Wellington Global Quality Growth Fund

WELLINGTON MANAGEMENT®

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MARKET REVIEW

Global equities rose in August despite significant market volatility. Exacerbated by an abrupt unwinding of the Japanese yen carry trade, equities fell precipitously at the beginning of August amid an uptick in recession risks and fears of excessively restrictive monetary policy in the US. However, markets rebounded amid optimism that the US economy can achieve a soft landing. Federal Reserve Chair Jerome Powell cited an impending rate cut during his Jackson Hole symposium speech stating, "the time has come for policy to adjust." Against a backdrop of declining inflation and softening global economic growth, monetary policy easing gathered pace in August as the central banks of England, Sweden, New Zealand, and Mexico lowered interest rates. The Bank of Japan faces a higher bar to raise interest rates in October after its rate hike in July destabilized markets and caused a sharp spike in the yen. Global economic data was mixed, highlighted by broad signs of cooling inflation across the global, tepid growth in Europe hindered by weak manufacturing in Germany, and a softening US labor market. Geopolitical risks remained highly elevated; the war between Ukraine and Russia escalated after Ukrainian forces breached the Russian town of Kursk, while the humanitarian catastrophe in Gaza continues to destabilize the region.

The MSCI All Country World Index Net returned 2.5% over the period. Within the index, 10 out of 11 sectors rose over the month. Real estate and health care were the top performing sectors, while energy and consumer discretionary were the bottom performing sectors for the month.

FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index over the month.
- Security selection was the primary driver of relative outperformance. Strong selection in consumer staples, industrials and information technology was partially offset by selection in financials and consumer discretionary. Sector allocation, a result of our bottom-up stock selection process, detracted from returns. Allocation effect was driven by our lack of exposure to real estate and utilities and overweight to information technology, but offset by our underweight to consumer discretionary, energy and materials.
- At the issuer level, our top two relative contributors were overweights to GoDaddy and Netflix, while our top two relative detractors were overweights to McKesson and Ares Management.
- Shares of GoDaddy rose over the period after the cloud-based web platform provider boosted its revenue forecast for the full year above expectations. The company also reported second-quarter results slightly above estimates, driven by strong sales and pricing in its Applications & Commerce segment. Shares of McKesson fell in August. Despite raising fiscal year 2025 EPS guidance, the company's first quarter results missed expectations due to weaker than anticipated underlying segment performance. The Prescription Technology business was negatively impacted by lower contributions from 3rd-party logistics and lower GLP-1 authorizations and the Medical-Surgical Solutions segment saw lower volumes and demand shifts.

FUND POSITIONING AND OUTLOOK

Global equities advanced to near all-time highs, despite extreme levels of volatility at the start of the month. Large-cap tech stocks continued to lead global equity markets, however style dominance abated. Increased breadth was driven by shifting investor sentiment, as market participants capitalized on the large valuation spread across sectors. Despite reports of modestly higher unemployment, the Fed signaled that policy rate cuts are imminent, a possible sign that a soft landing can be achieved. Policy makers will continue to monitor various data points when determining the pace and magnitude of rate cuts in hopes of supporting activity in sectors like housing, autos, consumer discretionary, and capital markets.

We monitor macroeconomic indicators in the context of our Global Cycle Index to understand where we are in the global economic cycle. As we look to the end of 2024, the range of outcomes remains wide as the market digests disparate macro signals, geopolitical volatility, and monetary and fiscal policy uncertainty in the lead up to the US election. Regardless of the environment, we believe it is important to lean into our disciplined, proven, and repeatable philosophy and process, anchored in deep fundamental research. We are not explicitly positioning the portfolio for a specific election but have taken some profits in names that offer less compelling risk/reward profiles, where valuations and growth rates may prove more sensitive to changes in consumer confidence and interest rates. When ranking stocks, we continue to maintain equal weights of 25% each to our forecasts of quality, growth, 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 consumer discretionary and had no exposure to utilities. From a regional perspective, our largest overweight was United Kingdom and we were most underweight to North America and had no exposure to Developed Asia Pacific ex Japan.

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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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