

**VANGUARD ACTIVE U.K. EQUITY FUND**LOW-COST ACTIVE  
EQUITY

## Quarterly update

**Vanguard Active U.K. Equity Fund is an actively managed fund. Two traditional, bottom-up active managers, each with a complementary style, are blended together to create a well-constructed, long-term investment portfolio. Baillie Gifford in Edinburgh seeks to identify market-leading companies with above-average cash flow and earnings growth. Schroders uses a research-based approach to identify their best ideas with a consistent focus on out-of-favour companies.**

**Highlights**

- Global financial markets performed unevenly over the quarter.
- The financials and technology sectors led the market.
- Growth stocks outperformed value stocks.
- The Vanguard Active U.K. Equity Fund outperformed its benchmark.
- Amid market volatility, the managers are focused on the long-term opportunities.

**Market overview**

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

In the UK, the financials and technology sectors led performance while real estate and basic materials lagged. Inflation expectations were revised upwards, influenced by the new government's fiscal policies. Cost increases from the Autumn Budget, including higher employer National Insurance and National Living Wage, impacted the jobs market. Preliminary data released by the Office for National Statistics indicated two consecutive months of economic contraction.

**Performance**

The Vanguard Active U.K. Equity Fund returned 0.15% over the quarter, outperforming its benchmark, the FTSE All-Share Index in GBP, which returned -0.35%<sup>1</sup>.

At the overall fund level, favourable stock selection within the consumer discretionary sector and an overweight allocation to the technology sector boosted returns. This was partially offset

by negative stock selection in technology and an underweight allocation to the financials sector.

Baillie Gifford outperformed, while Schroders underperformed.

Baillie Gifford's outperformance was driven by favourable stock selection in the consumer discretionary sector and an overweight allocation to technology. However, negative stock selection within technology and an underweight allocation to financials detracted from returns.

Schroders' underperformance was driven by an overweight allocation to health care and negative stock selection within the consumer staples sector. However, positive stock selection in consumer discretionary and an underweight allocation to real estate boosted returns.

At the individual stock level, the largest held positive contributors were Wise and Games Workshop.

The share price of Wise, a foreign-exchange transfer business, rose on the back of solid operational performance and strategic progress, despite challenging market conditions. Wise Platform, its payment system, has gained momentum, offering payment infrastructure to banks and financial institutions globally. Initially serving smaller banks, Wise now partners with major global financial services firms like Morgan Stanley and Standard Chartered to enable efficient, secure payments.

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

The share price of Games Workshop, best known for its table-top games involving fantastical miniature soldiers, surged as it surpassed expectations in core parts of the business. Its major brands include Warhammer and Warhammer 40,000 and it enjoyed an increase in licensing income from the launch of a new Warhammer video game which proved to be successful last year.

The largest held detractors were Pets at Home and Genus.

The share price of Pets at Home, a retailer and veterinary business, declined due to rising employers' costs announced in the new UK government's Autumn Budget.

The share price of Genus, an animal genetics provider, fell as investors priced in potential implications of a new US Secretary of Health and Human Services and the subsequent impact of tariffs on agricultural markets. Baillie Gifford believes the long-term investment case for Genus remains strong and the company is well placed to benefit from the rising demand for meat and dairy products globally, as well as technological advances in the farming industry.

## Activity

Baillie Gifford added to its position in Creo Medical, a provider of healthcare solutions. The sale of part of its business is anticipated to lead the company towards sustainable profitability and cash flow generation.

Baillie Gifford didn't sell or make significant reductions to any holdings over the quarter. The manager has a long-term and patient investment approach, resulting in a low turnover portfolio.

Schroders re-initiated a position in Diageo, an international drinks manufacturer, having sold its small position in May 2024. Schroders views the risk/reward trade-off as favourable, following a rebasing of profits expectations for the near term, further underperformance of the share price and the appointment of an experienced and well-regarded CFO.

Schroders exited its position in British Land, a real estate investment trust. The new UK government's budget has raised inflation expectations, limiting the Bank of England's scope to reduce interest rates as expected. This news negatively impacted real estate companies.

## Outlook

The investment team at Baillie Gifford emphasises a patient, long-term approach to adding value for investors, focusing on companies with the potential for superior performance. The team looks to build a portfolio of promising growth companies and to ensure that management teams are delivering on long-term goals. While challenging during turbulent times, the rewards for investors in businesses that successfully execute their strategies remain highly appealing and relevant, now more than ever.

