Wellington Global Quality Growth Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

Global equities rose in November. Donald Trump's presidential reelection and the Republican Party's sweep of both chambers of Congress led the US to significantly outperform other regions amid expectations for deregulation, additional tax cuts, and a more accommodative US business environment. The breadth of change anticipated from the new US administration reverberated across the globe with far-reaching implications for foreign policy, trade dynamics, inflation, and economic growth. Elon Musk's appointment to the newly formed US Department of Government Efficiency extended a strong risk appetite in markets. Prospects for a soft landing appeared to remain intact, and central banks in the US, UK, New Zealand, Mexico, and Sweden continued to lower interest rates. Inflation neared central bank targets in many regions. However, in November, a key measure of US inflation rose for the first time since March, and UK inflation surged to its highest level in six months, highlighting the ongoing sensitivity of prices to economic changes. Eurozone business activity sank to a 10-month low, while Germany's coalition government collapsed, and the country's manufacturing sector remained mired in a deep downturn. In France, Prime Minister Michel Barnier's Cabinet confronted a possible vote of no confidence. A stronger US dollar pressured emerging markets, and Chinese equities declined amid limited government aid and low consumer demand. Geopolitical risks remained heightened, while the US and France brokered a ceasefire agreement between Israel and Hezbollah.

The MSCI All Country World Index Net returned 3.7% over the period. Within the index, nine out of 11 sectors rose over the period. Consumer discretionary and financials were the top performing sectors, while materials and health care were the bottom performing sectors for the month.

FUND PERFORMANCE AND ATTRIBUTION

- The fund outperformed the index over the period.
- Security selection was the primary driver of relative outperformance. Strong selection in financials, energy and consumer staples was modestly offset by selection in information technology. Sector allocation, a result of our bottom-up stock selection process, also contributed to returns. Allocation effect was driven by our underweight to materials, overweight to financials and lack of exposure to utilities, but partially offset by our overweight to communication services and underweight to consumer discretionary.
- At the issuer level, our top two relative contributors were overweights to Wells Fargo and Targa Resources, while our top two relative detractors were not owning Tesla and an overweight to AstraZeneca.
- Shares of Wells Fargo rose over the period along with other banking stocks after Donald Trump won the US presidential election and investors considered the prospects of a more favorable regulatory environment under the new administration. At the end of the month, the company was reportedly in the last stages of passing a regulatory test to remove a $1.95 trillion asset cap next year. Shares of Tesla rose over the period in the wake of Donald Trump winning the U.S. Presidential Election. Investors are optimistic of Elon Musk's continued relationship with Trump as the incoming administration is supportive of a national standard for self-driving vehicles and potential tariffs on China could hold off competition with cheaper Chinese imports that rival Tesla.

FUND POSITIONING AND OUTLOOK

Global equities rose during the period driven by the US election results however emerging markets and China equities showed caution due to concerns of future trade conflicts and tariffs. Though both positive for the month, growth stocks outperformed value stocks, which faced headwinds like a weak healthcare sector following Trump's election and potential health leadership appointments. Small cap stocks turned notably positive, supported by the prospect of further tax cuts, expanding fiscal policy, and a protective trade policy. Still, skepticism and caution persist around the impacts of President-elect Trump's policies and appointees. Policy makers continue to monitor various data points when determining the magnitude of expected rate cuts in December. Concerns that Trump's policy proposals could reignite inflation in 2025 may drive more persistent volatility next year.
We monitor macroeconomic indicators in the context of our Global Cycle Index to understand where we are in a global economic cycle. Looking to the end of 2024, we see an environment of lower interest rates, easing credit conditions, and looser fiscal policy alongside the lowest unemployment rate in 35 years. Global manufacturing levels are positive overall but vary by region. Global growth has largely depended on the US economy, while Europe and China have disappointed. Signs of consumer spending acceleration post the US election are emerging throughout the economy. With the US election behind us, the range of outcomes has narrowed, but we continue to monitor various macro signals, moves by the Federal Reserve, the implications of potential Trump policies and cabinet appointments, and escalating geopolitical tensions, all of which could drive macro-level uncertainty. We are not discounting the potential for a macro surprise given the unique market backdrop; however, when ranking stocks, we continue to lean into our disciplined, proven, and repeatable philosophy and process, anchored deep in fundamental research, and maintain equal weights of 25% each to our forecasts for growth, quality, valuation upside, and capital returns.

At the end of the period, our largest overweights were communication services and financials. We were most underweight to materials and information technology 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 Emerging Markets.

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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.

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