-12.34	4.29	8.05
Benchmark	-10.56	35.04	20.74	-7.87	15.60	11.69	0.78	-6.74	2.65	14.48

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

Source: Vanguard and Morningstar. Performance figures include the reinvestment of all dividends and any capital gains distributions. Basis of fund performance NAV to NAV. Basis of index performance is total return. All performance is calculated in GBP, net of fees. Note that small daily changes to cash balances and manager weights mean the fund return is not a simple average of the subadvisor returns over the quarter.

<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.

\*Effective 12 August 2024, Vanguard removed Oaktree as a subadvisor. Performance figures prior to this date incorporate returns from Oaktree.

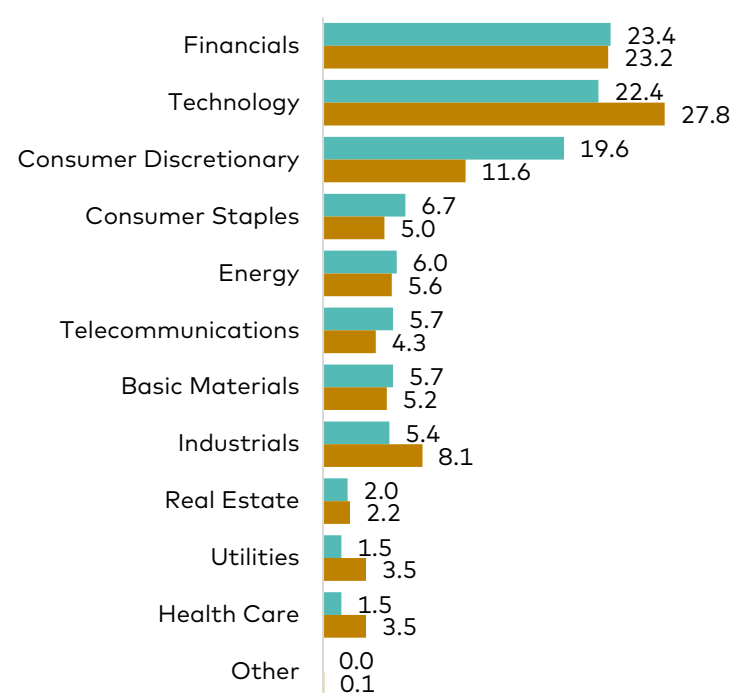
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## Top 10 fund holdings (% exposure, as at 31 December 2024)

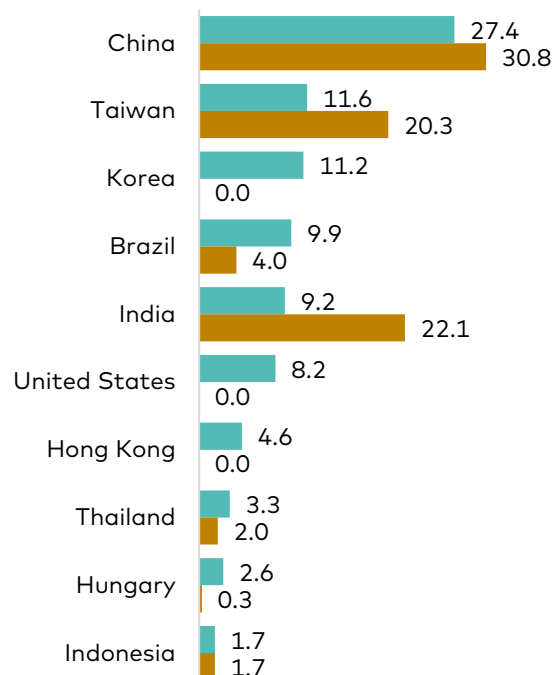
Company	%
Taiwan Semiconductor Manufacturing Co Ltd	6.3
Tencent Holdings Ltd	4.1
Samsung Electronics Co Ltd	3.8
Alibaba Group Holding Ltd	2.8
MercadoLibre Inc	1.7
Haier Smart Home Co Ltd	1.7
China Merchants Bank Co Ltd	1.7
Baidu Inc	1.6
Bank Rakyat Indonesia Persero Tbk PT	1.6
Reliance Industries Ltd	1.5

## Breakdown (as at 31 December 2024)

### Sector exposure (%)



### Regional exposure – top 10 regions (%)



■ Fund ■ Benchmark

Source: Vanguard, as at 31 December 2024.

Benchmark: FTSE Emerging Net Tax (UK UCITS) Index in GBP.

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## Performance analysis<sup>1</sup>

### Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
United Integrated Services Co. Ltd.	0.8	0.0	56.2	0.4
PDD Holdings Inc.	0.0	0.9	-22.9	0.3
Abu Dhabi Commercial Bank	0.5	0.1	32.5	0.2
Accton Technology Corporation	0.9	0.2	50.2	0.2
China Merchants Bank Co. Ltd.	1.7	0.4	11.1	0.1

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Samsung Electronics Co. Ltd.	4.4	0.0	-17.1	-0.8
Taiwan Semiconductor Manufacturing Company Limited	6.6	10.3	16.6	-0.5
Xiaomi Corporation	0.0	1.0	64.2	-0.3
Pacific Basin Shipping Limited	0.7	0.0	-28.9	-0.3
Sasol Limited	0.7	0.0	-29.8	-0.2

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
PDD Holdings Inc.	0.0	0.9	-32.5	0.7
Sea Limited	0.8	0.0	166.7	0.4
Anglogold Ashanti Plc	0.0	0.0	43.6	0.4
Hon Hai Precision Industry Co. Ltd.	0.3	0.9	72.2	0.4
United Integrated Services Co. Ltd.	0.8	0.0	84.6	0.4

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Samsung Electronics Co. Ltd.	4.4	0.0	-37.9	-2.8
Meituan	1.0	1.4	-9.4	-0.9
Taiwan Semiconductor Manufacturing Company Limited	6.6	10.3	75.6	-0.7
Natura &Co Holding S.A.	1.2	0.0	-37.1	-0.6
Sasol Limited	0.7	0.0	-55.0	-0.6

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

<sup>1</sup>Weights are as at the end of the reporting period, but the total effect is based on positions held over the full period.

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 December 2024. 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).

Note: performance attribution is sourced from FactSet, therefore the portfolio weights shown may differ from those on the previous page.

Benchmark: FTSE Emerging Net Tax (UK UCITS) Index in GBP.

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

## Important information

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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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