

# FUND PROFILE

# RSMR

Our Research. Your Success.

**VANGUARD ASSET  
MANAGEMENT**

**VANGUARD GLOBAL  
EMERGING MARKETS**

October 2025



OUR RESEARCH. YOUR SUCCESS



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## FUND PROFILE – VANGUARD GLOBAL EMERGING MARKETS

**OUR FUND PROFILES** provide an in-depth review of our leading rated funds and are designed to give advisers, paraplanners and analysts an 'under the bonnet' view of the fund.

In providing more detailed commentary than a standard fund factsheet we believe our fund profiles set the standard for the next generation of research notes, aiding in fund selection and in meeting the ongoing suitability requirements expected by the FCA, and helping ensure firms deliver good client outcomes.

All of our rated funds are subject to rigorous and ongoing scrutiny on both a qualitative and quantitative basis. Our fund methodology is available for download from the RSMR Hub – [www.rsmr.co.uk](http://www.rsmr.co.uk)

**Vanguard Global Emerging Markets** is a low cost, core global emerging markets fund with a long-term focus, offering access to specialist external fund managers whose interests are aligned with their clients.

The fund combines the skill sets of Baillie Gifford (a growth orientated manager) and Pzena (a value orientated manager) with both fund managers responsible for investing one-half of the total portfolio. Baillie Gifford typically look for companies to be industry leaders with significant long term growth potential whilst Pzena seek out companies they believe are undervalued by the market.

The combination of these two managers, with different but complementary investment styles, helps widen the opportunity set and results in a well-diversified core holding for investors, offering good value for money.



### **Richard O'Sullivan – Investment Research Manager, RSMR**

Richard began his career in financial services in 2012 working for national IFA Chase de Vere before moving to Lift-Financial. Richard joined RSMR in May 2020, immediately prior to which he worked for independent wealth manager Torevell & Partners (formerly Dewhurst Torevell) across several roles including Head of Investment Research. This involved conducting face-to-face meetings with fund managers, carrying out investment research and contributing to asset allocation and fund selection as part of the Investment Committee. He also has extensive experience as a paraplanner and a pension transfer specialist, building bespoke investment solutions for high net worth individuals, trusts and charities.

Richard is a Chartered Financial Planner, a Fellow of the Personal Finance Society and holds the Investment Management Certificate. He graduated from the University of Manchester with a master's degree in Mathematics.

# IA GLOBAL EMERGING MARKETS

The IA Global Emerging Markets sector comprises funds which invest 80% or more of their assets in emerging market equities as defined by the relevant global emerging markets index. The sector contains over 185 funds with over £46.4bn of assets under management as at August 2025, covering a large variety of investment strategies and styles including active, passive and enhanced index funds. A number of funds adopt style or market-cap based strategies including value and growth-biased themes, market cap focused or multi-cap strategies. The variation in fund styles within the sector can make direct comparison between funds difficult as individual strategies will exhibit different risk and return characteristics depending on market conditions. It is important to recognise this when looking at both absolute and relative performance numbers for funds in the sector.

Historically, exposure to emerging markets has allowed investors access to some of the world's fastest growing countries, but individual growth rates vary. It offers the potential for investors to achieve above average long-term growth, albeit with the likelihood of higher volatility over the short-term. Some exciting investment opportunities have emerged in recent years due to the growth of e-commerce and rising levels of disposable income, providing diversification away from the more traditional export focussed cyclical names in sectors such as energy, resource extraction and manufacturing. Corporate governance varies by country and region, but many companies now have a focus on generating returns for minority shareholders and are exhibiting greater discipline when allocating capital. At present, emerging markets contribute more than half of world GDP as measured by purchasing power parity, but account for a much smaller proportion of the global index. The sector's importance in global equity weightings is likely to increase significantly over the next decade.

China and India, two of the largest index constituents in emerging markets, account for one third of the world's population, and are forecast to account for around 40% of global GDP growth by 2030. China had a challenging 2022 with President Xi pursuing an aggressive zero covid policy and enforcing stringent lockdowns. This hampered economic activity for much of the year, but as restrictions began to ease Chinese equities enjoyed a

partial recovery in the fourth quarter. This was short lived and 2023 was another tough year as the expected recovery in economic activity did not come to fruition and fear surrounding the property sector rumbled on. This continued in 2024, until there was a significant re-rating upwards in the final quarter, which then continued into a very positive first three quarters of 2025. In contrast, India had an exceptionally strong 2023 and 2024 but a correction occurred in 2025 leading markets back down as investors took profits. The country benefits from favourable demographics which are a tailwind for growth, as are improving returns on capital and corporate governance. Indian companies have always traded on relatively high multiples, and the market has enjoyed a significant rerating following the pandemic lows. India looks well-placed for continued structural growth. In the three years to 30 September 2025, both China and India achieved similar levels of absolute performance for UK based investors but had vastly different journeys and a negative correlation during the period. Whilst these conditions do not necessarily apply for the future, it emphasises the value of diversification when investing in emerging markets.

