

FUND PROFILE

RSMR

Our Research. Your Success.

**VANGUARD ASSET
MANAGEMENT**

**VANGUARD GLOBAL
EQUITY INCOME**

October 2025



OUR RESEARCH. YOUR SUCCESS

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VANGUARD GLOBAL EQUITY INCOME

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

Vanguard Global Equity Income is a low cost, core global equity 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 an external fund manager, Wellington Management, who manage 65% of the portfolio, with the Vanguard Quantitative Equity Group managing the balance. Wellington focus primarily on the long-term fundamentals of large cap quality companies which are temporarily out of favour. Vanguard's Quantitative Equity Group is driven by purely quantitative analysis and financial modelling with a focus on stock characteristics. The nature of the process is such that they invest further down the market cap scale than Wellington.

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 EQUITY INCOME

The Vanguard Global Equity Income fund sits in the Global Equity Income sector. This sector comprises funds which invest at least 80% of their assets into global equities. Funds must be diversified by geographic region and intend to achieve a historic yield on the distributable income in excess of 100% of the MSCI World Index yield at the fund's year end on a 3-year rolling basis and in excess of 90% on an annual basis. The sector contains over 50 funds with over £26.7bn of assets under management as at August 2025. This includes a large variety of investment strategies and styles, including active, passive, and enhanced index funds.

The wide variation in the sector can make it difficult to draw meaningful comparisons between different strategies, particularly over the short-term. It is important to recognise this when looking at both absolute and relative performance numbers for funds in the IA Global Equity Income sector.

Stock markets are forward looking, tending to discount events nine months to a year in advance. This means sentiment and expectations can be powerful drivers of market performance. The dominant factor affecting stock market price movements in recent years has been interest rates. With persistent inflation across most developed economies, central banks aggressively increased interest rates through 2022 and 2023. This backdrop resulted in a spike in bond yields and a resurgence of value as an investment style after the dominance of growth, as markets repriced to factor in higher discount rates. Throughout 2024 and 2025 there were several interest rate cuts in most developed markets, but the gradual nature of these cuts has limited the impact to funds in the Global Equity Income sector.

The variability in the interest rate backdrop has been challenging for some income orientated mandates due to the underlying holdings being perceived by the market as 'bond proxies' which caused capital values to fall as interest rates rose. This headwind turned into a small tailwind in 2024 and 2025 and aided relative performance. However, most income orientated mandates are also underweight to the high growth technology companies that have benefitted from the huge wave of positivity towards AI, as these companies typically offer little to no dividend yield. Financials have been a source of positive performance in recent years due to the

increased levels of interest rates. This is especially true of banks, which can make significant profits from their net interest margin, the difference between the rate they give customers and the rate the bank earns on customer deposits.

Geopolitical tensions have been heightened as the world digested the Russian invasion of Ukraine in February 2022. This event led to higher commodity prices and concerns over energy security. In October 2023 a conflict between Israel and Palestine ignited, providing further uncertainty as to whether this will spill over into a wider crisis.

Against this macro backdrop, it is important to remember that the global equity indices are not necessarily representative of the real-world economy. Single stocks on the US market, such as Apple or NVIDIA, have the same market value as a single nation's collective market value. Similarly, the weighting to the top 5 US stocks in the global indices is greater than the market value of the Japanese, UK and Canadian stocks combined, which is why the exposure to the US in most global indices is so large at more than 70%. Diversification is important and demonstrates the benefit of active over passive investing, where the fund manager does not have to concentrate their investments in the largest index names and can add alpha by investing across different geographies and market caps.

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 EQUITY INCOME

Manager	Wellington (65%) and Vanguard Quantitative Equity Group (35%)
Structure	UK Regulated OEIC UCITS compliant
IA Sector	IA Global Equity Income
Launched	25 May 2016
Fund Size	£564.2m as at 30 September 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. Within this fund, they combine the skill set of Wellington Investments (which manages 65% of the mandate) and their internal Quantitative Equity Group (which manages the balance of the portfolio) to deliver a core global equity income 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.

Wellington Management

The Wellington Global Equity Income strategy is managed by Andre Desautels who leverages the skills of the wider team at Wellington which includes 50 global industry analysts, along with credit and technical analysts, macro analysts and traders.

