Wellington US Research Equity Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

US equities advanced and the stock market rally significantly broadened after a larger-than-expected decline in the Consumer Price Index and a softening labor market fueled expectations that the Fed will begin to lower interest rates in September. A sharp rotation from growth stocks to small-cap and cyclical stocks lifted the Russell 2000 and Russell 1000 Value indices by 10.2% and 5.1%, respectively, versus a 1.7% decline in the Russell 1000 Growth Index. Solid consumer spending and private inventory investment led GDP to accelerate 2.8% annually in the second quarter, markedly higher than 1.4% in the first quarter and well above the consensus forecast of 2.1%. Fed Chair Jerome Powell noted that inflation pressures were broadly easing after the core Personal Consumption Expenditures Price Index rose 2.6% annually in June (matching expectations) and cooled to 2.3% on a three-month annualized basis. Economic data released during the month underscored a still healthy but gradually cooling economy. Labor market indicators continued to moderate in June, while consumer spending remained resilient despite slower income growth. According to FactSet, of the 41% of companies in the S&P 500 Index that had reported second-quarter earnings, the blended year-over-year earnings growth for the index was 9.8%, surpassing the 8.9% estimate on June 30. The forward 12-month price-to-earnings ratio for the index was 20.6, well above the 10-year average of 17.9.

The S&P 500 Net Total Return returned 1.2% for the period. Within the index, nine out of 11 sectors rose for the month. Real estate and utilities were the top performing sectors, while communication services and information technology were the bottom performing sectors for the period.

FUND PERFORMANCE AND ATTRIBUTION

- The fund underperformed the index over the period.
- Weak selection in health care, consumer discretionary and information technology was modestly offset by selection in communication services and financials.
- Within financials and energy, our top relative contributors were an out of benchmark allocation to Ares Management and an underweight to Exxon Mobil, respectively. Within health care and consumer discretionary, our top relative detractors were an overweight to Edwards Lifesciences and not owning Tesla, respectively.
- Shares of Ares Management rose during the period following a price target raise from a key sell-side analyst. Separately, the company is nearing a deal to buy a majority stake in the $1.3 billion project loan for The Corniche, a luxury apartment development in Hong Kong. The company is also finishing its latest direct lending fund with a total base of $34 billion, the largest in company history. Shares of Edwards Lifesciences declined during the period. The Transcatheter Aortic Valve Replacement (TAVR) business hindered the company's 2Q 2024 results due to slower-than-expected growth leading management to revise down full-year TAVR guidance. The company also announced the acquisition of cardiology-focused companies JenaValve Technology and Endotronix.

FUND POSITIONING AND OUTLOOK

Global indices advanced in the second quarter, buoyed again by significant advances in the select US-based technology companies coined 'Magnificent Seven' stocks. As market participants continue to embrace the potential promise of AI innovation, underlying global economic indicators suggest a market environment defined by an uneven global growth recovery.

In the US, stickier inflation tempers expectations for multiple 2024 rate cuts. We expect grinding progress toward disinflation with shelter inflation remaining a key variable. We view a positive setup for corporate profit growth as cost cutting and efficiency measures outweigh moderating sales growth. However, consensus estimates and valuations remain elevated, increasing the risk of negative surprises. The US presidential election is months away and the potential for significant policy divergence depending on the outcome is top of mind for our global industry analysts.

The European Central Bank cut rates in June, kicking off a cycle of rate reductions as eurozone inflation has moderated but remains sticky. The inflation moderation, along with nominal wage growth, should support real wages for the European consumer, which could lead to a rise in consumption growth from low levels. However, even within the Eurozone, the recovery is uneven with larger economies such as Germany continuing to face structural issues.

In Japan, the yen dropped to a thirty-eight year low compared to the US dollar while the June Tokyo CPI print surprised to the upside. This suggests a higher chance of further policy rate increases by the Bank of Japan, just months after its first rate increase in seventeen years. The potential for continued growth and an increased corporate focus on shareholder return could help broaden global investors interest in Japanese stocks. In China, the range of outcomes remains wide and further policy support is still required to spur a long-term recovery as the consumer seeks to find its footing.

Our GIAs remain focused on identifying investment opportunities across industries and markets and vigilant in assessing potential risks.

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. **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

This material has been prepared exclusively for use with professional, accredited or institutional investors, wholesale clients and non-retail investors for general information purposes only and does not take into account the investment objectives, financial situation or needs of any particular person. By accepting this material, you acknowledge and agree that this material is provided for your use only and that you will not distribute or otherwise make this material available to any person.