Russia's invasion of Ukraine in February 2022 had a significant impact on eastern Europe as well as creating disruption in global energy markets. The Russian stock market effectively closed to foreign investors overnight, and Russian equities were subsequently removed from most investment benchmark indices. The escalation of hostilities between Israel and Palestine in 2023 has shone a light on the Middle East. Whilst these equity markets make up a small proportion of the overall emerging market benchmarks, this type of geo-political risk can lead to increased volatility in the sector. The direction of the US dollar can also have a significant impact on asset prices within emerging markets while some countries including Brazil and South Africa can be more sensitive to commodity price movements.

Despite the increased short-term risks, the global emerging market sector continues to offer excellent long-term potential for skilled active managers.

# VANGUARD ASSET MANAGEMENT

Vanguard Asset Management was founded in 1975. It is a mutual company i.e. it is owned by its US domiciled funds, which are owned by their shareholders. Vanguard's mutual structure aligns the shareholders' interests with those of their investors and drives the culture, philosophy and policies throughout the Vanguard organisation across the globe. The mutual structure also means that clients need not be concerned about the company being acquired by another investment management group.

As at 30 June 2025 total assets under management stood at \$10.8 trillion. The company employs over 20,000 people across the globe and is one of the world's largest investment management companies, with a presence in Australia, Europe, Asia and the Americas.

In the UK, Vanguard leverages the scale, experience and resources of their global business. A key aspect of the Vanguard philosophy is their desire to keep costs low to enable them to return profits to investors through lower costs and, as assets under management have increased globally, they have been able to reduce expense ratios for investors in their funds.

Despite being more well known in the UK for their range of index funds, Vanguard have been managing active funds since the firm was founded. At the outset, their fund range comprised entirely active funds, but they established the world's first index mutual fund for individual investors in 1976 and have been a leader in low-cost index investing ever since.

Vanguard established its UK business in June 2009, with a UK domiciled range of index funds, having already established a range of Ireland-domiciled UCITS funds for European institutional investors in 1998. In 2011, they consolidated their European operations in London, launching Vanguard Asset Management Limited (VAM). The European business also has offices in Amsterdam, Berlin, Dublin, Frankfurt, Milan, Paris, and Zurich.

Vanguard serves institutional and retail investors. The retail funds are available on most of the major wraps and retail platforms and are predominantly made available to retail investors via independent financial advisers, private wealth managers and fund platform providers.



# VANGUARD GLOBAL EMERGING MARKETS

|                  |  |
|------------------|--|
| <b>Manager</b>   | Baillie Gifford (50%)<br>Pzena Investment Management (50%) |
| <b>Structure</b> | UK Regulated OEIC UCITS compliant                          |
| <b>IA Sector</b> | IA Global Emerging Markets                                 |
| <b>Launched</b>  | 25 May 2016  |
| <b>Fund Size</b> | £426.3 million as at 1 October 2025                        |

## Fund Manager

In their active fund range, Vanguard often make use of the skills of external portfolio managers who they believe can generate strong long-term investment returns versus benchmarks and peers. In this fund, they have combined two traditional bottom-up managers with different but complementary styles – one growth orientated (Baillie Gifford) and one value orientated (Pzena) – to deliver a core global emerging market equity mandate.

Vanguard's Oversight and Manager search team (OMS) has responsibility for implementing the manager selection process, which includes evaluating external managers for potential mandates, as well as internal portfolio managers, such as the Quantitative Equity Group, Equity Index Group, and the Fixed Income Group. Internal portfolio managers are subjected to the same level of scrutiny as external fund managers.

When evaluating current and prospective managers, Vanguard's -OMS team use a framework focusing on quantitative and qualitative criteria, not short-term performance. Sometimes the process results in the selection of internal fund management teams, otherwise Vanguard uses the expertise of external portfolio managers, provided they are philosophically aligned with Vanguard. Using external managers gives Vanguard access to a much broader talent pool than they would otherwise have in an area where skill is critical. Investment mandates are only awarded to external fund managers if the OMS team has conviction in their ability to generate long-term outperformance.

## Baillie Gifford

Baillie Gifford is one of the UK's largest private investment managers. The firm was founded in 1908 in Edinburgh where it continues to have its headquarters. The firm is a private partnership wholly owned by the current partners who all work full time in the business. The partnership structure affords the company significant stability and independence, which means they focus on the best interests of their clients. Their sole business is investment management with more than half of funds under management in international and global portfolios. Vanguard has been using Baillie Gifford as a sub-adviser since 2003.

**Mike Gush**, the lead manager on the fund, graduated with a MEng in Mechanical Engineering from Durham University. He joined Baillie Gifford in 2003 and worked in the UK and Japanese equity teams before moving to the emerging markets equity team in 2005. Mike is a partner at the firm and is a CFA Charterholder.

**Andrew Stobart** is an investment manager working on the mandate. Andrew graduated with an MA in Economics from the University of Cambridge. After three years working in investment banking in London, he joined Baillie Gifford in 1991 and worked in the Japanese, North American and UK equity teams, before joining the emerging markets team.