Wellington Management is a private partnership, and every partner is a full-time participant in the activities of the firm. This structure aligns the firm's interests with those of their clients and provides stability to ownership and management. Wellington also believes that it helps it to attract and retain talent and mitigate key-person risk. They place an overarching emphasis on maintaining a fiduciary mind-set that incorporates multiple layers of risk management.

Wellington is purely an investment management company. It has no other business interests which minimises any potential conflicts of interest that might otherwise arise. Wellington is committed to producing independent research across a broad spectrum of investment disciplines, and they have allocated significant resources to building and supporting experienced research teams. Analysis is a career path at the firm with many analysts becoming partners. Many of their analysts have been following the same companies and industries for 15-20 years or more. This depth of experience over many market cycles gives them a solid foundation on which to build.

The firm's investment culture revolves around the free exchange of ideas and healthy debate. It has a relatively flat management structure, which separates investment management functions from business/operations functions, allowing investment professionals to focus on delivering investment returns.

Andre Desautels, CFA, is a senior managing director and equity portfolio manager at Wellington Management. Prior to managing diversified equity portfolios, he was a Global Industry Analyst, where he specialised in the banking and telecom services sectors, conducting research and fundamental analysis on companies based in EMEA (Europe, Middle East and Africa) and the Americas. He joined Wellington in 2006 and works closely with other senior members of the management team.

Vanguard Quantitative Equity Group (QEG)

The philosophy of Vanguard's Qualitative Equity Group (QEG) emphasises a rigorous and systemically consistent portfolio construction process, driven by in-depth analysis, to achieve highly risk-controlled and cost-effective results. QEG has been managing active portfolios since 1991 and the team comprises 30 investment professionals.

The disciplines employed by QEG enable them to build portfolios with risk profiles similar to that of a benchmark and the low-cost approach also removes one of the key headwinds to active management. The process has been designed to generate returns over the longer term and consequently enable investors to ride out periods of market volatility.

Vanguard's Chief Investment Officer **Greg Davis** oversees all investment activity at Vanguard.

Sharon Hill is head of global and income alpha equity investments in Vanguard Quantitative Equity Group. Prior to joining Vanguard in 2019, she was head of equity quantitative research & analytics at Macquarie Investment Management. Earlier roles include programming fixed income applications at Bloomberg. She earned an M.S. and Ph.D. in mathematics from University of Connecticut and a B.S. in mathematics from City University of New York at Brooklyn College.

Fund Objectives & Targets

The fund is designed to meet two specific objectives:

- To provide an annual level of income (gross of fees) greater than the benchmark
- To provide an increase in the value of investments over the long-term (more than 5 years)

The fund's benchmark is the FTSE Developed Index.

Investment Philosophy & Process

This fund combines two complementary skill sets – one from a traditional bottom-up fund manager (Wellington Management) and the other from a fund manager whose process is purely quantitative (Vanguard Quantitative Equity Group) – to deliver a core global equity income mandate.

Wellington Management

Wellington use a value-orientated approach focused on longer term fundamentals. They aim to create a portfolio that generates an attractive total return through income and capital growth. Wellington favour shares trading at a deep discount to the market where they believe there is significant upside. All of the securities within the mandate must pay a dividend, and the aggregate yield of the portfolio will typically be meaningfully higher than that of the benchmark.

By focusing on higher quality companies which they believe are only temporarily out of favour, the team expect to capture a higher total expected return at a discount to the market, improving their chances of outperforming the market. Wellington's research resources combined with their disciplined investment process enable them to add value by differentiating between temporary events and permanent value erosion.

As value investors supported by a large team of global industry analysts, the scope of the team's investment universe is broad (approximately 2,000 stocks). They primarily evaluate large-cap companies (>US\$2 billion) in developed and emerging markets with below-market valuation ratios where the stock price is currently depressed (approximately 600 stocks). The team focuses on solid companies that they believe are only temporarily out of favour and where they expect the valuation gap to narrow over time and enhance their opportunity to outperform the market. They tend to find investment opportunities in four areas:

- Misunderstood negative event
- Consolidating industry structures
- Low but improving return on capital
- New or capital-incentivised management

The portfolio is primarily constructed from bottom-up stock selections based on fundamental research. Secondary consideration is given to macroeconomic analysis in establishing country/regional or sector weightings. The portfolio will typically contain 40-60 stocks and position sizes at initial purchase are typically 1% - 3% with exposure to a single stock limited to 7%. Sector weightings are typically in a range of 10% above or below the benchmark and investment in emerging market companies will typically be limited to a maximum of 20%. The team's expectation is that turnover in normal market environments will be in the range of 20% - 40%.

