

# Wellington Emerging Markets Research Equity Fund

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## MARKET REVIEW

Emerging markets equities declined in November, led lower by Latin America and followed by Asia, and Europe, the Middle East, and Africa (EMEA).

In Latin America, proposed spending cuts by Brazil's government were far below expectations, sending stocks sharply lower. The central bank raised interest rates by 50 bps, citing resilient economic activity. Mexico declined as Donald Trump threatened 25% tariffs on the country. The Bank of Mexico cut its benchmark interest rate by 25 bps and signaled further cuts.

In Asia, the possibility of higher US tariffs loomed over the region. China reported mixed economic data; an encouraging pickup in retail sales was buffered by ongoing weakness in the property market. The government approved a 10 trillion yuan (US\$1.4 trillion) plan to help local governments refinance their debt and reduce interest costs, although the savings amount to less than 0.1% of China's expected GDP over the next half-decade. Taiwan's government raised its 2024 GDP forecast to 4.3% from 3.9%, aided by the AI boom. South Korea's interest rates were lowered by 25 bps amid slower-than-anticipated economic growth.

In EMEA, OPEC+ agreed to delay its oil output hike through the end of December. Saudi Arabia announced plans to cut spending in 2025 due to strains on the budget from falling oil prices but will continue to spend on projects to overhaul the economy and reduce the reliance on oil revenue. South Africa's main interest rate was cut by 25 bps as inflation dipped below the central bank's target in October.

The MSCI Emerging Markets Net returned -3.6% over the period. Within the index, all of the sectors declined for the month. Materials and utilities were the bottom performing sectors, while communication services and industrials were the top performing sectors for the period.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund outperformed the index for the month, however delivered negative returns.
- Strong selection in industrials, consumer discretionary and materials was offset by selection in financials and real estate. On a market basis, weak stock selection in India, China and Brazil was partially offset by selection in Taiwan, Philippines and South Africa.
- Within industrials and consumer discretionary, our top relative contributors were an out of benchmark allocation to Grab Holdings and an underweight to PDD Holdings, respectively. Within financials and real estate, our top relative detractors were overweights to Banco Bradesco and KE Holdings, respectively.
- Shares of Grab Holdings rose during the period. The Singapore-based multinational super app platform company reported 3Q24 results and raised revenue and earnings guidance for FY2024. Management cited record monthly transacting users for its robust on-demand GMV growth. Shares of Banco Bradesco declined after the Brazilian bank reported mixed third quarter results at the end of October. Revenue beat consensus estimates while earnings falls short due to declining market share and increasing costs. The bank's share price also fell as the Brazilian government's announcement of a plan to cut government spending disappointed investors, causing the Brazilian real to drop to a record low.

## FUND POSITIONING AND OUTLOOK

From a market perspective, our largest exposures were China and India and we were least exposed to Hungary. We had no exposure to Malaysia and Qatar.

## 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. **INVESTMENT IN CHINA:** Changes in Chinese political, social or economic policies or securities law and regulations may significantly affect the value of the Fund. Chinese securities may be subject to trading suspensions which could impact the Funds investment strategy and affect performance. Chinese tax law is applied under policies that may change without notice and with retrospective effect. **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. **SHANGHAI-HONG KONG STOCK CONNECT:** Allows access to certain China A Shares listed on the Shanghai and the Shenzhen Stock Exchanges, securities could be recalled from the scope of the program which could restrict the Funds ability to implement its investment strategy effectively. The program is subject to quota limitations which may restrict dealing on a timely basis. Trading is subject to China A Share market rules, foreign shareholder restrictions and disclosure obligations and changes to laws, regulations and policies in China may affect share prices of securities held. **SUSTAINABILITY:** A

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S Acc share class and are net of fees and expenses. Other share class performance may differ. | Index used in the calculation of attribution data: MSCI Emerging Markets. | Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains. | If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations. | The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

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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