**Ben Durrant** is an investment manager working on the mandate. Ben is a chartered accountant and a CFA Charterholder. He graduated with a BSc in Mathematics from the University of Edinburgh in 2012. He joined Baillie Gifford in 2017 and has also spent time in the UK, Global Discovery and Private Companies teams. Prior to joining the firm, he worked for RBS.

In addition to the fund managers there are another six members of the Baillie Gifford emerging markets team, plus a dedicated senior ESG analyst, **Michelle Brown**.

The majority of the firm's investment teams are based in Edinburgh, which means that the emerging markets equity team can draw on the expertise of the wider Baillie Gifford regional equity teams, international and global portfolio construction groups, and global sector research specialists. They work in open plan offices and share ideas informally and more formally in a series of pre-arranged meetings.

## Pzena Investment Management

Pzena began managing assets in January 1996 and now runs portfolios for endowments and foundations, pension plans, and for individual investors from around the world. They are based in New York and have offices in London and Melbourne for business development and client service. Vanguard has been using Pzena as a sub-adviser since 2005.

There are four co-portfolio managers working on this fund, all with joint decision-making responsibility. All decisions must have the unanimous consent of the team. The four managers are Allison Fisch, Rakesh Bordia, Caroline Cai, and Akhil Subramanian.

**Allison Fisch** graduated with a BA in Psychology from Dartmouth College. She has been in the investment management industry for 21 years and has worked at Pzena for 19 years.

**Rakesh Bordia** graduated from the Indian Institute of Technology with a Bachelor of Technology in Computer Science & Engineering. He has been in the investment management industry for over 20 years and has worked at Pzena for 16 years.

**Caroline Cai** graduated with a BA in Economics from Bryn Mawr College and is a CFA charterholder. She has 21 years investment management experience and has worked at Pzena for 16 years. She is responsible for the day-to-day monitoring of the portfolio.

**Akhil Subramanian** graduated with a BA in Mathematics and Economics from the University of Chicago and an MBA from Columbia Business School. He joined Pzena in 2017 and was an analyst at SLS Capital, TGG Group, and Credit Suisse prior to this.

The team leverages the global research analysts at the firm and has one analyst as a dedicated resource. They have over 20 research analysts based in New York, covering industries at the global level and working closely with the portfolio managers to provide company and sector-level research.

## Fund Objectives & Targets

The fund is designed to deliver an increase in the value of investments over the long-term (more than 5 years).

The fund's benchmark is the FTSE Emerging Markets Index, and it has a target tracking error of between 2.5 and 4.5%. The fund's active share will be in the region of 75-80%.



# INVESTMENT PHILOSOPHY & PROCESS

The fund combines two traditional, bottom-up fund managers – one growth orientated, and one value orientated – to deliver a core global emerging markets mandate. Vanguard seek deep, committed relationships with investment managers to focus on long-term returns.

## Baillie Gifford

Baillie Gifford apply a consistent investment philosophy across all of their funds. This is implemented via a bottom-up fundamental analysis of companies, leading to a portfolio with typically low turnover and a growth bias. The process looks to identify stocks which will grow faster than the market over the longer term. Baillie Gifford believe that the market is poor at estimating the full growth potential of individual companies due to a focus on short term concerns and failing to appreciate the extent and sustainability of their competitive advantage. Baillie Gifford instead look to the long term, typically taking a 3 to 5 year view and as a result portfolio turnover is relatively low.

Fundamental analysis sits at the core of the investment process and is the source of added value for clients. The firm uses a broad framework to structure their research and to identify investment opportunities. The framework considers opportunity, execution and valuation.

Opportunity relates to a company's opportunity to deliver enhanced returns by assessing the industry or market in which it operates and whether the company possesses any clear and sustainable competitive advantages.

Execution is about considering the ability of a company to capitalise on the opportunity identified above. The managers analyse the financial structure of a company, in particular whether it can fund growth from internally generated cash flow. They form judgements on the strategy taken by the management and follow the actions of leaders closely, seeking tangible evidence that they run the business in the interest of shareholders.

Baillie Gifford consider the valuation the market has placed on the company's shares to determine the extent to which others have already appreciated the strengths they have identified. Expectations about

changes in fundamentals are equally important.

Sell decisions are generated by the frequent re-examination of their holdings. They look for any adverse change in the fundamentals of a business, a loss of confidence in management, or where valuations fully reflect the manager's long-term view. The lead manager has ultimate discretion when making investment decisions.

## Pzena

Pzena are classic value investors, seeking to buy good businesses at low prices. Their universe comprises the 1,500 largest companies from non-developed markets based on market capitalisation that are underperforming their historically demonstrated earnings power. They apply intensive fundamental analysis to these companies to determine whether the problems that caused the earnings shortfall are temporary or permanent.

Pzena manage relatively concentrated portfolios to focus on holdings that will generate meaningful excess returns for long-term investors.

Whilst they are primarily fundamental investors, they recognise that country factors can play a significant role in stock performance in emerging markets, and they have incorporated the use of key macro data as an additional input into the research process when assessing risk.

At the screening level, they use discount rates tailored to each country to take into account differing levels of country specific risk embedded in stock valuations. They also consider factors such as the current levels of, and changes in, interest rates, international reserves and exchange rates. Country credibility ratings and country valuations (both relative to other emerging markets as well as to the country's own history) are also a factor.

