Wellington Credit Income Fund

WELLINGTON MANAGEMENT®

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MARKET REVIEW

- In January, geopolitical tensions and tariff concerns dominated headlines. Credit spreads tightened and most spread sectors posted positive excess returns.
- Global sovereign bond yields ended mixed, following further divergence in policy rate trajectory. US Treasury yields experienced volatility, rising initially on stronger employment data then plunging following equity market sell-off triggered by DeepSeek news. In Europe, UK gilt yields rallied particularly on the front end of the curve, amid cooling inflation and deteriorating consumer confidence. German bund yields moved up across all tenors despite the ECB's dovish rate stance, influenced by the delayed implementation of tariffs by the Trump administration.
- High-yield bonds generated positive total returns. Lower quality bonds outperformed their higher quality counterparts over the month, with CCC rated bonds posting the strongest returns, followed by B and BB rated bonds, respectively. Bank loans generated positive returns for the month, and similar to high yield, lower quality loans outperformed. Emerging markets (EM) external debt generated positive returns – spread narrowing contributed favorably to external debt performance, and a decrease in US Treasury yields also had a positive impact.
- US Federal Reserve kept rates on hold, while the Bank of Canada and the European Central Bank each cut rates by 25 basis points.

FUND PERFORMANCE AND ATTRIBUTION

- The portfolio generated a positive return during the month of January.
- The portfolio's allocation to high yield benefited results, particularly allocations to financials and industrials. High yield credit index derivatives exposure utilized for beta management purposes also aided performance. An allocation to select convertible bonds contributed positively to results, with capital goods and software services sectors outperforming.
- The portfolio's allocations to emerging markets (EM) debt benefited performance overall, led by EM corporate debt, with non-investment grade credits outperforming. Allocations to EM sovereign and local debt also benefited results, helped by a decline in US Treasury yields and EM currencies appreciation.
- The portfolio's developed governments positioning represented a modest positive contributor to results overall, in particular US Treasury inflation-protected securities (TIPS), while developed non-USD governments positioning had a negative effect.
- The portfolio's positioning in securitized sectors benefited results over the month. An allocation to non-agency residential mortgage-backed securities (RMBS) had a positive impact on performance, benefiting from structural housing supply shortages acting as a tailwind for home price appreciation. An allocation to asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) helped results as sector spreads held firm amid Fed's rate cut pause. Exposure to agency mortgage-backed securities (MBS) was also a small positive contributor to performance as MBS spreads were mostly flat.

FUND POSITIONING AND OUTLOOK

- We continue to position with a moderately defensive credit risk stance in Credit Income portfolios. Trump's election victory provided a boost to higher yielding credit sectors, with spreads moving to the tightest levels of the post global financial crisis era. While we forecast defaults to remain low, we believe the skew in forward looking excess returns for sectors such as US high yield remains to the downside. With continued geopolitical conflict, uncertainty surrounding the timeline for the implementation of key Trump agenda items, and shifting expectations around central banks' easing cycles, we believe bouts of volatility may arise, producing dispersion among credit sectors and more attractive entry points to add risk. The portfolio holds select convertible bonds in the digitization and healthcare innovation sectors, which offer exposure to issuers with strong upside potential benefiting from positive convexity, in our view.
- We believe EM country fundamentals remain constructive, supported by manageable balance of payment positions, improving or steady fiscal deficits, supportive commodity prices, and waning inflation. Sovereign hard currency spreads appear very tight and we thus limit EM exposure to high conviction turnaround stories. We allocate to EM corporate issuers with prudent balance sheet management in select sectors.
- Within structured finance, consumer lending standards are tighter, growth in consumer debt is slowing, and loan structures are generally more

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S M4 Dist share class and are net of fees and expenses. Other share class performance may differ.| Index used in the calculation of attribution data: Non-benchmark Relative Strategy.| Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains.| If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations.| The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

robust. We favor seasoned residential mortgages and remain opportunistic in buying dislocated commercial mortgages and ABS.

RISKS

BELOW INVESTMENT GRADE: Lower rated or unrated securities may have a significantly greater risk of default than investment grade securities, can be more volatile, less liquid, and involve higher transaction costs. **CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. **CREDIT:** The value of a bond may decline, or the issuer/guarantor may fail to meet payment obligations. Typically lower-rated bonds carry a greater degree of credit risk than higher-rated bonds. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **INTEREST RATES:** The value of bonds tends to decline as interest rates rise. The change in value is greater for longer term than shorter term bonds. **LEVERAGE:** The use of leverage can provide more market exposure than the money paid or deposited when the transaction is entered into. Losses may therefore exceed the original amount invested. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses.

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