Wellington Credit Total Return Fund

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MARKET REVIEW

- The Credit Total Return portfolio generated negative total returns during the month of October. US Treasury yields increased from still-strong economic data and additional inflation risk premium from tariff risks as former President Trump gained in the polls. Spreads compressed across most sectors, providing some relief.
- US investment grade corporate bonds generated total returns of -2.43%, outperforming duration-equivalent Treasuries by 0.38%, as measured by the Bloomberg US Aggregate Corporate Index. The financials, industrials and utilities sectors outperformed relative to duration-equivalent Treasuries.
- High yield corporate bonds generated total returns of -0.54% as measured by the Bloomberg US High Yield Index, and outperformed duration equivalent Treasuries by 0.64%.
- EM corporate debt, as measured by the JP Morgan CEMBI Broad Diversified Index (CEMBIBD), posted a total return of -0.86% in US-dollar terms.

FUND PERFORMANCE AND ATTRIBUTION

- The Credit Total Return portfolio generated negative total returns during the month of October.
- The portfolio's negative total returns were primarily driven by our duration positioning, as US Treasury yields increased.
- Our investment grade credit allocation contributed to total returns, primarily driven by our positions in communications, energy, and banking. Our positions in Charter Communications and Discovery Communications were large drivers of credit excess return.
- Our high yield credit allocation contributed to total returns, largely driven by our exposure to consumer cyclical and energy sectors.
- Our emerging market credit exposure contributed to total returns as well, driven by industrial sectors such as communications and basic industry.

FUND POSITIONING AND OUTLOOK

- We continue to maintain a lower duration position relative to our 3-6 year range, ending the month at 3.53 years. We maintain a bullish view on the US economy and believe that continued strength in the economy may keep interest rates elevated. Additionally, the market has engaged more with the prospect of the fiscal deficit continuing to grow and we believe that at some point, the deficit will matter to the bond market and likely pressure US Treasury yields.
- We continue to believe corporate investment grade credit in the 3 to 7 year range of maturities remains attractive, relative to other parts of fixed income. We believe this segment of the market offers a compelling balance of duration, credit, risk, and total return under a variety of different outcomes.
- The strength in credit spreads year-to-date in 2024 has made the opportunity set in credit markets for further tightening appear lean. While we recognize issuer fundamentals are strong and balance sheets appear robust, we do not believe valuations are compensating us for any potential volatility, and would prefer waiting for better opportunities to enter.
- We are maintaining modestly above average levels of liquidity and maintain low interest rate and spread duration. Credit spreads are tight broadly and we believe there are ample catalysts for interest rates to continue rising. We remain structurally bullish on the US economy and expect the economy to be more resilient than consensus expectations. Strong household balance sheets will continue to support the economy in our view. A risk we are monitoring is the softening in the US labor market, as we do not believe it is going to deteriorate rapidly but it appears to be slowing.

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,

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

Fund performance is based on USD S Acc 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.

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. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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