The research is conducted in the context of whether they would 'buy-the-whole-business' and the investment team is well suited to such an approach. Team members have run businesses, been management consultants, accountants, lawyers, engineers and private equity investors prior to joining the firm. The common skill set is their ability to assess whether a management's strategy is likely to succeed.

Meeting company management is considered to be an important part of the research process, and the research process culminates in a full day meeting with senior company management. They have approximately 350 meetings per year, of which about half are with existing holdings. New research visits are typically on-site, while refresher visits can take place either on-site or at their offices.

## Oaktree

It is worth noting that the fund was previously split into three equal sections, from inception until 12 August 2024. The two existing managers each ran one third of the fund, with the remainder run by Oaktree using a style neutral bottom-up stock selection process. Oaktree added value to the fund during their tenure, but the Portfolio Review Department took the decision to remove them from the fund in 2024 due to a gentle deterioration in some of the factors discussed in the next section of this document. This was done on a forward-looking basis, with the PRD team believing that the 50/50 mix of Pzena and Baillie Gifford was likely to produce better client outcomes in future than the existing split.

## External Manager Selection Process

Vanguard's sub-adviser selection and monitoring process is led by its Chief Executive, with all appointments individually approved by the Vanguard board of directors.

Vanguard's Oversight & Manager Search team (OMS) identifies investment managers who they believe can deliver strong long-term investment returns for clients and with whom they can develop and maintain long-term relationships. In doing this, they look for firms which have a similar culture to Vanguard.

Several tools are used to identify manager candidates, including the OMS's proprietary database, external databases and Vanguard's existing network of sub-advisers. Each year, Vanguard conducts hundreds of meetings with potential investment advisers from around the world.

The factors taken into account include:

- The Firm – Is it stable? What is the ownership structure? Does this align with client interests? What are its financial and asset trends? How does it incentivise its employees?
- The People – What is the firm's staff tenure and experience? Does it have depth and stability of talent?
- The Investment Philosophy – Does it have an enduring, easily articulated philosophy shared by its investment professionals?
- The Investment Process – Is it stable/proven? Does it generate a portfolio consistent with stated philosophy?
- The Investment Portfolio – does the investment portfolio clearly reflect its philosophy and process? Does it have consistent characteristics over time?
- Performance – Does the firm have a history of competitive results versus benchmarks and peers over the long term? Has it demonstrated success in different market environments?

If an investment manager is worth pursuing as a candidate to run a mandate, OMS members meet the firm's executives, portfolio managers, traders and other essential personnel to gather more data and insight. The information they seek includes organisational and ownership structure, succession plans, history, code of ethics, written compliance practices and trading-allocation procedures.

The OMS team analyses the data on all the candidates and narrows down the list, summarising the pros and cons of each choice. One more level of evaluation takes place – a final candidate review by the Manager Oversight Committee (MOC). The MOC includes senior management from The Vanguard Group, Inc. (VGI). VGI's Head of OMS serves as Chair of the MOC, and MOC members include a number of Vanguard managing directors. The MOC meets with each candidate and then provides internal approvals of fund Manager decisions.

The Global Investment Committee (GIC) is responsible for assessing product-level impacts related to manager changes (e.g., tax implications for a fund). If the GIC believes a manager recommendation may result in material product impacts that are not in shareholders' best interests, it has the authority to request further analysis from the MOC.

Using qualitative and quantitative metrics, Vanguard aim to combine managers who offer different investment styles and characteristics, such as combining small firms with large firms, and concentrated portfolios with diversified portfolios. Each individual manager must possess a different investment process and source of long-term outperformance. They combine managers who complement one another in style and seek to reduce short-term volatility whilst still capturing the outperformance of each sub-adviser.

Vanguard has been employing a multimanager approach since 1987. All funds, whether managed internally or externally, are entirely under Vanguard's control. Having conducted extensive due diligence on the sub-adviser and mandated them to run the funds, Vanguard are not involved in the day-to-day decision making (e.g. stock selection) on the fund.

Vanguard's oversight operations aim to ensure that each fund stays true to its mandate, and that each external manager continues to have the traits and processes that prompted Vanguard to hire them in the first place. With several layers of scrutiny, they monitor all fund portfolios across multiple criteria, with three Vanguard bodies performing fund / portfolio monitoring:

- Vanguard Board of Directors (which provides fiduciary oversight of funds and final approval of decisions about funds and advisers)
- Manager Oversight Committee (which undertakes ongoing fund oversight and decision making)
- Oversight & Manager Search team (which has full time responsibility for fund oversight and manager research)

## Risk Management

Risk management responsibilities for the traditional active funds lie both with Vanguard, and with the external sub-advisers. Ultimately, Vanguard assumes the responsibility for the risk management of the fund but the combination of the Vanguard risk management team and those of the external fund managers provides more than one level of risk control.

