Wellington Global Total Return Fund (UCITS)

WELLINGTON MANAGEMENT®

MARKET REVIEW

Additional signs of economic weakness in the US prompted a greater-than-expected Fed rate cut. In Europe, monetary policy easing continued as the euro area economy remained at a standstill while inflation pressures abated. Most fixed income sectors produced positive total returns and outperformed duration-equivalent government bonds.

US economic data releases lagged, highlighted by a fragile labor market amid weaker non-farm payroll report in August and elevated continuing claims. According to the Conference Board Index, consumer confidence sank to a three-year low driven by a negative assessment of business conditions and the labor market. Year-over-year headline CPI growth during August moderated to its lowest level since February 2021. S&P global manufacturing PMI continued to recede, while services and composite PMIs were little changed. Retail sales posted modest gains, wholesale inventories rose, durable goods orders were flat, and industrial production improved slightly, related in part to the recovery of motor vehicles and parts. In housing data, the interest rate decrease bolstered refinancing activity and housing starts. Eurozone manufacturing activity moved deeper into contraction. Germany's industrial production declined on a slowdown in the automotive sector, and the IFO business climate index fell for a fourth straight month. UK's S&P global manufacturing PMI dipped below estimates but stayed in expansionary territory, while year-over-year CPI remained steady on account of sticky energy prices. China's year-over-year industrial profits fell on adverse impact of extreme weather. Year-over-year inflation missed estimates as transportation and home goods costs declined. Japan's year-over-year services producer prices tempered. Canada's unemployment rate ticked higher, while annual inflation eased. In Australia, concerns over economic outlook and the job market dampened consumer sentiment.

Major central banks' paths to policy normalization continued to diverge across countries and regions as domestic economic cycles increasingly dictated policy decisions. The US Fed joined other central banks in cutting policy rates, delivering a larger-than-anticipated 50 basis points cut. The ECB lowered rates for the second time this year as inflation continued to slow and the eurozone economy struggled to gain momentum. The Riksbank delivered another 25 basis points rate cut as inflation pressure declined over the year. All other major central banks kept rates on hold.

FUND PERFORMANCE AND ATTRIBUTION

Interest rate strategies contributed. Our short UK Gilt position and tactical long exposures to German rates contributed. Partially offsetting the positive performance was our short South African 10yr rates position detracted as increased domestic policy stability sent South African bond yields lower over the month. Our tactical short exposures to US duration across the yield curve were also negative. Treasury yields moved lower against the backdrop of further softening in the US labor market and the Fed joining other major central banks in starting its easing cycle with a 50bp cut.

Currency strategies were positive. Our short USD bias against a basket of G10 currencies contributed as the dollar experienced a broad-based weakening against most developed market currencies in September. Our tactical long JPY versus other G10 FX positions also contributed. JPY rallied over the month, supported by Fed's larger-than-expected first rate-cut and more BOJ members taking a hawkish tilt.

Credit strategies were also negative. Our allocation to high yield credit detracted from performance modestly mainly driven by exposures to the energy and communication sectors.

FUND POSITIONING AND OUTLOOK

We favor a curve steepening bias in US duration. In the near term we believe that markets will continue focusing on softening cyclical data (GDP labor market slowing to below trend, labor market and consumption weakening). Over the medium term, it remains unclear whether inflation can be sustainably reduced back towards the Fed's 2% target. Structural factors such as deglobalization, demographics, and fiscal policy will likely keep average inflation higher and more volatile, resulting in higher risk premium and higher bond yields particularly on the back end of the curve.

We are short in Japanese duration with a curve flattener. We believe current policy rates are still too low given the reflation forces at play in the Japanese economy, and the probability is skewed to a faster normalization of rates from Japan, and the policy rate should be nearer 1% over the next 12 months.

We are short in UK duration. UK inflation is proving sticky with an improving economic growth outlook through renewed housing activity, strong consumer spending and resilient household balance sheets. We expect the BoE to engage in a more measure cutting cycle than what markets are pricing in.

Within relative value strategies, we are short Italy versus Germany/Greece. Growth weakness in the eurozone so far has remained largely a German supply driven issue. Additionally, the German labor market is now starting to show clearer signs of deterioration.

We are tactically positioned in G10 currencies with a focus on idiosyncratic stories and valuations. We favor tactical long exposures to AUD and JPY as well as tactical short positionings in EUR and SEK versus USD. We think a gradually slowing US economy and the Fed continuing its easing cycle will weaken the US dollar from its current elevated level against other G10 FX. However, we expect the dollar to be rangebound for the rest of the year given uncertainties around election outcomes, Middle East tensions and mixed economic data both within and outside of the US.

We are short EM currencies (primarily ZAR, HUF, MXN) versus USD, We remain bearish on select EM currencies with challenging growth and inflation outlook and/or elevated valuations that could be hard to sustain.

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. **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. **DERIVATIVES (D+E) (MKT):** Derivatives may provide more market exposure than the money paid or deposited when the transaction is entered into (sometimes referred to as Leverage). Market movements can therefore result in a loss exceeding the original amount invested. Derivatives may be difficult to value. Derivatives may also be used for efficient risk and portfolio management, but there may be some mismatch in exposure when derivatives are used as hedges. The use of derivatives forms an important part of the investment strategy. **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. **QUANTITATIVE MODEL/SYSTEMS:** The Fund uses quantitative investment models in the management of this investment strategy. Assumptions employed in the models used could over time prove to be incorrect which may have a negative impact on the investment performance. **SHORT SELLING:** A short sale exposes the Fund to the risk of an increase in market price of a security sold short; this could result in a theoretically unlimited loss. **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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