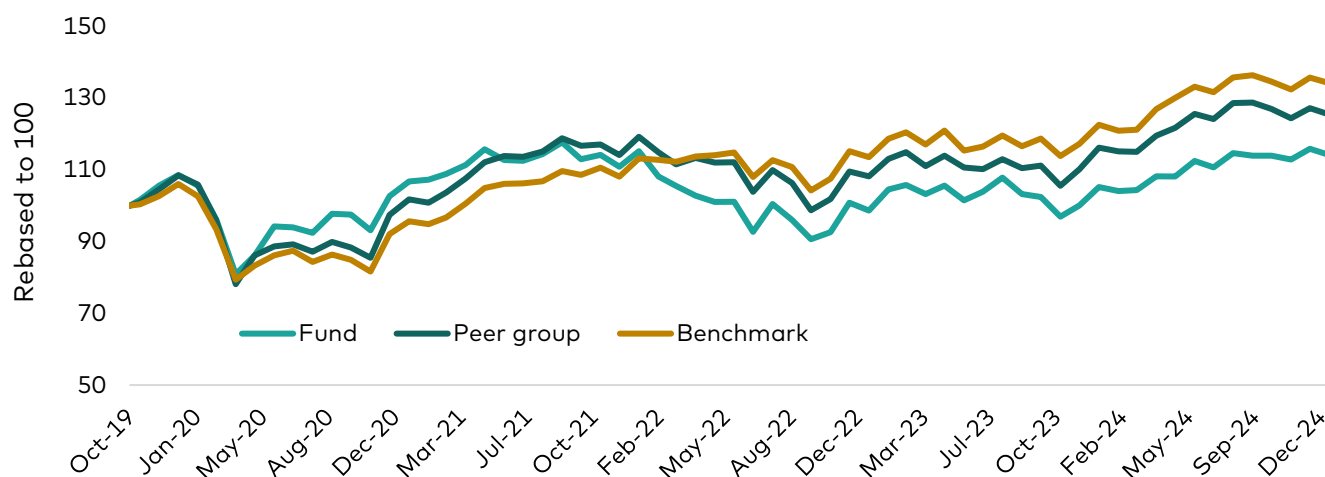
The investment team at Schroders anticipates continued mergers and acquisitions activity in 2025, driven by compelling valuations, particularly in small and mid-cap stocks, and by a weaker pound. The financial strength of UK companies supports large share buybacks, boosting both earnings per share and valuations. The team remains focused on long-term fundamentals, selectively adding to companies which it believes have strong strategies and diversifying the portfolio for various macroeconomic conditions.

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

**Investment managers:** Baillie Gifford Overseas Ltd,  
Schroder Investment Management North America Inc.  
**Inception date:** 15 October 2019  
**Domicile:** United Kingdom  
**Benchmark:** FTSE All-Share Index in GBP  
**Peer group:** IA UK All Companies  
**Ongoing charges figure<sup>1</sup>:** 0.45%

**Fund AUM:** GBP 38m  
**Number of holdings:** 75  
**Median market cap:** GBP 5.9B  
**PE ratio:** 17.2X  
**Equity yield (dividend):** 2.7%  
**ISIN:** GB00BK1XRK60

## Fund performance (Cumulative % growth, GBP, 15 October 2019 to 31 December 2024)



Cumulative return (%) as at 31 December 2024	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	8.47	0.15	8.47	-0.31	1.01	2.56
Baillie Gifford	7.22	1.75	7.22	-4.70	-1.63	0.32
Schroders*	9.77	-0.38	9.77	--	--	8.51
Peer group	7.95	-1.24	7.95	1.68	2.93	4.43
Fund relative to peer group	0.52	1.39	0.52	-1.99	-1.92	-1.87
Benchmark	9.47	-0.35	9.47	5.83	4.81	5.79
Fund relative to benchmark	-1.00	0.50	-1.00	-6.14	-3.80	-3.23

12-month return (%) to:	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024
Fund	--	--	--	--	--	-1.62	7.87	-14.37	6.67	8.47
Peer group	5.01	11.04	14.05	-11.15	22.37	-6.17	17.14	-9.23	7.35	7.95
Benchmark	0.98	16.75	13.10	-9.47	19.17	-9.82	18.32	0.34	7.92	9.47