The Oversight & Manager Search team is primarily responsible for adviser oversight and for ensuring that a fund's managers maintain their stated strategy on behalf of Vanguard's Board and Manager Oversight Committee (MOC). The team comprises over 20 experienced investment professionals with academic and professional investment experience including 10 CFA Charterholders. The OMS team applies the same oversight to Vanguard's internally managed mandates as it does to those managed by third parties. The OMS team meets weekly, and their work is reviewed by the MOC and the Board.

## Baillie Gifford

Baillie Gifford's dedicated Investment Risk Team is entirely independent of the global equity investment managers. The team uses a range of tools and measures to analyse the risk within portfolios including 'active share', delivered tracking error and the spread of stock specific risk. Importantly, their investment risk team is also experienced in assessing the methodology and limitations of the different tools, and how to interpret their output in different market conditions. Overall, Baillie Gifford believe that these tools can add value to the investment monitoring process if used intelligently and pragmatically. The Investment Risk Team reports formally every quarter to the investment managers, client service team and Baillie Gifford's Investment Risk Committee (chaired by an investment partner).

## **Pzena**

Several different approaches to risk management are applied to the Pzena investment strategies. One of them being that within their products, they use maximum allowable weightings for securities and sectors in order to ensure that no one security or sector can cause significant risk to the portfolio. On a weekly basis, senior management review the portfolios to ensure that they comply with their mandates, and they are in line with the current investment strategy. Risk management is a very important factor in Pzena's investment strategy, with various reports used in its tracking.

The risk controls are tracked through multiple reports by Pzena's portfolio administrators. In addition, every week there is a review meeting which includes all Pzena's portfolio managers. During this meeting, the portfolios and their underlying holdings are reviewed to ensure that individual securities have not become so large as to add unnecessary risk to the portfolio.

## **ESG Integration and Engagement**

### **Baillie Gifford**

Baillie Gifford became signatories of the UN Principles for Responsible Investing in 2007 and ESG considerations are built into their investment process to ensure the long-term investment case remains robust in the face of an ever-changing background. Baillie Gifford actively engage with their investee companies on issues such as sustainability, board structure and environmental impact. There is also a dedicated Governance and Sustainability team who work alongside the fund managers on these issues and assist them in utilising proxy voting to effect change.

### **Pzena**

The team understand that ESG considerations can have a material impact upon the performance of a business and as such integrate ESG analysis at every stage of their investment process. Where an issue is identified, Pzena will conduct a review to investigate its materiality to the investment case as well as understanding whether there is an opportunity to add value in rectifying the issue. Engagement with company management occurs throughout the due diligence process.

# PAST & CURRENT POSITIONING/STRATEGY

As of end of September 2025, the fund maintained overweight positions in Korea and Brazil, while holding its largest underweights in Taiwan and India.

## Baillie Gifford

Baillie Gifford managed one third of the fund until 12 August 2024, at which point their share of the fund was increased to 50%. The team look to make long term investments in well-managed businesses which enjoy sustainable, competitive advantages. They are growth orientated investors but categorise different types of growth with a view to investing in stocks that more traditional growth orientated investors could miss.

In 2022, the orientation towards growth detracted from performance with several sectors such as technology weighing on performance but also offering up many new opportunities. In the first quarter of 2022 the team initiated a position in Anker, a consumer electrics company in China, in the belief that the company had created a strong reputation for making quality products at reasonable prices and that the firm had been overlooked by many market participants. Baidu, the leading search engine in China, was purchased in the second quarter on share price weakness and the managers felt that there was significant value yet to be realised in its artificial technology division as well as an underestimation of the value of the firm's investment holdings by the wider market. An area of strength for Baillie Gifford throughout 2022 was an overweight in energy and this was further bolstered by the addition of PTT E&P, a Thai upstream oil & gas business, in the third quarter. The firms' operations are primarily based in south-east Asia but there was growth in the international asset base. The volume growth and strong cash flow characteristics of the business should be a source of strength in the future. Samsung Electronics was a key detractor in the second quarter of the year, but the fund managers retained conviction in the holding due to a belief that long-term demand for the memory chips and other complex devices that the company manufactures will be a driver of returns. Similarly, First Quantum Minerals, a copper miner, also detracted at several points in 2022 but was retained given the belief that the company was a best in class operator and the long-term demand and supply dynamics of the copper market would prove positive.

The major disposals in 2022 included the sale of online gaming company Huya due to a belief that the changes to the regulatory backdrop were not conducive for the business. Dada Nexus was sold due to not effectively integrating technology into the firm's grocery business, hampering returns on investment. In the third quarter, Vale SA was sold due to concerns that the long-term demand dynamics in the industry would be challenging, caused in part by a slowdown in construction in China. The managers also held Russian company Sberbank, whose capital value was written down to zero due to the war in Ukraine.

2023 was a broadly positive year for Baillie Gifford with first quarter outperformance driven by stock selection in consumer discretionary and materials sectors, whilst an overweight to energy detracted. Indian logistics firm Delhivery was added to the fund due to the belief that it will continue to generate strong returns on capital whilst Piramal Enterprises was sold due to concerns about management and capability in its lending operations.