Vanguard Quantitative Equity Group (QEG)

Vanguard QEG is guided by the principle that a disciplined, objective and consistently applied approach can generate excess returns by taking advantage of market inefficiencies that result from systemic biases among investors and research analysts.

The stock selection process focuses on differentiation among peer groups of securities rather than trying to predict which stocks are going to outperform the market. They aim to identify the best stocks within each industry in order to capture more relative growth than similar stocks, leading to long-term outperformance. They do not believe it is systemically possible to forecast which industries or market capitalisation groups are going to outperform the benchmark, and therefore they remain neutral on a market capitalisation and industry level.

The investment process has two components: optimised portfolio construction and quantitative stock selection which concerns selecting the best stocks within each of the 24 GICS industry groupings without reference to investment themes or bias to a particular investment style.

The primary tool for optimising portfolio construction is supplied by Axioma. It combines their own third-party risk model with Vanguard's assessment of the expected return of the securities in the investment universe and predetermined risk constraints to establish the optimal portfolio.

The investment universe is the MSCI World (with net dividends reinvested) Index. Securities are ranked across a spectrum ranging from attractive to unattractive, using a proprietary multi-factor quantitative model based on fundamental criteria. The criteria have four themes with multiple sub-factors within each theme:

- High quality: This theme seeks to identify stocks with healthy balance sheet that can generate strong, consistent cash flows. Markets tend to be late in identifying changes in underlying business activity and their effects on future earnings prospects.
- Capital needs to be used effectively and not squandered. Investment policies need to be in place to facilitate growth, and dividends need to be sustainable. Companies that wisely deploy their shareholder equity and capital will likely generate higher future returns.
- Strong sentiment: They look for market (technical evidence) and analyst confirmation of their view. Markets tend to overreact to news in the short term while also failing to identify longer term fundamental changes in businesses; herding behaviour exists among investors and analysts.
- Valuations need to be reasonable to avoid overpriced stocks and value traps. Stocks in vogue eventually fall short of the market's high expectations and there can be very valid reasons why some stocks are lowly valued.

QEG rank around 4,500 stocks daily for each GICS peer group. Using the above themes, security alpha grades are calculated for each stock, every night, using a quantitative approach based on the relative attractiveness of stocks given their expected return. The metrics that are typically consistent between region, country or sectors are included in the quantitative model. Metrics are also referred to as sub-themes in the process.

Inputs to the calculations of the quantitative model include (but are not limited to) financial statements and price time series that are sourced from external vendors such as Thomson Reuters. Security alpha grades are determined through the evaluation of sub-themes, which subsequently contribute to the four overarching themes set out above.

An optimiser process is applied to maximise alpha while controlling exposures to the benchmark with the aim of avoiding unintended factor risks during portfolio construction. The portfolio is designed to be industry neutral, and the optimiser factors in exposures at individual security level, country and factor level, in an effort to target tracking error of 2% to 4% per annum.

The portfolio optimiser's exposure constraints are subject to ongoing review and change with the aim of improving the outcome of the fund to achieve its objectives.

Portfolio expectations are:

- Target yield premium of 1.3x
- Stocks must be forecast to pay a dividend
- Active weight no greater than 1.25% at the stock level
- Minimum deviations in sector weights
- Maximum 150 holdings
- Turnover 50% - 100%

The security selection/alpha grading process and the portfolio construction process are independent of each other. The portfolio construction process applies a risk management framework through controlled exposures to achieve the fund's objective.

Vanguard's ranking and optimisation process is purely quantitative, but there is active portfolio construction and any security changes from the process are reviewed by the portfolio manager. This review balances the cost versus the alpha added to the fund when determining the final trade list for execution. They use quantitative tools to pick individual securities that they believe will outperform their peers. Essentially, they engage in

relative value trading as within each market capitalisation / industry group, they overweight those securities they believe will outperform their peers and underweight those that their quantitative models rank poorly, causing them to believe they will underperform.

