Wellington Asia Technology Fund

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MARKET REVIEW

Global equities advanced in September buoyed by the combined impulse of a 50-basis point rate cut and a slew of stimulus measures from the Chinese government. The Fed's half-point cut was the largest downward policy rate adjustment in 4.5 years and market optimism was supported by growing expectation of an easier monetary policy environment as the Fed and other global central banks pursue lower rates to support growth and employment in the months to come. Investor sentiment shrugged off intensifying geopolitical tensions in the Middle East driven by direct but targeted strikes between Israel and Iran as oil prices were largely stable over the month.

Asian economies outperformed broader emerging markets over the month with China and Hong Kong being the better-performing markets on a relative basis, while Korea and Japan lagged. Over the course of the month, Chinese and Hong Kong equities rallied as market sentiment was boosted by a comprehensive range of monetary and fiscal support aimed at reviving the world's second-largest economy. On the flip side, Korean markets ended the month lower on the back of sluggish domestic demand and industrial output. Japanese equities also underperformed as investors priced in a more hawkish environment with the surprise election of Prime Minister Ishiba. The BOJ kept rates unchanged as widely expected but flagged steady growth in inflation and upgraded consumer outlook which was taken as hawkish by the market.

The MSCI AC Asia Pacific Technology Custom Sector Net returned 5.1% for the month. Within the index, six out of eight industries rose for the month. Consumer discretionary distribution & retail and media & entertainment were the top performing industries, while technology hardware & equipment and commercial & professional services were the bottom performing industries for the month.

FUND PERFORMANCE AND ATTRIBUTION

- The fund underperformed the index over the period, however delivered overall positive returns.
- Industry allocation, a result of our bottom-up stock selection process, was the primary driver of relative underperformance. Allocation effect was driven by our underweight to consumer discretionary distribution & retail and overweight to semiconductors & semiconductor equipment, but partially offset by our underweight to technology hardware & equipment and out of benchmark allocation to consumer services and real estate management & development. Stock selection also detracted from returns. Weak selection in semiconductors & semiconductor equipment, consumer discretionary distribution & retail and capital goods was partially offset by selection in media & entertainment and technology hardware & equipment. On a market basis, weak stock selection in Japan and China was partially offset by selection in South Korea, Australia and Taiwan.
- At the issuer level, our top two relative contributors were an underweight to Samsung Electronics and an out of benchmark allocation to Meituan, while our top two relative detractors were not owning Alibaba and PDD Holdings.
- Shares of Samsung Electronics fell during the period to their lowest levels since May 2023 amid analyst downgrades on weaker expectations for upcoming Q3 results. The major appliance and consumer electronics company announced cutting up to 30% of its overseas staff as part of a global headcount reduction plan. Shares of Alibaba rose during the period due to a combination of positive factors, including strong quarterly earnings, strategic business initiatives like cloud computing and international expansion, a favorable regulatory environment in China, and robust performance during major shopping events. China's central bank also announced a broad stimulus package which caused e-commerce stocks to surge.

FUND POSITIONING AND OUTLOOK

We believe the Asia technology sector is in a multi-year opportunity. Technology has revolutionized traditional industries and economies. We believe every industry will be required to adopt technology to stay relevant. Generative AI in particular has been a dominant theme in tech. We believe AI is a tailwind for Asia tech companies as many of them benefit as AI enablers, platforms, and future applications.

We see Asia, with its burgeoning middle class, as the world's future growth engine. Asia is also the heart of the semiconductor supply chain and has become foundational for tech innovation. In addition to boosting demand for semiconductors and tech hardware, these dynamics provide Asian internet and software companies greater potential to develop into local champions.

Over the long term, we remain focused on identifying high-quality companies with reasonable valuations that are supported by the long-term trends that serve as tailwinds for the Asia technology sector. In the near term, demand for AI enablers and policy support from global central banks and stimulus in China has improved sentiment for the sector. However, global growth concerns, geopolitical escalation, and increased regulatory oversight remain as potential risks that may weigh on market sentiment.

At the end of the period, our largest overweight was semiconductors & semiconductor equipment and we were most underweight to consumer discretionary distribution & retail and technology hardware & equipment. From a market perspective, our largest overweight was Japan. We were most underweight to South Korea and China.

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. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **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 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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