



Vanguard FTSE Developed World ex-UK Equity Index Fund – Fund Research Summary

Overview and Objectives

The fund is a passive global equity index fund that seeks to track the performance of the FTSE Developed ex-UK Index, which comprises large and mid-cap companies in developed markets excluding the UK.

It uses a physical full-replication approach, holding each constituent stock in the same proportion as the index. The fund remains fully invested except in extraordinary circumstances.

- Benchmark: FTSE Developed World ex-UK Index
- Domicile: UK OEIC
- Launch date: 23 June 2009
- AUM: USD 27.6bn (as of 31 Oct 2025)
- OCF: 0.08% (gross share class 0.14%)
- Portfolio turnover: c. -21%

The strategy's objective is to match the total return (price + income) of the benchmark before costs, rather than to outperform it.

Team and Resources

The fund is managed by Vanguard's Equity Index Group (EIG) — a global team of 96 members, including 48 portfolio managers and 5 traders, supported by capital markets, risk, and operations specialists.

- Average experience: 16 years
- Structure: Team-based (no named lead manager)
- Locations: London, U.S., and Australia trading desks, operating a 24-hour trading cycle.
- Technology: Proprietary PM Tool, Charles River, Axioma, and Barra analytics used for risk, compliance, and performance oversight.

This team-based structure ensures continuity, consistency, and operational resilience, mitigating key-person risk and supporting the fund's scale.

Investment Process

The fund follows a systematic, rules-based process:

- Full replication: Each index constituent is held in proportion to its index weight.
- Daily cash management: Flows invested or redeemed in real time using equities and futures for efficiency.
- Quarterly rebalances: Aligned to FTSE index reconstitution.
- Risk control: Tight tracking-error management through real-time compliance and post-trade analytics.
- Derivatives: Used minimally (< 1%) for efficient portfolio management, never for leverage.

The focus is on reducing tracking error and trading costs, with PMs acting as their own traders — an operational efficiency distinctive to Vanguard.

Portfolio Characteristics (as of 30 Sep 2025)

Metric	Fund	Benchmark
No. of holdings	1,899	1,888
Median Market Cap	£136 bn	£136 bn
P/E ratio	24.2x	24.2x
P/B ratio	3.6x	3.6x
ROE	19.4%	19.2%
Earnings growth	21.4%	21.3%
Dividend yield	1.6%	1.5%
Quoted historic yield	1.26%	—

Top 10 holdings (≈ 28.7% of NAV):

NVIDIA, Microsoft, Apple, Alphabet, Amazon, Meta, Broadcom, Tesla, Berkshire Hathaway, JPMorgan Chase.

Sector exposure:

Technology (32.5%), Financials (14.7%), Consumer Discretionary (13.8%), Industrials (13.3%), Health Care (8.4%), Consumer Staples (4.0%), others smaller.

Geographic allocation:

U.S. (72.8%), Japan (6.6%), Canada (3.3%), France (2.4%), Germany (2.4%), Switzerland (2.3%), Australia (1.9%), others (8.3%).

Performance

Annualised performance (to 30 Sep 2025, GBP, net of fees):

Period	Fund	Benchmark
1 year	17.16%	17.31%
3 years	16.40%	16.52%
5 years	13.39%	13.51%
10 years	14.13%	14.27%
Since inception	13.44%	13.65%

Tracking difference remains minimal, reflecting strong replication accuracy.

Cumulative 10-year rolling returns show consistent performance, with volatility and drawdowns aligned with global equity markets (notably 2022 downturn followed by recovery in 2023–25).

Investment Theme and Edge

While not actively managed, the fund provides efficient, low-cost exposure to developed-market equities excluding the UK — effectively a core global equity allocation for GBP-based investors seeking diversification away from domestic bias.

Distinctive features:

- **Investor-owned structure:** Vanguard’s mutual ownership model aligns incentives with investors.
- **Scale advantage:** Trillions under management enable trading efficiency and reduced costs.
- **Integrated PM/trader roles:** Enhances liquidity management and tracking control.
- **Global 24-hour trading platform:** Improves execution and rebalancing across regions.

This creates an “indexing edge” through cost discipline, governance alignment, and operational excellence.

Strengths

- **Extremely low cost (OCF 0.08%)** — among the cheapest routes to global equity exposure.
- **Exceptional tracking record** with minimal deviation from benchmark.
- **Robust team-based structure** and strong operational resilience.
- **Diversified exposure** to nearly 1,900 companies across 25+ markets.
- **Highly liquid and scalable**, suitable for both retail and institutional investors.
- **Supported by Vanguard’s global infrastructure** and adviser resources (Vanguard 365).

Risks

- **Market risk:** Subject to global equity volatility.
- **Currency risk:** Unhedged exposure to foreign currencies vs GBP.
- **Concentration risk:** Heavy weighting to U.S. and technology sectors.
- **Tracking error:** Though minimal, may arise from transaction costs or index changes.
- **Liquidity/counterparty risk:** Limited but inherent in large-scale global trading.

Role in a Portfolio

This fund is best suited as a core global equity holding within a diversified portfolio, complementing UK, emerging-market, or factor-tilt allocations.

It fits within:

- Global equity allocation (developed markets ex-UK).
- Core/satellite structures where it forms the passive core.
- Blended active-passive portfolios, offering cost control and market efficiency.

Ideal for investors seeking broad diversification, transparency, and predictable benchmark-based returns.

Summary

The Vanguard FTSE Developed World ex-UK Equity Index Fund provides efficient, low-cost access to developed-market equities outside the UK through disciplined index replication. With nearly identical performance to the benchmark, global operational depth, and clear governance, it remains one of the benchmark standards for passive international exposure.

In short:

A highly diversified, cost-efficient, and robust global developed-market equity fund — an essential building block for long-term portfolios.

Disclaimer

Past performance is not a reliable guide to future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested.

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