

## GLOBAL SUSTAINABLE EQUITY FUND

LOW-COST ACTIVE  
MULTI-ASSET

## Quarterly update

**Vanguard Global Sustainable Equity Fund is an actively managed fund designed for investors who want to generate long-term growth from their investments. The fund aims to achieve this whilst selecting investments which meet certain sustainability criteria.**

**Highlights**

- Global stocks rallied from their October lows to post strong gains.
- The US and Europe were the top-performing regions over the period.
- Growth stocks performed better than value stocks.
- The Vanguard Global Sustainable Equity Fund outperformed its benchmark.
- Wellington maintains that sustainable financial strength and superior stewardship are a powerful combination.

**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 for the quarter, 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 rate cuts were likely not too far down the road.

**Performance**

The Vanguard Global Sustainable Equity Fund returned 8.15% over the quarter and outperformed its benchmark, the FTSE All World Net Tax (UK UCITS) Index in GBP, which returned 6.27%<sup>1</sup>.

Security selection in the consumer discretionary sector and a lack of exposure to the energy sector contributed positively to relative returns, while an overweight allocation to the health care sector detracted from performance. From a regional lens, strong security selection in Europe drove returns, but this was partially offset by an underweight exposure to, and selection within, North America.

The top individual contributors to the fund's performance over the quarter were Recruit and Northern Trust.

The share price of Recruit, a Japan-based staffing, HR and marketing media company, rose over the period as the company reported results that were in line with expectations. The management team is investing in innovation, which has enabled them to successfully digitalise their business model. Management also announced the start of a multi-billion-yen share repurchase programme.

The share price of Northern Trust, provider of wealth management services, rose in December after the US Federal Reserve delivered a dovish policy tone and 2024 rate forecast. The company is conservatively managed and generates solid returns without excess leverage.

At the individual stock level, the largest detractors from relative performance included Cisco Systems and Automatic Data Processing (ADP).

The share price of Cisco Systems, a US-based networking-systems and communication-products provider, fell over the period. Cisco issued a disappointing revenue forecast for

<sup>1</sup>Source: Vanguard, as at 31 December 2023.

the second quarter, citing a slowdown in new product orders.

The share price of ADP, a US-based human resources management software provider, fell in October after the company reported lower growth in an area of the business which accounts for about a third of sales.

## Activity

Wellington initiated a position in Danaher, a US-based diversified science and technology company. The team sold its position in Danaher several years ago due to concerns over a sudden CEO transition and potential for increased merger and acquisition (M&A) activity. Wellington repurchased shares in Danaher in the fourth quarter as the CEO moved the company's operating model away from M&A, with a renewed focus on its existing business platform. Additionally, the investment team had a positive engagement with the founder of Danaher and they came away confident in the strategic vision for the business over the long term.

Wellington eliminated its position in Ecolab, a US-headquartered global provider of water, hygiene and energy technologies, during the quarter. Margins have been weaker in recent years, and the investment team's confidence in Ecolab's ability to sustain high returns over the long term diminished. Sales growth has been fuelled by higher-than-normal pricing increases and sales volumes have been under pressure. Ecolab has not invested sufficiently in innovation to give the team confidence that the business will recover volumes and support margins, which does not reflect the long-term mindset the portfolio managers are looking for from their investments.

## Outlook

Wellington believes the need for companies to be profit-seeking as well as responsible is becoming even more important against today's geopolitical backdrop; companies that don't take care of their customers, employees, supply chains and communities in tough times risk losing the privilege of earning high returns

in the long term. The team remains committed to investing for the long term. It focuses on companies with strong competitive positions that produce high returns on capital and believes high returns can be sustained if companies are good stewards of shareholder capital and stakeholder trust.

## ESG Engagement

Wellington's investment framework is centred on finding companies with high relative returns on capital and the stewardship to sustain those returns. The team looks for companies to provide transparency on material environmental, social and governance (ESG) issues, to be credible in their engagement with key stakeholders and to set ambitious targets for improvement. In its engagement with management and boards, Wellington encourages companies to hold themselves to high standards for governance and sustainability practices that enhance resilience and profitability.