The second quarter also saw outperformance of the benchmark thanks to positive stock selection in energy and technology, although an overweight to consumer discretionary detracted. Brazilian energy company Petrobras did well thanks to a strong recovery in economic activity in Brazil and South Korean semiconductor company SK Hynix also did well due to its market leadership in high bandwidth memory which benefits from the adoption of artificial intelligence. Piramal Pharma, a spinout from Piramal Enterprises, was sold in the quarter due to weaker profitability and higher levels of debt than expected. Accton Technology was added as the company should be a beneficiary of increased demand for high-speed data and network switches.

Baillie Gifford underperformed in Q3 due to an overweight to technology as well as stock selection in financials. Petrobras did well again thanks to increasing energy prices as oil prices reached a one-year high. Samsung detracted following weak profitability caused lower order numbers as customers worked through their exiting levels of semiconductor inventory. China-based food delivery platform Meituan was sold as Baillie Gifford feel that there will be a tough trading environment in the grocery delivery market which may require significant capital expenditure.

The year ended positively with outperformance in Q4 with an overweight to, and strong stock selection within, the technology sector adding value, although materials detracted. Samsung bounced back thanks to an improvement in the outlook for the memory chip market, vindicating the decision to retain the holding after a weak Q3. SK Hynix did well again, having performed well in the second quarter. First Quantum Minerals struggled due to a dispute with the Panamanian government over operations at its Cobre mine. Geely Automobile was sold due to increasing competition in the new-energy vehicle market. The position in Fabrinet was added to with the company consistently achieving double-digit compound growth with an unlevered balance sheet.

Throughout 2024, SEA Ltd was one of the most consistent contributors to fund performance thanks to showing impressive momentum across its three businesses. Its flagship game, FreeFire, has rejuvenated itself by becoming more streamlined, focusing on localised content. Shopee, its ecommerce business, and SeaMoney, a financial services division, have both continued to grow well whilst significantly improving profitability.

MercadoLibre is a Latin American e-commerce and fintech business the fund managers have been following for over a decade, and it has begun to find its way into mainstream global equity portfolios in recent years. The investment team at Baillie Gifford have forged a strong relationship with company management due to their longstanding position in the business, and the fund managers feel this is a company which is still in the early stages of capturing their potential addressable market. Revenue growth has been strong and the fintech part of the business has been gaining traction with investors, and the company applied for a Mexican banking license in September 2024. In 2024, Baillie found opportunities in information technology and consumer discretionary.

2025 has so far been a strong year for Baillie Gifford's emerging markets strategy, with outperformance driven by selective exposure to key technology names in South Korea. Samsung Electronics rebounded strongly after a challenging start to the year, supported by renewed investor confidence following the announcement of strategic deals with Nvidia, making Samsung NVIDIA's third supplier alongside SK Hynix and Micron. SK

Hynix, another position that has done very well due to its leadership in high bandwidth memory, a segment that continues to see strong demand amid the global acceleration in artificial intelligence (AI) adoption. The managers believe SK Hynix remains well-positioned to capture further upside as AI infrastructure investment deepens.

A notable contributor to relative performance has been an underweight position in India. At the time of writing, the Indian equity market has been the weakest within the emerging markets universe year-to-date, impacted by record levels of foreign investor outflows and concerns around US tariffs. The managers' cautious stance has helped shield the portfolio from these headwinds.

Globant and Petrobras were notable detractors from performance in 2025. Globant's shares fell sharply following disappointing second quarter earnings results, as revenue and profit growth slowed due to increased competition and weaker client spending on digital transformation projects. Investor sentiment further deteriorated due to concerns over margin pressure and uncertainty around the monetization of AI initiatives. Petrobras, Brazil's state-owned oil company, faced persistent headwinds from weaker oil prices, rising operating costs, and government-imposed fuel price controls that constrained profitability. Political risk and governance concerns, including leadership changes and regulatory scrutiny, compounded these challenges, keeping the stock under pressure despite solid production levels.

The team at Baillie Gifford seek to understand which companies will be the long-term winners and try to envisage what the world will be like 5 to 10 years from now. The scope and scale of the AI related opportunity is likely to grow and with it demand for the so-called 'picks and shovels' of the industry like semiconductors that are largely manufactured in emerging markets. The energy transition will continue and will require significantly more raw materials, such as copper, which are mostly found in emerging market countries. Large portions of the world remain unconnected, unbanked and underserved.

In the long-term, share prices ultimately follow earnings growth (in hard currency terms) and the fund managers are excited about the longer-term prospects of the companies in the portfolio.

## Pzena

Pzena is a deep value investor and benefitted strongly from a favourable trading environment for such stocks in 2022, with security selection also adding value in sectors such as consumer discretionary.

Alibaba was added in 2021 on share price weakness and the managers topped up the position in the second quarter of 2022 as shares retreated further. The managers believed the company to be significantly undervalued, particularly for its strong position in China's nascent cloud computing industry. This was partially funded by a reduction to Czech utility firm Cezto. In the third quarter a position was initiated in Peruvian bank Credicorp after several factors led to a fall in the share price, offering an attractive entry point. Brazilian utility Light SA was sold, in part due to the departure of the CEO. Ping An, China's largest life insurance business, was added in the fourth quarter due to the share price falling in response to sales dipping due to Covid-19 lockdowns limiting face-to-face sales. The Pzena fund managers believed that company management were making positive progress in streamlining their workforce and should be well positioned going forwards. Turkish car manufacturer Tofus Turk Otomobilon was sold on the back of share price strength following strong results. The value of Lukoil, the Russian oil company, was written down to zero following the invasion of Ukraine.

