

GLOBAL EMERGING MARKETS FUND

Quarterly update

LOW-COST ACTIVE
EQUITY

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 markets posted positive returns over the quarter but lagged developed markets.
- Taiwan and India led emerging market returns.
- Utilities was the top-performing sector.
- The Vanguard Global Emerging Markets Fund outperformed its benchmark.
- The managers are finding attractive opportunities across emerging markets, including in China.

Market overview

Global equity markets experienced significant volatility in the fourth quarter of 2023. They continued to lose ground early on, amid concerns that interest rates might remain elevated for an extended period. Equity markets went on to post strong gains, however, as inflation remained on a downward trend and economic growth softened. These factors fuelled market expectations that interest rates had reached their peak and that cuts were likely not too far down the road.

Within emerging markets (EM), China continued to weigh on performance, with lacklustre economic data showing signs of a slow recovery and the prolonged downturn in China's property market negatively impacting sentiment.

Performance and positioning

The Vanguard Global Emerging Markets Fund returned 2.34% over the quarter and outperformed its benchmark, the FTSE Emerging Net Tax (UK UCITS) Index, which returned 2.05%¹.

Security selection in the technology sector led performance, more than offsetting negative returns from selection in the materials sector. From a country lens, selection in Taiwan boosted returns, as did an overweight

allocation to Brazil. Selection in China, however, detracted from performance.

Baillie Gifford outperformed, while Oaktree and Pzena underperformed.

Baillie Gifford's outperformance was driven by an overweight allocation to, and strong selection within, the technology sector, while selection in materials detracted.

Pzena's underperformance was driven by security selection in the materials and real estate sectors, while security selection in industrials and an underweight position in the telecommunications sector helped performance.

Oaktree's marginal underperformance was driven by negative returns from selection in the consumer discretionary sector and an underweight allocation to technology. Meanwhile, selection in financials and industrials boosted returns.

Individual stocks that made a positive contribution to returns were led by Samsung and SK Hynix.

Following weaker performance in the previous quarter, the share price of Samsung Electronics benefitted as the memory chip market began to show signs of a rebound.

The share price of SK Hynix, a semiconductor company based in South Korea, also rose as

¹ Source: Vanguard, as at 31 December 2023.

the company's dynamic random-access memory chips (DRAM) business returned to profit in the third quarter. The company announced progress in high-bandwidth memory chips (HBM) which are used to support AI engines.

The largest detractors over the quarter were First Quantum Minerals and Haier Smart Home.

The share price of First Quantum Minerals, a Canadian metals and mining company, fell after the company encountered a dispute with the Panamanian government over operations at its Cobre mine in Panama, a vital asset to both the company and to Panama's economy, producing around 5% of Panama's GDP.

The share price of Haier Smart Home, the Chinese home appliance manufacturer, fell as consumer sentiment in China remained subdued.

Activity

Pzena initiated a position in HDFC Bank, an Indian banking and financial services firm, after the company merged with a mortgage lender and sister company. The merger led to concerns around the company's financial position, and capital levels were temporarily elevated. Pzena believed this issue was temporary and that the franchise would continue to take share from public sector banks.

Pzena trimmed its holding in Indian generic drug manufacturer Aurobindo on share-price strength. The company reported earnings that beat analyst expectations and its US oral solids business continued to recover after it came under pressure last year.

Oaktree initiated a position in H World, a Chinese hotel operator, when the fund managers believed that the company's share price had reached an attractive entry point.

Oaktree exited its position in Chinese firm Daqo New Energy, one of the largest polysilicon producers in the world. It believes that the company is in an industry that is oversupplied and continues to see competitors add capacity.

Baillie Gifford added to its position in Fabrinet, a Thai electronic manufacturing services company specialising in optical products. Growth has historically compounded at a double-digit rate, and the company has managed to keep an unlevered balance sheet.

Baillie Gifford exited its position in Geely Automobile, a vehicle manufacturer based in China. The team believes that competition in the new-energy vehicle business is increasing and that the founder's focus now includes areas outside this line of business.

Outlook

Pzena remains vigilant for opportunities in companies that are being unduly punished for temporary issues. The team notes that, in accordance with its strict valuation-based, bottom-up investment approach, it has been increasing its China weighting in recent years given the country's widening valuation gap. Macroeconomic and geopolitical risks are always factored into the investment process, but the team believes China has a number of good businesses – with massive scale, global operations and leadership positions within their industries – that are trading at generationally low valuations, mostly due to systematic risks.

Oaktree believes the current environment is reminiscent of 2015, in that it believes China still has many tools in its kit and that its challenge is now to restore investor confidence in the market. The team believes valuations remain very attractive, especially in China, and that there is significant upside to Chinese equities. Overall, Oaktree believes EM valuations still represent a very attractive risk-reward opportunity.