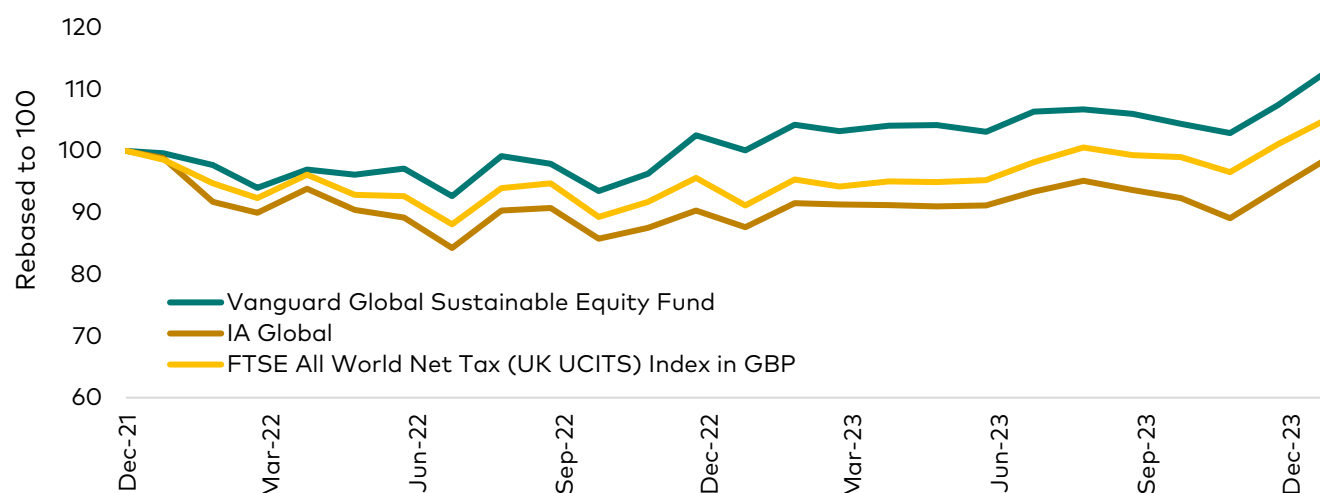
Towards the end of the year, Wellington met with Nancy McKinstry, the CEO of Netherlands-headquartered Wolters Kluwer, an information services company. The engagement further confirmed Wellington's view that the long-term mindset at Wolters Kluwer has helped the company transition from traditional publisher to a leading software provider for professional services companies. The team believes the reinvestment in the business will help Wolters Kluwer grow, expand and adapt, including new revenue streams in areas like ESG solutions, to meet rising regulatory demand. Meanwhile, the company's decision to centralise more product development drives better technology reuse across the organisation, improving the pace of innovation. These changes are all being executed with a heavy focus on enhancing the customer experience while building loyalty and resilience in the business.

## Key fund facts (as at 31 December 2023)

**Investment manager:** Wellington Management Company LLP  
**Inception date:** 8 December 2021  
**Domicile:** United Kingdom  
**Benchmark:** FTSE All World Net Tax (UK UCITS) Index in GBP  
**Ongoing charges figure<sup>1</sup>:** 0.48%

**Fund AUM:** GBP 89.8 m  
**Number of holdings:** 37  
**Median market cap:** GBP 81.1B  
**PE ratio:** 18.3X  
**Equity yield (dividend):** 2.4%  
**ISIN:** GBO0BMV9B621

## Fund performance (Cumulative % growth, GBP, 8 Dec 2021 to 31 December 2023)



Cumulative (%)	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	12.80	8.15	12.80	--	--	6.06
Peer group	12.66	6.91	12.66	5.50	10.46	-0.61
<i>Fund relative to peer group</i>	<i>0.14</i>	<i>1.24</i>	<i>0.14</i>	<i>--</i>	<i>--</i>	<i>6.67</i>
Benchmark	15.39	6.27	15.39	8.50	11.92	2.49
<i>Fund relative to benchmark</i>	<i>-2.59</i>	<i>1.88</i>	<i>-2.59</i>	<i>--</i>	<i>--</i>	<i>3.57</i>

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	--	--	--	0.45	12.80
Peer group	22.01	14.81	17.57	-11.34	12.66
Benchmark	21.98	12.71	19.73	-7.54	15.39

