Wellington Global Quality Growth Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

Global equities rose in January. The transition of power in the US brought meaningful changes to outlooks for foreign policy, trade dynamics, and economic growth. The Trump administration's protectionist policies and territorial ambitions created a complex economic and political landscape that strengthened the US dollar and increased economic uncertainty, raising concerns about potential trade-related inflation. Against this backdrop, the US Federal Reserve held interest rates unchanged, while the European Central Bank and Bank of Canada lowered policy rates. Japan's central bank raised rates for the third time since March 2024 following a prolonged pause. The US announced plans for a multi-hundred-billion-dollar investment in the AI project "Stargate" with aims to invest heavily in AI infrastructure, but the release of two competitive large language models by Chinese startup DeepSeek caused investors to question the long-term monetization structure of the foundational large language models developed by US technology companies. Europe's economy slowed in the fourth quarter, with the eurozone's GDP rising just 0.8% in 2024. In contrast, US GDP grew by 2.8%, and China's economy expanded by 5%, meeting the government's official target. Canadian Prime Minister Justin Trudeau resigned as leader of the ruling Liberal Party and as prime minister. The Israel/Hamas ceasefire went into force, with Hamas releasing three hostages in exchange for 90 Palestinian prisoners.

The MSCI All Country World Index Net returned 3.4% for the month. Within the index, 10 out of 11 sectors rose over the month. Communication services and health care were the top performing sectors, while information technology and real estate were the bottom performing sectors for the period.

FUND PERFORMANCE AND ATTRIBUTION

- The fund outperformed the index over the month.
- Security selection was the primary driver of relative outperformance. Strong selection in information technology, industrials and consumer discretionary was partially offset by selection in communication services. Sector allocation, a result of our bottom-up stock selection process, also contributed to returns. Allocation effect was driven by our overweight to communication services and financials, but partially offset by our underweight to materials and energy and overweight to information technology.
- At the issuer level, our top two relative contributors were an overweight to Rheinmetall and an out of benchmark allocation to Interactive Brokers, while our top two relative detractors were overweights to Axis Bank and Tencent.
- Shares of Rheinmetall rose over the period. The company announced it acquired another 11% of blackned GmbH, a Bavarian software developer specializing in military digitalization, and is now the majority stakeholder. The deal highlights Rheinmetall's strategic commitment to advancing digital solutions for modern armed forces. Shares of Axis Bank declined during the period after the company reported weak business growth, increased slippages, and higher credit costs for the fiscal third quarter. Profit came in below expectations due to a substantial rise in provisions and contingencies, driven by an increase in bad loans, particularly in the microfinance and unsecured loan segments.

FUND POSITIONING AND OUTLOOK

Global equities rose during the month of January despite a sharp sell-off in previously leading US technology stocks. Following headlines of a significantly more cost-effective and efficient AI model from Chinese company DeepSeek, global markets tilted into a defensive direction as energy, utility, and healthcare stocks performed well and value stocks outperformed growth. In Trump's first month in his second term as US President, European stocks outperformed US stocks while emerging markets showed mixed results. The Federal Reserve did not issue rate cuts in their January meeting and forecasted that further cuts are "not imminent" as policy makers continue to monitor various data points. Caution persists around the impacts of Trump's transition into office and the reaction from global markets, which may drive higher volatility as policies unfold.

We monitor macroeconomic indicators in the context of our Global Cycle Index to understand where we are within global economic cycles. Looking to the rest of 2025, we foresee low but stable and positive growth characterized by lower interest rates, easing credit conditions, and looser fiscal policy alongside unemployment rates at 35-year lows. While it is too soon to determine how potential fiscal and trade policy, deregulation, and services will be impacted by evolving geopolitical relationships, services and wages are showing elevated growth and manufacturing levels are showing positive indicators. The narrative on a soft landing has shifted as rate cut expectations are pushed into the second half of 2025 and earnings growth expectations appear healthy in the US, driving real and nominal growth. We continue to monitor a variety of geopolitical factors, impacts from an increasingly competitive AI landscape, the magnitude and duration of Trump's policies, as well as moves by central banks around the world. Since September 2023, we have been equally ranking our forecasts for growth, quality, valuation upside, and capital returns in our disciplined, proven, and repeatable philosophy and process, anchored deep in fundamental research, given increased volatility, dispersion, and the unique market backdrop.

At the end of the period, our largest overweight was communication services and we were most underweight to industrials and had no exposure to utilities. From a regional perspective, our largest overweights were Developed Europe & Middle East ex UK and United Kingdom. We were most underweight to North America.

RISKS

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. **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. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **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.

DISCLOSURE