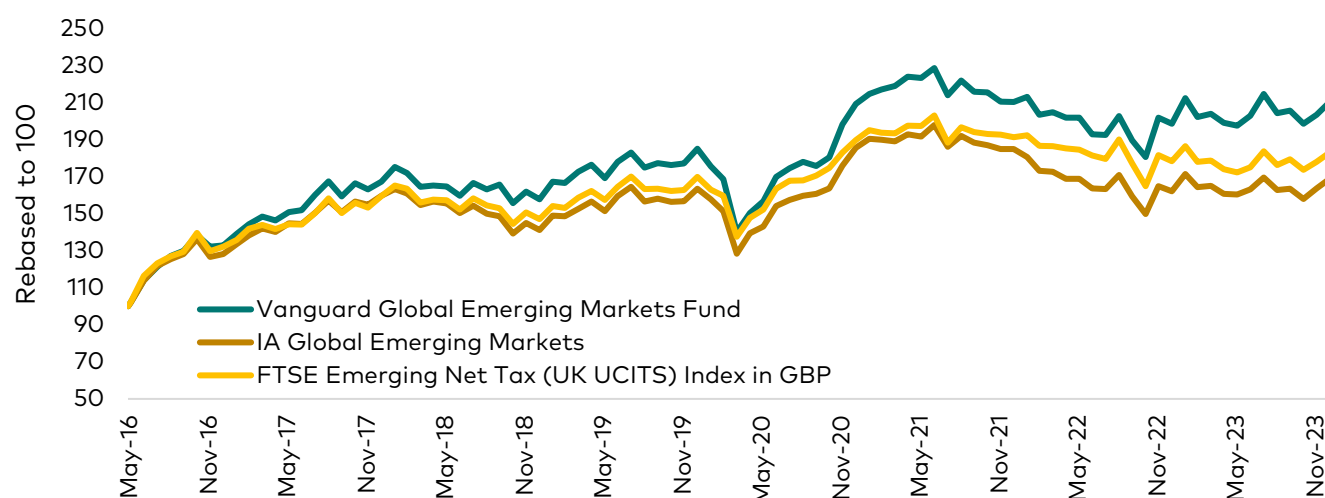
The team at Baillie Gifford believes inflation is well controlled and interest rates are largely falling across EM. Fiscally, governments in large EM countries are well positioned, and the growth outlook remains encouraging. The team remains mindful of the 2024 election cycle in EM and is enthusiastic about the number of opportunities available across a wide range of countries and sectors.

Key fund facts (as at 31 December 2023)

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 Net Tax (UK UCITS) Index in GBP
Ongoing charges figure¹: 0.78%

Fund AUM: GBP 428m
Number of holdings: 167
Median market cap: GBP 29.7B
PE ratio: 10.5X
Equity yield (dividend): 3.7%
ISIN: GB00BZ82ZY13

Fund performance (Cumulative % growth, GBP, 25 May 2016 to 31 December 2023)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	6.01	2.34	6.01	0.18	5.94	10.29
<i>Baillie Gifford</i>	7.71	3.24	7.71	-6.35	4.97	9.95
<i>Oaktree</i>	-1.06	1.98	-1.06	-1.55	4.65	9.37
<i>Pzena</i>	11.30	1.46	11.30	8.92	8.00	11.57
Peer group	4.29	3.47	4.29	-3.06	3.66	7.15
<i>Fund relative to peer group</i>	1.72	-1.13	1.72	3.24	2.28	3.14
Benchmark	2.65	2.05	2.65	-1.19	4.49	8.29
<i>Fund relative to benchmark</i>	3.36	0.29	3.36	1.37	1.45	2.00
Year on year (%)	1-Jan-19 to 31-Dec-19	1-Jan-20 to 31-Dec-20	1-Jan-21 to 31-Dec-21	1-Jan-22 to 31-Dec-22	1-Jan-23 to 31-Dec-23	
Fund	17.37	13.09	0.46	-5.60	6.01	
Peer group	15.72	13.56	-0.35	-12.34	4.29	
Benchmark	15.60	11.69	0.78	-6.74	2.65	

Past performance is not a reliable indicator of future results.

Source: Vanguard and Morningstar, as at 31 December 2023. 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. 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.

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.