All of the quantitative models were developed internally. They use data and consensus estimates of certain financial variables from IBES and Compustat in their modelling process. Other than the IBES and Compustat data feeds, they do not use any third-party research in the investment process. Their proprietary optimiser generates the information used in their portfolio construction and risk control processes.

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.

Wellington Management

Responsibility for analysing and managing risk in individual client portfolios rests with the portfolio manager, together with oversight by functional line management. Portfolio managers report to line management in each investment area and are further subject to the oversight provided by the firm's investment review groups. Review groups are organised by investment approach and are supported by analytics relating to portfolio composition, product integrity, performance, and risk characteristics.

It is the responsibility of the global relationship group to ensure that the expectations of each client are being met in the management of the client's account and to provide the client with regular reporting on its portfolio.

From an investment standpoint, risk is monitored and managed at the security, sector and total portfolio levels. For each portfolio position, the Global Opportunistic Value team assesses company-specific risks, including but not limited to: balance-sheet risks, debt ratios and debt maturity, volatility, industry concentration and factor risks. Supplementing the portfolio team's work, portfolio level analysis and performance attribution is performed by the product management group and reviewed with the portfolio manager on a regular basis, generally quarterly. This analysis is an integral part of the investment management process and allows the team to understand the marginal contribution to risk, style characteristics and the proportion of risk attributed to different factors.

The team look to understand the key performance drivers for each stock and overlay this with sector and industry insights in order to fully grasp the impact of any changes at company, industry and country level, as well any macroeconomic factors.

While the product management group works closely with the portfolio manager, they are an independent resource with an objective of monitoring and maintaining the integrity of each investment approach.

Portfolio risk is also measured by comparing a portfolio to its benchmark and universe of peers, specifically in the form of risk characteristics including tracking risk, standard deviation, Sharpe ratio and information ratio. Key financial ratios and Barra risk factor exposures are also monitored. Importantly, multiple technologies are employed – both in-house software and third-party programs – thereby ensuring a more holistic approach is taken.

Vanguard QEG

Vanguard see risk management as an integral part of the whole investment process. They have a separate Risk Management Group consisting of risk managers, quantitative researchers, financial analysts and data experts which works closely with portfolio managers and analysts.

Vanguard defines parameters for risk, tests assumptions and continually monitors the outcomes within the portfolio. Parameters include very tight ranges around the identified risk factors, such as weight deviations (versus the index), sector, industries and countries. Execution takes place at both qualitative and quantitative levels. The qualitative approach frames the goals and expectations for a portfolio at a high level. The quantitative approach imposes discipline, translating general expectations into concrete metrics.

ESG Integration and Engagement

Wellington Management

ESG considerations are important when evaluating the sustainability of a business, particularly over a long-term investment horizon. For the Wellington side of the portfolio, Wellington established an ESG research team in 2011 which sits within the broader investment research function at the business. The team provides ESG research on over 10,000 companies which are utilised by the fund managers when considering new holdings

as well as monitoring the existing portfolio. Rather than utilising negative screens, the research team engage with company management to fully understand the ESG issues at each company. In 2018, Wellington forged a partnership with Woodwell Climate Research Centre, one of the world's leading independent climate research institutes.

Vanguard QEG

Vanguard's Quantitative Equity Group examines governance issues when evaluating earnings growth prospects to identify companies that could be over-managing their earnings or have a higher probability of earnings manipulation. More broadly, Vanguard has an Investment Stewardship team which evaluates proposals and utilises the firms proxy voting shares in line with internal guidelines designed to promote long-term shareholder value and good corporate governance practices.

PAST & CURRENT POSITIONING/STRATEGY

At the fund level, the largest overweights are to energy, utilities and financial companies, with the largest underweights being consumer discretionary, industrials, and technology. This positioning is primarily the result of bottom-up stock selection but is also due to the requirement for yield, with sectors such as technology often having a limited opportunity set of stocks that offer a sufficient yield for the fund to meet its objectives. This is also the primary contributing factor to the significant underweight to the US, which now makes up a significant part of most global equity benchmarks.