Pzena started 2023 well and outperformed in the first quarter thanks to stock selection in consumer discretionary, although stock selection in technology detracted. The team sold Korea Shipbuilding and Offshore Engineering, having lost confidence in long-term capital allocation, and initiated a position in Chinese engine manufacturer Weichai Power with Pzena confident that the firm's gains in market share will lead to long-term growth.

There was outperformance in Q2 as well, with stock selection in technology and utilities positive, although industrials detracted. Petrobras added value with oil prices increasing. Indorama, a Thailand based packaging company, was added to the fund as the team expects a recovery in demand whilst Korean metals company POSCO was trimmed

having performed strongly thanks to increasing demand for steel.

Strong stock selection in technology and financials led to outperformance in Q3 but an underweight to energy detracted. Petrobras did well again, and Taiwan based semiconductor company Elite Material also added value. POSCO was fully sold having enjoyed a strong rally during the year and China Merchants Bank was added, with Pzena believing that the share price was particularly attractive.

There was some underperformance in the fourth quarter with stock selection in materials and real estate detracting, but an underweight to telecommunications helped on a relative basis. The holding in Indian generic drug manufacturer Aurobindo was trimmed due to share price strength. A position was initiated in HDFC Bank following some share price weakness due to a merger with a mortgage lender which led to questions about the combined entity's financial position. Pzena believe this to be temporary, and the share price weakness offers an attractive entry point into a business with a strong franchise.

More recently, Pzena has come across more opportunities in China. In 2024, they trimmed their holding in Chinese tech giant Alibaba after it had performed particularly strongly, doing well in the third quarter following the Federal Reserve's rate cut and the announcement of stimulus measures by the Chinese government. There was also increased positivity for the increase in future revenues to come from its e-commerce platforms. Yue Yuen Industrial, a footwear manufacturer and authorized retailer in China for global brands like Nike and Adidas, was a top contributor for Pzena in Q4. The company reported strong quarterly earnings as the global footwear industry continued to recover from a challenging period. The managers added to their position in Orion Corp, a Korean snack company that primarily operates in Korea and China. It is a staple business that prides itself on quality, differentiated and unique tastes, and affordable prices. Shares had been weak due to concerns regarding a recent acquisition, but future cash flow will be deployed toward organic growth and dividends. Pzena believe that shares will re-rate higher over time, as they stick to this capital allocation policy.



Emerging markets had a very weak finish to 2024, driven by concerns around the re-election of Donald Trump and the potential impact of tariffs, trade wars and foreign policy. Most currencies weakened against the dollar in Q4 and, more broadly, in 2024. Most sectors were down, with materials, energy and consumer discretionary faring the worst. Information technology was up modestly. Brazil and Korea had issues to contend with domestically. In Brazil, the fiscal situation worsened while the central bank hiked rates due to heightened inflation. South Korea's President made a failed attempt to impose martial law, which led to his impeachment. Fear and uncertainty over policies such as tariffs, can allow active stock pickers like Pzena to pick up idiosyncratic stock opportunities that are cheap when assessed against their fundamentals. Pzena's largest sector exposures are financials and information technology.

At the time of writing, technology names have been a key driver of Pzena's performance in 2025. In line with its deep value approach, the firm initiated a position in Samsung Electronics early in the year when the company faced competitive headwinds in the high-bandwidth memory segment. Since then, Samsung has become Pzena's best-performing holding as its share price rebounded due to the company making significant progress in AI-related initiatives. Baidu has also been a top contributor. While its online advertising business, which accounts for roughly 60% of revenues, came under pressure from hiring freezes and cautious corporate spending in China, leading to a 15% decline in Q2, investors responded positively to Baidu's pivot toward AI infrastructure and chip development. The company secured a major AI server deal with China Mobile and expanded partnerships in industrial AI applications, including autonomous driving. Notably, Baidu's AI cloud business grew significantly in the third quarter, underscoring the potential of its transition toward AI and cloud services.

Holdings in Natura & Co and Haier Smart Home have weighed on returns. Brazilian cosmetics company Natura & Co have faced a challenging 2025, reporting weaker margins despite positive topline growth and making limited progress on strategic alternatives for its Avon International business. Pzena have maintained their position and believe many of these

headwinds will prove temporary and anticipate stabilizing margins and better cash flow generation moving forward.

Chinese home appliance maker Haier Smart Home declined as US tariffs on steel-intensive appliances raised concerns about margin pressure on a portion of its US sales. This overshadowed strong results, led by premium growth in China and broad-based overseas expansion.

