

Case Study

VANGUARD GLOBAL CAPITAL STEWARDS EQUITY FUND



Deere

Capital goods, technological innovation around reducing its products' environmental impact

Stewardship

Wellington believes this is defined by five elements, which together help companies maintain a long-term advantage:

- A strong management team
- An empowered board
- Good capital allocation
- A long-term mindset
- Consideration of all stakeholders

Vanguard Global Capital Stewards Equity Fund is an active fund, managed by Wellington Management. It is designed for investors who want to generate long-term growth from their investments. The fund aims to achieve this whilst investing in companies that display good stewardship¹.

First bought

Since fund inception, December 2021.

What is it?

A US-based manufacturer and distributor of equipment used in agriculture, construction, forestry, and turf care.

Why does Wellington own it?

Wellington views Deere² as a high-quality company, with a strong competitive moat driven by an extensive dealer network, best-in-class innovation, and a strong brand. Deere has a history of generating high and stable returns on equity (ROE) and we believe their investments in improving their agricultural technology differentiation have the potential to help maintain high returns into the future. Wellington has a positive view of Deere's

capital allocation, which has prioritised maintaining an 'A' rated balance sheet, supporting a healthy dividend and share buyback program, and reinvesting in the business to drive organic growth and inorganic growth through strategic bolt-on M&A.

Stewardship as a competitive advantage

In Wellington's view, Deere has a strong management team. John May has been part of Deere's senior management team since 2012, its CEO since November 2019 and Chairman since May 2020. Under his leadership, Deere has reorganised and decentralised operations to become solutions-oriented rather than product-oriented with a greater focus on what is important to their customers. Deere has reinvested capital wisely into innovation that reduces the environmental impact of Deere's machinery while also benefiting the end client. Deere has developed less fuel-intensive machines, more targeted and accurate spraying technology and increased use of software and artificial intelligence to improve agricultural yield and reduce pesticide and fertiliser use. In addition, Deere's 'Leap Ambitions' goals by 2026 and 2030, focused around its financial and sustainable outcomes, illustrate its long-term mindset.

Key points for Deere

- An attractive business with strong brand recognition and technological advantage helping to protect its competitive moat
- Deere has transitioned from traditional machinery to machinery and software, showcasing the firm's adaptability and focus on long-term growth
- Deere is a superior steward that is investing in technology to support positive environmental outcomes, while also generating financial benefits for Deere and its customers

1 Wellington defines stewardship as how companies balance the interests of all stakeholders (customers, employees, communities and the supply chain) in the pursuit of profits and how they incorporate material environmental, social and/or governance (ESG) risks and opportunities in their corporate strategy. The Fund targets net zero emissions by 2050 in alignment with the Paris Agreement.

2 Please note that all figures mentioned in this document have been taken from this report: Deere & Company At A Glance 2023

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Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

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