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

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

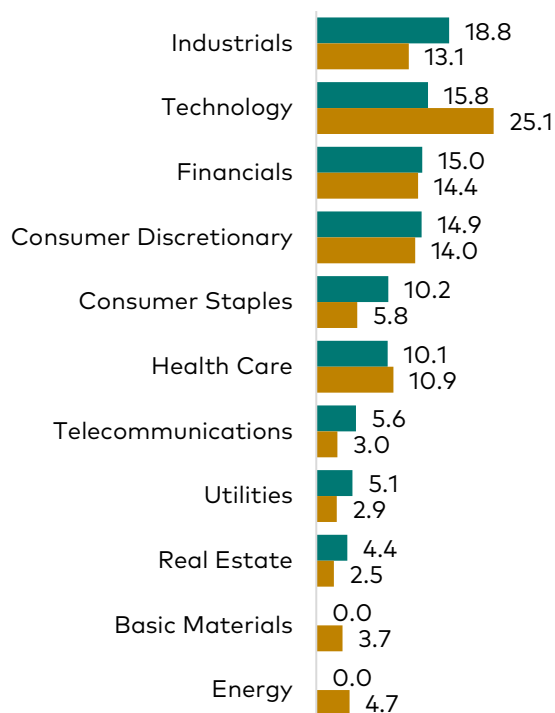
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## Top 10 fund holdings (% exposure, as at 31 December 2023)

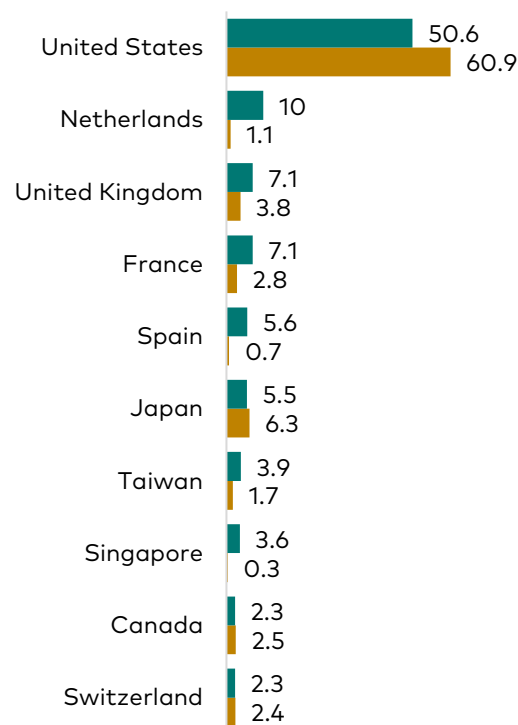
Company	%
Microsoft Corp.	5.7
Deere & Co.	4.0
Taiwan Semiconductor Manufacturing Co. Ltd.	3.9
Texas Instruments Inc.	3.6
Recruit Holdings Co. Ltd.	3.6
DBS Group Holdings Ltd.	3.5
DSM-Firmenich AG	3.4
Northern Trust Corp.	3.4
Visa Inc.	3.4
Cisco Systems Inc.	3.3

## Breakdown (as at 31 December 2023)

### Sector exposure (%)



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



■ Fund ■ Benchmark

Source: Vanguard, as at 31 December 2023.  
Benchmark: FTSE All World 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
Recruit Holdings Co. Ltd.	3.7	0.1	31.1	0.8
Northern Trust Corporation	3.5	0.0	17.4	0.4
Taiwan Semiconductor Manufacturing Company Limited	3.9	0.7	14.8	0.3
Schneider Electric SE	1.9	0.2	15.7	0.3
ASML Holding NV	2.4	0.4	22.1	0.3

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Cisco Systems Inc.	3.4	0.3	-9.4	-0.4
Automatic Data Processing Inc.	2.3	0.1	-6.7	-0.3
Novartis AG	2.3	0.3	-0.8	-0.2
Diageo plc	2.3	0.1	-5.9	-0.2
Mitsubishi UFJ Financial Group Inc.	1.9	0.2	-3.2	-0.2

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Industria de Diseno Textil S.A.	3.1	0.1	59.8	1.2
Microsoft Corporation	5.8	4.1	49.3	0.8
Taiwan Semiconductor Manufacturing Company Limited	3.9	0.7	27.6	0.5
Schneider Electric SE	1.9	0.2	38.6	0.5
Recruit Holdings Co. Ltd.	3.7	0.1	26.8	0.4

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
NVIDIA Corporation	0.0	1.7	219.9	-1.3
AIA Group Limited	2.0	0.2	-24.5	-1.2
DSM-Firmenich AG	3.5	0.0	-22.0	-1.0
Apple Inc.	0.0	4.2	40.4	-0.9
Meta Platforms Inc.	0.0	1.2	177.5	-0.8

#### 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 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 All World 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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