Wellington

Wellington manage 65% of the fund, aiming to combine higher dividend yields with capital appreciation. The idea being that these characteristics combined provide better returns than the broader market over the long-term. As the Wellington portfolio is primarily about stock selection, the shape of the portfolio will change over time as opportunities present themselves.

This portion of the fund is typically overweight to financials, a sector where the fund manager can leverage his own extensive experience as a former analyst. Utilities and oil & gas weightings are also often higher than the benchmark. The fund manager, Andre Desautels focuses on holding high quality names with strong balance sheets and cash flows.

In the first quarter of 2022 this portion of the portfolio outperformed thanks to the overweight position to energy and underweight to technology, with the Russian invasion of Ukraine pushing up energy prices. At stock level, Rio Tinto did well after reporting record annual profits for 2021, boosted by high iron ore prices. Wellington believed that the firm had an advantage over competitors due to their low-cost base, as well as the industry benefiting from a supply-constrained marketplace. UK-listed defence company BAE Systems also did well as market participants anticipated increased spending on defence given the situation in Ukraine. Wellington expected strong free cash flow and an increase in the company's exposure

to the US market. A holding in UK-listed steel producer Evraz, a company established by Roman Abramovich who was subsequently sanctioned by the UK government, was sold during the quarter.

Philip Morris, the tobacco firm, was a strong performer in the second quarter of 2022, a period where this portion of the portfolio outperformed a falling global index. The defensive nature of company aided relative performance, as did hopes the firm would benefit from changes in the US regulatory environment. Merck also did well after reporting positive first quarter results. Chubb Limited, an insurance provider, was sold following strong share price appreciation. Wellington initiated a position in global alternative investment manager Ares Management during the quarter. The team believed that the scale of the business and diversification across its investments, coupled with high visibility on earnings and a capital-light business model, would put the company in a good position to outperform in the future. The stock subsequently performed well in the third quarter.

Wellington dynamically change their positioning based on the shifting opportunity set and in Q3 sold a holding in Standard Chartered to fund a purchase of HSBC with the team believing that the shares were undervalued and that the bank was making good progress in restructuring and improving its return of equity. Wellington felt that this improved profitability would allow the firm to return to attractive and sustainable dividend levels.

Performance in the final quarter of 2022 was particularly strong with holdings such as Mitsubishi UFG, a Japanese financial conglomerate, rising on the unexpected moves announced by the Bank of Japan regarding yield curve control. Qualcomm, a US-based semiconductor company, was added to the portfolio on share price weakness as the team believed the company had exceptionally strong returns on capital and free cash flow.

In the first quarter of 2023 Wellington underperformed primarily due to an underweight to technology, with stock selection in healthcare also detracting. US pharmaceutical firm Pfizer struggled after the company's

year-ahead outlook missed analyst expectations, but Wellington believe that the company retains its competitive advantage in new drug development. Elevance Health fell alongside others in the managed care sector. Wellington continue to believe that the company management have realigned the business towards more profitable long-term growth. French energy company ENGIE was added to the fund due to their strong position in natural gas distribution as well as being one of the largest renewable developers in Europe. Vinci was sold after a strong period of outperformance in order to recycle the capital into more attractive opportunities.

Q2 was a similar story with underperformance coming from the underweight to, and negative relative stock selection within, the technology sector. Pfizer again detracted, as did an underweight to Microsoft. ENGIE provided an instant impact following its introduction to the fund and was one of the top performers in the second quarter on the back of raising its forward guidance for net recurring income above the level previously expected. Pfizer detracted after halting development on a treatment targeting obesity and type 2 diabetes due to side effects noted in trial patients. Spanish clothing firm Inditex was trimmed having performed exceptionally strongly and Equinor, a Norwegian energy company, was added to, with Wellington of the opinion that the company should benefit from its gas assets over the long term as the world transitions to cleaner sources of energy.

