

For professional and accredited investor use only. Not for further distribution.

## 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.

## FUND PERFORMANCE AND ATTRIBUTION

- On an estimated net basis, Climate Strategy was up in August, but underperformed relative to the benchmark. YTD, Climate Strategy is up in absolute terms but has underperformed relative to the benchmark.
- On an absolute basis, all but one climate theme contributed to this month's return. Contribution by theme sorted from highest to lowest:
  - Low Carbon Electricity
  - Water and Resource Management
  - Climate Resilient Infrastructure
  - Low Carbon Transport
  - Energy Efficiency
- Among our top absolute contributors:
  - Aspen Technology – part of our low carbon electricity theme. They are a leading industrial software company that uses technology and digitalization to help capital intensive companies reduce waste, increase efficiency, decarbonize, and contribute to the circular economy. Aspen reported positive quarterly results in August, with beats in revenue and a sizable year over year increase in annual contract value (ACV). They also announced FY25 guidance that was in-line to slightly above expectations. As such, the stock saw positive price movement.
  - Hitachi – part of our low carbon electricity theme. They are an industrial equipment and infrastructure systems company focused on renewable energy and rail, both of which are critical to climate change mitigation. Positive stock movement this month resulted from quarterly results that exceeded expectations, with beats in operating profit derived from strong performance in the energy and life solutions segments, along with maintained full-year guidance.
  - Ecolab – part of our water and resource management theme. They are a leading water treatment and management company. Their share price was challenged at the end of last month after investors reacted negatively to reported guidance below consensus within otherwise strong quarterly results, however the stock rebounded throughout August as investors opportunistically added to positions.
- Among our top absolute detractors:
  - TopBuild – part of our energy efficiency theme. They are a leading supplier and installer of insulation and building materials, which helps reduce carbon footprint, improve energy efficiency, and conserve natural resources. Building insulation is benefitting from more stringent regulation, which is driving replacement, and is a crucial part of energy conservation as buildings account for 38% of global CO2 emissions. The stock was challenged this month after reported quarterly results were below expectations, with weakness in volume and installation and mixed performance in pricing gains with fiberglass prices up but spray foam and gutter prices down. That said, analysts are optimistic that headwinds will abate into 2025, with rates expected to decrease and residential sales and single-family activity increasing notably.
  - Atkore – part of our low carbon electricity theme. They are a leading provider of electrical, safety, and infrastructure solutions, specializing in products such as conduits, cables, and fittings for various industries, including solar energy, EV charging infrastructure, and resilient electrical grids. Shares were down this month after quarterly earnings missed expectations in both revenue and adjusted net income. That said, we maintain our position that their exposure to electrification will provide secular growth and returns in the long-term.
  - Advanced Drainage Systems – part of our water and resource management theme. They are a leading provider of innovative water management solutions and one of the largest plastic recycling companies in North America. The stock traded down this month as quarterly earnings missed expectations due to modestly lower sales and margins; Full-year guidance was maintained. The long-term thesis remains strong as ADS is a pure-play within stormwater management, a niche that we contend will see broader recognition as climate change increases the frequency and severity of storms.

## 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 All Country World. | 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.

## FUND POSITIONING AND OUTLOOK

As mentioned last month, we believe that economic and industrial indicators suggest a potential economic slowdown, prompting us to continue to rotate into slightly more defensive and/or secular companies with durable earnings such as utilities, which serve the dual function of fostering stable growth in times of increased volatility, while also meeting our climate stewardship expectations. From a climate perspective, utilities are critical for building the future electric grid that can generate, store, and transport increasing amounts of electricity broadly and renewable energy specifically to end consumers reliably. As such, we have continued to add to our utilities exposure, this month adding an electricity, natural gas, and water services provider within the northeast US. Their leadership in utility-scale renewable projects and grid modernization are critical for the transition to a low carbon economy. In service of that thesis, we also eliminated a position within a manufacturer of agricultural machinery as a source of funds as we believe their capex-heavy product lineup could experience earnings volatility during a period of potential expense-tightening.

As always, we strongly believe that solving for climate change is a source of revenue, not solely a risk to mitigate. This belief was reinforced this month as several research analysts directly acknowledged the secular tailwinds created for pure-play climate adaptation companies such as Advanced Drainage Systems, which we believe will see increased demand as storms increase in occurrence and severity due to changing weather patterns associated with increased global temperatures. This continues a trend we have seen in the increasing importance of both climate mitigation and adaptation strategies, leading to more and better opportunities within our proprietary climate universe over time.

