Wellington Credit Total Return Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

- The Credit Total Return portfolio generated positive total returns during the month of August. Most fixed income spread sectors generated positive total returns and outperformed duration-equivalent government bonds. Most global sovereign bond yields moved lower across developed markets mainly driven by softening labor market data in the US and expectations that the Fed will start cutting rates in September.
- US investment grade corporate bonds generated total returns of 1.57%, outperforming duration-equivalent Treasuries by 0.19%, as measured by the Bloomberg US Aggregate Corporate Index. The financials, industrials, and utilities sectors all outperformed relative to duration-equivalent Treasuries.
- High Yield generated total returns of 1.63% in August as measured by the Bloomberg US High Yield Index, and outperformed duration equivalent Treasuries by 0.61%.
- EM corporate debt, as measured by the JP Morgan CEMBI Broad Diversified Index (CEMBIBD), posted a total return of 1.69% in US-dollar terms.

FUND PERFORMANCE AND ATTRIBUTION

- The Fund generated positive total returns during the month of August.
- The Fund's positive total returns were primarily driven by our duration positioning, as yields in the US ended lower as mounting concerns over weaker US economic growth contributed to a sharp rise in volatility in early August, though stability returned after more constructive global economic releases and US Fed rhetoric signaling rate cuts.
- Our investment grade credit allocation contributed to total returns, primarily driven by our position in Transcanada Pipelines and ViacomCBS Inc. This was partially offset by the negative total return contribution from Charter Communications.
- Our high yield credit allocation contributed to total returns, largely driven by our positions in Builders FirstSource and Open Text Corporation. Our emerging market credit exposure was modestly additive to total returns, driven by our position in Adani Ports.

FUND POSITIONING AND OUTLOOK

- We have been lowering our duration positioning, ending the month at 3.63 years. We believe that the current total return skew in interest rate markets looks unattractive. A significant 1-year forward easing cycle is priced into derivative markets currently and we are skeptical if we will see rate cuts of that size and speed. Additionally, the US 'twin deficits' of fiscal deficit and current account deficit makes us wary on long-dated US Treasuries.
- 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.
- We are finding opportunities in hybrid securities. The asset class of hybrid securities has segments that appear attractive on a total return skew basis, and we are looking to identify the most convex structures in the market that appear mispriced.
- The Fund is maintaining above average levels of liquidity, and we are wary on credit risk given unattractive value left in spreads. We continue to find value in the 5-year segment of the Treasury curve relative to the front-end and back-end. 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, and trend growth expectations are too low given the artificial intelligence and electric grid buildout we believe is coming.

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

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.

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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