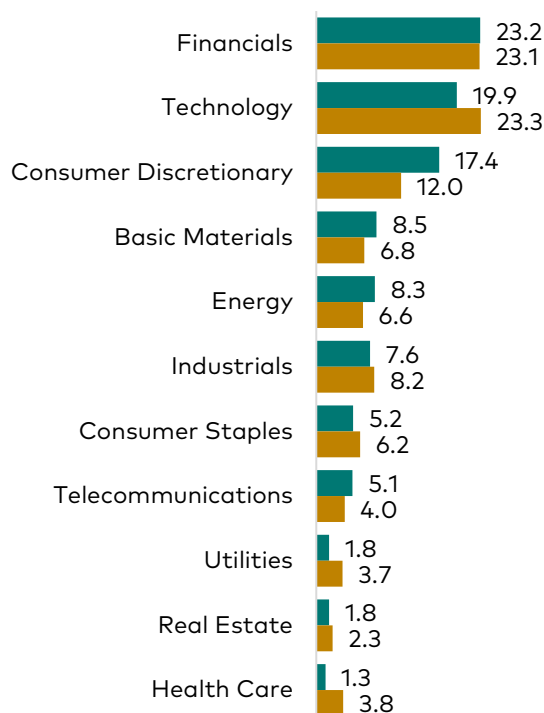
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Top 10 fund holdings (% exposure, as at 31 December 2023)

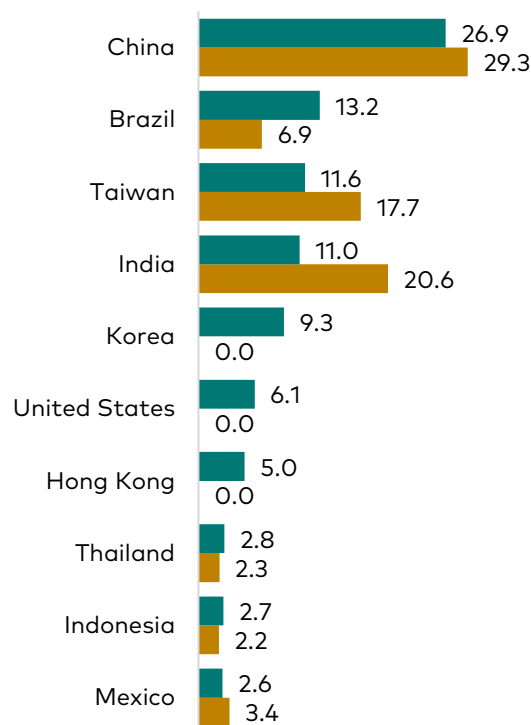
Company	%
Taiwan Semiconductor Manufacturing Co. Ltd.	6.4
Samsung Electronics Co. Ltd.	3.6
Alibaba Group Holding Ltd.	3.4
Petroleo Brasileiro SA	2.9
Reliance Industries Ltd.	2.5
Bank Rakyat Indonesia Persero Tbk PT	2.2
Tencent Holdings Ltd.	2.0
HDFC Bank Ltd.	1.9
SK Hynix Inc.	1.8
Vale SA	1.6

Breakdown (as at 31 December 2023)

Sector exposure (%)



Regional exposure – top 10 regions (%)



■ Fund ■ Benchmark

Source: Vanguard, as at 31 December 2023.
Benchmark: FTSE Emerging Net Tax (UK UCITS) Index in GBP

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Performance analysis¹

Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Meituan	0.0	0.9	-31.4	0.4
Samsung Electronics Co. Ltd.	3.6	0.0	15.6	0.4
SK hynix Inc.	1.8	0.0	24.0	0.3
Weichai Power Co. Ltd.	1.3	0.1	17.5	0.2
MercadoLibre Inc.	1.3	0.0	18.7	0.2

Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
FIRST QUANTUM MINERALS	0.2	0.0	-66.8	-0.5
PDD Holdings Inc.	0.0	1.3	42.8	-0.4
Galaxy Entertainment Group Limited	1.4	0.0	-10.9	-0.2
Haier Smart Home Co. Ltd.	1.1	0.1	-14.1	-0.2
Sasol Limited	0.4	0.1	-30.0	-0.2

Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Petroleo Brasileiro S.A	2.4	0.0	79.1	1.5
Samsung Electronics Co. Ltd.	3.6	0.0	31.1	0.9
SK hynix Inc.	1.8	0.0	76.7	0.8
Meituan	0.0	0.9	-35.6	0.7
MercadoLibre Inc.	1.3	0.0	75.2	0.6

Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
PDD Holdings Inc.	0.0	1.3	69.3	-0.5
FIRST QUANTUM MINERALS	0.2	0.0	-62.6	-0.4
China Tourism Group Duty Free Corporation Limited	0.2	0.0	-68.3	-0.4
Galaxy Entertainment Group Limited	1.4	0.0	-19.7	-0.4
Petroleo Brasileiro S.A	0.5	1.1	79.3	-0.3

Past performance is not a reliable indicator of future results.

¹Weights 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 2023. 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).

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

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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>.

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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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