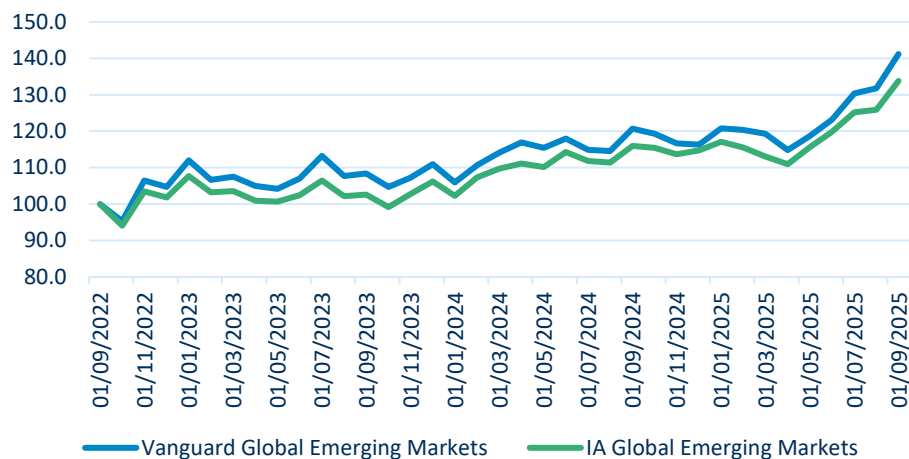
## Oaktree

Oaktree managed one third of the fund from inception to 12 August 2024 in a style neutral manner and added positive relative value to the benchmark during that time.



# PERFORMANCE

## 3 Year Performance to 30 Sep 2025



Source: Vanguard Asset Management

The fund was launched in May 2016, and the underlying portfolio managers have long-term track records when it comes to managing global emerging market mandates, albeit in very different styles.

The performance since inception demonstrates the results of the fund's structure. Despite the rotations between growth and value seen in the broader market, the fund has delivered consistently strong performance. It has done this with less risk than its peers, as measured both by downside volatility and maximum drawdown.

The fund recovered from the first quarter of 2020 when it underperformed its benchmark. Since inception, this is one of only two quarters where all three parts of the fund have simultaneously failed to beat the benchmark, partly due to a materially lower weighting to China but also a relatively high weighting to areas such as oil & gas. The coronavirus outbreak led to a significant bifurcation in the sector with the Chinese markets falling by around 4% compared to drops of around 50% in Brazil and Russia. A narrow group of stocks avoided the full impact of the sell-off, creating a wide dispersion of returns across the peer group.

Although a tough year for absolute performance in the face of rapidly rising interest rates and persistently high inflation, relative performance in 2022 was strong and the fund was ahead of the average peer in the sector. The Baillie Gifford portion of the fund struggled due to the tilt towards growth orientated equities which performed poorly, but the strength of combining three different investment managers within the fund meant that strong returns from Pzena and Oaktree more than compensated for this. In the rally in the fourth quarter of 2023, the opposite was true with Baillie Gifford being the strongest performer. The balance between the managers means investors in this fund get a smoother return profile without a strong tilt to either growth or value. The fund was reorganised in 2024 to consolidate the number of fund managers to two, with Pzena and Baillie Gifford managing half of the fund each from 12 August onwards. 2024 was a weaker year for the fund on a relative basis with the fund performance being positive but lagging the sector average. Positive relative performance in the first three quarters of 2025 more than offset this however, and the funds is well ahead of the sector average in the three years to 30 September 2025.

Due to the nature of the bottom-up stock picking employed by the portfolio managers, there will be times that the fund exhibits markedly different short-term performance to the benchmark. Whilst this can mean periods of underperformance, this differentiation can also be a key driver of long-term returns.

All active funds experience periods of underperformance and despite its strong record so far, Vanguard Global Emerging Markets is of course no different. It is intended as a long-term core investment for those with a preference for active management.

# SUMMARY & EVALUATION

Vanguard Global Emerging Markets is a low cost, core global emerging markets fund with a long-term focus, offering access to specialist external fund managers whose interests are aligned with their clients.

The fund combines the skill sets of Baillie Gifford (a growth orientated manager) and Pzena (a value orientated manager) with each fund manager responsible for investing half of the total fund. Baillie Gifford typically look for companies to be industry leaders with significant long-term growth potential whilst Pzena seek out companies they believe are undervalued by the market.

Growth tends to outperform during rising markets but also falls more heavily in declining markets. Timing these rotations can be very difficult and the combination of the two managers, with different but complementary investment styles, helps widen the opportunity set and results in a well-diversified core holding for investors, offering good value for money. Both teams have established credible track records through the consistent application of their investment processes over time.

The Ongoing Charges Figure of 0.78% ensures that the fund has a significantly lower changing structure than most actively managed global emerging market funds which are typically 20 basis points or more higher. Through compounding, the effect of lower charges should have a positive effect on long-term performance. This fund will typically have an active share of 75-80%.

The make-up of emerging markets continues to evolve and whilst these areas were once dominated by materials and commodities, the current sector mix is much broader, with technology and financials now much more important. Vanguard Global Emerging Markets is designed to carefully manage the balance between value and growth. Both of the managers have historically demonstrated the ability to contribute long term outperformance through bottom-up fundamental analysis above and beyond that achieved simply by their style being in favour.

# ABOUT US



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## NOTES

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## NOTES

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