This material and its contents may not be reproduced or distributed, in whole or in part, without the express written consent of Wellington Management. This document is intended for marketing purposes only. It is not an offer to anyone, or a solicitation by anyone, to subscribe for units or shares of any Wellington Management Fund ("Fund"). Nothing in this document should be interpreted as advice, nor is it a recommendation to buy or sell securities. Investment in the Fund may not be suitable for all investors. Any views expressed in this document are those of the author at the time of writing and are subject to change without notice. Fund shares/ units are made available only in jurisdictions where such offer or solicitation is lawful. The Fund only accepts professional clients or investment through financial intermediaries. Please refer to the Fund offering documents for further risk factors, pre-investment disclosures, the latest annual report (and semi-annual report), and for UCITS Funds, the latest Key Investor Information Document (KIID) or Key Information Document (KID) before investing. For each country where UCITS Funds are registered for sale, the prospectus and summary of investor rights in English, and the KIID / KID in English and an official language, are available at www.wellington.com/KIIDs. For share/unit classes registered in Switzerland, Fund offering documents in English can be obtained from the local Representative and Paying Agent — BNP Paribas Securities Services, Selnaustrasse 16, 8002 Zurich, Switzerland. Wellington Management Funds (Luxembourg) and Wellington Management Funds (Luxembourg) III SICAV are authorised and regulated by the Commission de Surveillance du Secteur Financier and Wellington Management Funds (Ireland) plc is authorized and regulated by the Central Bank of Ireland. The Fund may decide to terminate marketing arrangements for shares/units in an EU Member State by giving 30 working days' notice.

■ In Canada, this material is provided by Wellington Management Canada ULC, a British Columbia unlimited liability company registered in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan in the categories of Portfolio Manager and Exempt Market Dealer. ■ In the UK, issued by Wellington Management International Limited (WMIL), authorised and regulated by the Financial Conduct Authority (Reference number: 208573). ■ In Europe (ex. UK and Switzerland), issued by marketing entity Wellington Management Europe GmbH which is authorised and regulated by the German Federal Financial Supervisory Authority (BaFin). Shares of the Fund may not be distributed or marketed in any way to German retail or semi-professional investors if the Fund is not admitted for distribution to these investor categories by BaFin. In Spain CNMV registration number 1236 for Wellington Management Funds (Luxembourg) and CNMV registration number 1182 for Wellington Management Funds (Ireland) plc. ■ In Dubai, this material is provided by Wellington Management (DIFC) Limited (WM DIFC), a firm registered in the DIFC with number 7181 and regulated by the Dubai Financial Services Authority ("DFSA"). To the extent this document relates to a financial product, such financial product is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with any financial product to which this document may relate. The DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. Any financial product to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on any such financial product. If you do not understand the contents of this document, you should consult an authorised financial adviser. This document is provided on the basis that you are a Professional Client and that you will not copy, distribute or otherwise make this material available to any person. ■ In Hong Kong, Wellington Management Hong Kong Limited (WM Hong Kong), a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) regulated activities. Wellington Private Fund Management (Shanghai) Limited (WPFM), which is an unregulated entity incorporated in China, is a wholly-owned subsidiary of WM Hong Kong. Wellington Global Private Fund Management (Shanghai) Limited (WGPFM) is a wholly-owned entity and subsidiary of WPFM and is registered as a private fund manager with Asset Management Association of China to conduct qualified domestic limited partnership and management activities. ■ In mainland China, this material is provided for your use by WPFM, WGPFM, or WMHK (as the case may be). ■ In Singapore, Wellington Management Singapore Pte Ltd (WM Singapore) (Registration Number 201415544E), regulated by the Monetary Authority of Singapore. WM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and deal in capital markets products, and is an exempt financial adviser. ■ In Australia, Wellington Management Australia Pty Ltd (WM Australia) (ABN19 167 091 090) has authorized the issue of this material for use solely by wholesale clients (as defined in the Corporations Act 2001). ■ In Japan, Wellington Management Japan Pte Ltd (WM Japan) (Registration Number 199504987R) is registered as a Financial Instruments Firm with registered number: Director General of Kanto Local Finance Bureau (Kin-Sho) Number 428 a member of the Japan Investment Advisers Association, the Investment Trusts Association, Japan (ITA) and the Type II Financial Instruments Firms Association (T2FIFA). WM Hong Kong and WM Japan are also registered as investment advisers with the SEC; however, they will comply with the substantive provisions of the US Investment Advisers Act only with respect to their US clients. Wellington Management Funds ("the Funds") may not be offered to citizens and residents of the United States or within the United States, its territories, or possessions (other than to distributors and financial intermediaries). None of the Funds have been or will be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and none of such shares may be offered, sold, transferred or delivered, directly or indirectly, in the United States or to United States residents or citizens (other than to distributors and financial intermediaries). None of the Funds have been or will be registered as an investment company under the US Investment Company Act of 1940, as amended (the "1940 Act"). Interests in the Funds may be offered through an affiliate of Wellington Management Company LLP; Wellington Funds Distributors, Inc., an SEC-Registered Broker/Dealer, Member FINRA and SIPC. Office of Supervisory Jurisdiction: 280 Congress Street, Boston, MA 02210. Tel: 617-951-5000 Fax: 617-951-5250. Not FDIC Insured — No Bank Guarantee — May Lose Value.