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

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

<sup>1</sup>The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

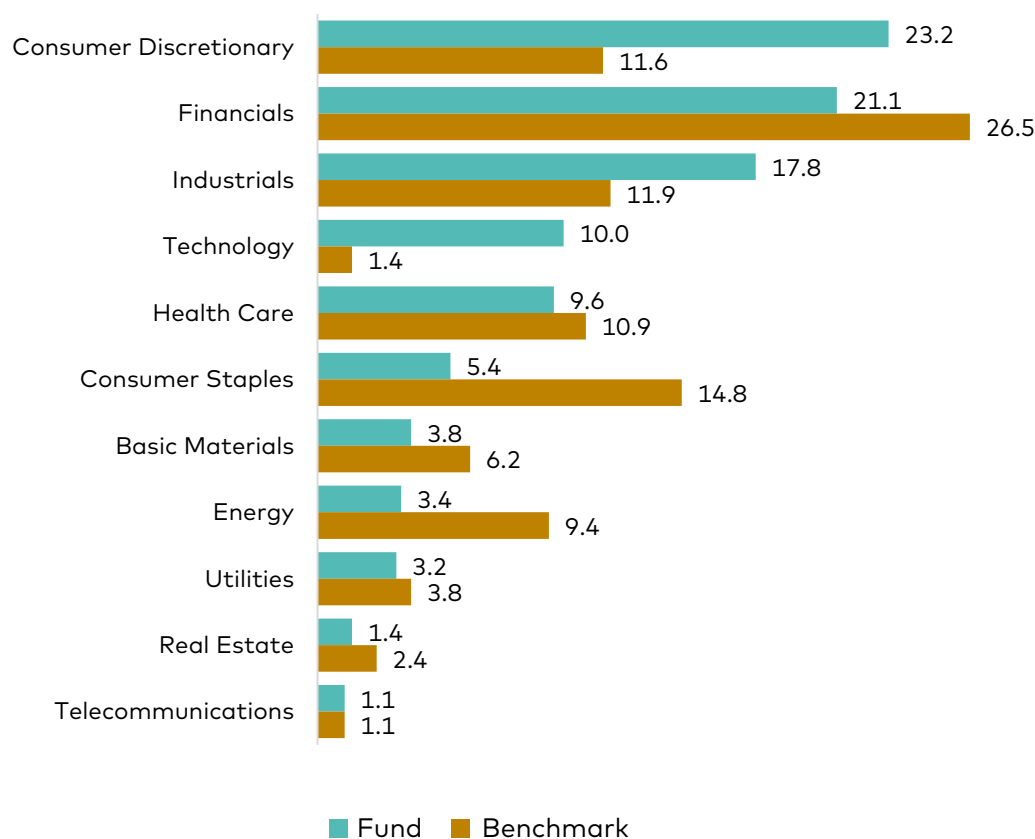
\*Performance is calculated from 5 September 2022 when the subadvisor mandate was transferred to Schroders.

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

Company	%
Games Workshop Group PLC	4.3
Standard Chartered PLC	3.4
Experian PLC	3.3
Auto Trader Group PLC	3.3
AstraZeneca PLC	2.9
4imprint Group PLC	2.8
Wise PLC	2.7
Shell PLC	2.6
AJ Bell PLC	2.1
Diageo PLC	1.8

## Sector exposure (as at 31 December 2024)



Source: Vanguard, as at 31 December 2024.

Benchmark: FTSE All-Share Index in GBP.

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

### Top contributors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
Wise PLC	2.9	0.0	58.7	1.1
Games Workshop Group PLC	4.6	0.2	24.7	1.0
Standard Chartered PLC	3.7	0.9	24.7	0.6
Burberry Group PLC	1.6	0.2	39.8	0.4
AstraZeneca PLC	3.1	6.6	-9.7	0.4

### Top detractors 3-month (%)

Company name	Portfolio weight	Bench weight	3-month return	Total effect
HSBC Holdings PLC	1.7	6.0	18.6	-0.7
Pets At Home Group PLC	0.7	0.0	-31.3	-0.3
Genus PLC	1.1	0.0	-21.8	-0.3
Experian PLC	3.4	1.3	-12.4	-0.3
Auto Trader Group PLC	3.4	0.3	-8.6	-0.3

### Top contributors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
Games Workshop Group PLC	4.6	0.2	40.3	1.2
Standard Chartered PLC	3.7	0.9	52.0	0.8
AJ Bell PLC	2.2	0.1	49.8	0.6
Just Group PLC	1.2	0.1	92.7	0.5
BP PLC	0.5	2.7	-11.0	0.5

### Top detractors 12-month (%)

Company name	Portfolio weight	Bench weight	12-month return	Total effect
HSBC Holdings PLC	1.7	6.0	36.3	-0.9
Kainos Group PLC	1.5	0.0	-25.2	-0.7
Barclays PLC	0.0	1.6	82.3	-0.7
Ocado Group PLC	0.5	0.1	-60.1	-0.7
Genus PLC	1.1	0.0	-27.3	-0.6

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

<sup>1</sup>Weights are as at the end of the reporting period, but the total effect is based on positions held over the full period. The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information.

Source: FactSet, as at 31 December 2024. FactSet is a holdings-based attribution tool. Portfolio transactions are valued at closing price, which may cause some slight deviations with the fund return (based on NAV).

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

Benchmark: FTSE All-Share Index in GBP.

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## Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

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The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

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

## Important information

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For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions. The KIID for this fund is available, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>.

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Reference number: 4194331