Quarter three was better on a relative basis as the underweight to technology was a tailwind, as was an overweight to energy. An overweight to utilities and stock selection within energy detracted. Having been added to in the previous quarter, Equinor added value as oil prices reached their highest point in over a year, which also benefited Total. American conglomerate Johnson Controls detracted after weak revenue numbers and reductions to sales guidance, but Wellington still feel the company will benefit from favourable long term demand trends. TC Energy was sold as cost overruns and a declining balance sheet led shares lower, whilst Johnson & Johnson spin-off Kenvue was added after near term pressure on the share price presented a compelling entry point.

High dividend stocks were left behind in the fourth quarter rally in 2023 and Wellington underperformed the wider market. An underweight to technology and overweight to energy detracted but positive stock selection within real estate and energy added value. Multinational investment bank UBS was a strong performer following successful integration of Credit Suisse and positive news regarding the implementation of share buybacks. Crown Castle, a real estate investment trust, also did well due to Elliot Investment Management taking up a multi-billion-dollar position on the company and calling for leadership change and a review of the business. US low-cost retailer TJX was sold following a period of strong performance and US agricultural machinery manufacturer Deere was added to the fund due to strong leadership of the business improving its pricing power and capital management which should materially boost future returns.

Isuzu is a company that Wellington have held for many years, where their long-term investment horizon and collaboration with other investors and the ESG team helped generate a positive outcome for the fund. Over the course of multiple years, Wellington have been engaging with Isuzu through letters and meetings with management and the board, asking them to be more disciplined in their capital allocation and improve their board structure. Shareholder value has been added through these engagements by Wellington, with Isuzu agreeing to improve the dividend payout ratio and make changes to its board in 2023 and in May 2025 it announced a share repurchase and cancellation of a significant number of treasury shares. The stock has done well for the fund throughout the period in which it has been owned.

Cisco Systems is a leading provider of enterprise networking, cloud, and security products. The share price rose sharply from the middle of 2024 and into 2025 on the back of AI-related sentiment boosting markets. Cisco's superior competitive positioning in the enterprise networking and services space, drives exceptional profit margins. The company has a strong balance sheet, and Wellington expects management to continue to return capital to shareholders while also re-investing back into company operations.

Darden Restaurants owns and operates a portfolio of over 2,000 restaurant chains in the United States and Canada. Shares of Darden Restaurants rose during the period strongly from the middle of 2024 and continued to do well into 2025, with earnings above consensus estimates, driven primarily by its LongHorn chain, and improvements at The Olive Garden. In addition, its new partnership with Uber Eats should be beneficial to its volumes and profits. Given Darden's strong brands and management, Wellington believes the company will continue to consistently outperform peers in terms of returns, growth, and value to consumers. Wellington is encouraged by management's history of strong capital discipline, the company's strong balance sheet, and disciplined approach to M&A.

2025 performance has been strong, only slightly behind the benchmark as of September 2025, which is a notable outcome given its defensive positioning and underweight to US mega-cap tech names.

Bae System was the top contributor to relative performance year to date, driven by strong defence spending demand. At the annual NATO summit in June 2025, member nations pledged to allocate 5% of GDP to defence, including 3.5% for military and 1.5% for related defence initiatives boosting share price. BAE Systems is a global defence contractor with solid revenue growth and strong FCF conversion. Looking forward, the narrowness of the market led by a handful of tech stocks has enabled the investment team at Wellington to build positions in attractive, stable companies in sectors like healthcare and consumer staples. The fund maintains valuation discount and dividend income premium to the broader market which should allow for long-term outperformance. The team's strategy focuses on constructing a portfolio of attractively valued, high-quality equities for income and capital appreciation, rather than predicting short-term market movements.

Vanguard Quantitative Equity Group

Vanguard's Quantitative Equity Group, which manages the balance of the portfolio (35%), has a very different approach to Wellington, in that they are driven by quantitative analysis and focus on the characteristics of each stock.

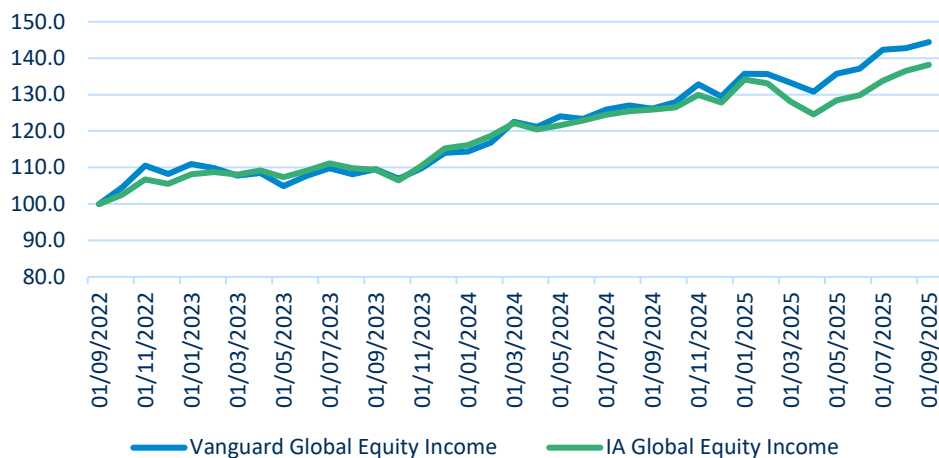
Despite QEG managing 35% of the portfolio, the number of stocks will usually be larger in this portion of the portfolio, to a maximum of 150. The process will often mean the portfolio has a slight bias towards smaller to medium sized businesses which can cause it to underperform during a large cap rally.

The QEG portfolio is designed to maximise alpha while controlling exposures to the benchmark with the aim of avoiding unintended factor risks. Factor investing has a significant role in investment management but being overweight to a specific factor, be it a specific investment style (value, growth, quality or momentum), size (mega, large, mid or small cap stocks) or taking a distinct view on the macro outlook (which could include thematic investment), can enhance risk because over time different factors can predominate or be out of favour and sometimes sentiment rather than fundamentals drives markets.

The portfolio construction optimiser used by Vanguard achieves these aims by applying limits on security selection to achieve the best combination of risk and return while maintaining the key risk characteristics of the benchmark. This provides investors with a portfolio that is industry group neutral which due to other constraints on exposures to individual securities, countries and factors will have an active risk (tracking error) level of between 2% and 4% per annum. Such is the rigor with which the models are constructed, no changes were made to the framework in response to the Covid-19 pandemic.

PERFORMANCE

3 year performance to 30 September 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 equity income mandates. Wellington have been managing global equity income mandates for over 10 years, and the Vanguard QEG team have managed a Global Enhanced Equity mandate for over 10 years which uses the same alpha model. Both have established credible track records over this timescale.

The fund has lagged slightly in markets that are driven by large growth stocks due to it having a value bias and an overweight position to companies with smaller market capitalisation. However, the fund significantly outperformed in 2022 and was the best performing fund in the IA Global Equity Income sector for that calendar year. 2023 was less strong and the fund underperformed the peer group average, but the fund outperformed in both 2024 and in the first three quarters of 2025.

Performance over longer-term rolling periods sees the fund consistently above the peer group average.

The combination of the Wellington Value approach and the Vanguard QEG has delivered relatively stable long-term returns for investors across a range of Vanguard equity income mandates. It results in a diversified portfolio which delivers returns from a broad opportunity set.

All active funds experience periods of underperformance and Vanguard Global Equity Income is of course no different. It is intended as a long-term core investment for those with a preference for active management and a requirement for income.

SUMMARY & EVALUATION

Vanguard Global Equity Income is a low cost, core global equity income 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 an external fund manager, Wellington Management, who manage 65% of the portfolio with the balance managed by the Vanguard Quantitative Equity Group. Wellington focus primarily on the long-term fundamentals of large cap quality companies which are temporarily out of favour. Vanguard's Quantitative Equity Group is driven by purely quantitative analysis and financial modelling with a focus on stock characteristics. The nature of the process is such that they invest further down the market cap scale than Wellington.

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.

The Ongoing Charges Figure of 0.48% ensures that the fund has a significantly lower changing structure than actively managed global equity income funds which are typically 20 basis points (or more) higher. Through compounding, the effect of lower charges on performance can be significant in the longer-term. This fund will typically have an active share of 80 – 85%.

ABOUT US



Established in 2004 RSMR provides research and analysis to firms working across the UK's personal financial services marketplace.

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We provide specialist research, analysis and support to a diverse range of financial advisers and planners helping them to deliver sound advice to their clients, backed by rigorous and structured research and due diligence.

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