## 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. **DERIVATIVES (C) (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. **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. **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. **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.

**DISCLOSURE**

This material has been prepared exclusively for use with professional, accredited or institutional investors, wholesale clients and non-retail investors for general information purposes only and does not take into account the investment objectives, financial situation or needs of any particular person. By accepting this material, you acknowledge and agree that this material is provided for your use only and that you will not distribute or otherwise make this material available to any person.

This material and its contents may not be reproduced or distributed, in whole or in part, without the express written consent of Wellington Management. This document is intended for marketing purposes only. It is not an offer to anyone, or a solicitation by anyone, to subscribe for units or shares of any Wellington Management Fund ("Fund"). Nothing in this document should be interpreted as advice, nor is it a recommendation to buy or sell securities. Investment in the Fund may not be suitable for all investors. Any views expressed in this document are those of the author at the time of writing and are subject to change without notice. Fund shares/units are made available only in jurisdictions where such offer or solicitation is lawful. The Fund only accepts professional clients or investment through financial intermediaries. Please refer to the Fund offering documents for further risk factors, pre-investment disclosures, the latest annual report (and semi-annual report), and for UCITS Funds, the latest Key Investor Information Document (KIID) or Key Information Document (KID) before investing. For each country where UCITS Funds are registered for sale, the prospectus and summary of investor rights in English, and the KIID / KID in English and an official language, are available at [www.wellington.com/KIIDs](http://www.wellington.com/KIIDs). For share/unit classes registered in Switzerland, Fund offering documents in English can be obtained from the local Representative and Paying Agent – BNP Paribas Securities Services, Selnaustrasse 16, 8002 Zurich, Switzerland. Wellington Management Funds (Luxembourg) and Wellington Management Funds (Luxembourg) III SICAV are authorised and regulated by the Commission de Surveillance du Secteur Financier and Wellington Management Funds (Ireland) plc is authorized and regulated by the Central Bank of Ireland. The Fund may decide to terminate marketing arrangements for shares/units in an EU Member State by giving 30 working days' notice.

■ In Canada, this material is provided by Wellington Management Canada ULC, a British Columbia unlimited liability company registered in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan in the categories of Portfolio Manager and Exempt Market Dealer. ■ In the UK, issued by Wellington Management International Limited (WMIL), authorised and regulated by the Financial Conduct Authority (Reference number: 208573). ■ In Europe (ex. UK and Switzerland), issued by marketing entity Wellington Management Europe GmbH which is authorised and regulated by the German Federal Financial Supervisory Authority (BaFin). Shares of the Fund may not be distributed or marketed in any way to German retail or semi-professional investors if the Fund is not admitted for distribution to these investor categories by BaFin. In Spain CNMV registration number 1236 for Wellington Management Funds (Luxembourg) and CNMV registration number 1182 for Wellington Management Funds (Ireland) plc. ■ In Dubai, this material is provided by Wellington Management (DIFC) Limited (WM DIFC), a firm registered in the DIFC with number 7181 and regulated by the Dubai Financial Services Authority ("DFSA"). To the extent this document relates to a financial product, such financial product is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with any financial product to which this document may relate. The DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. Any financial product to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on any such financial product. If you do not understand the contents of this document, you should consult an authorised financial adviser. This document is provided on the basis that you are a Professional Client and that you will not copy, distribute or otherwise make this material available to any person. ■ In Hong Kong, Wellington Management Hong Kong Limited (WM Hong Kong), a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) regulated activities. Wellington Private Fund Management (Shanghai) Limited (WPFM), which is an unregulated entity incorporated in China, is a wholly-owned subsidiary of WM Hong Kong. Wellington Global Private Fund Management (Shanghai) Limited (WGPFM) is a wholly-owned entity and subsidiary of WPFM and is registered as a private fund manager with Asset Management Association of China to conduct qualified domestic limited partnership and management activities. ■ In mainland China, this material is provided for your use by WPFM, WGPFM, or WMHK (as the case may be). ■ In Singapore, Wellington Management Singapore Pte Ltd (WM Singapore) (Registration Number 201415544E), regulated by the Monetary Authority of Singapore. WM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and deal in capital markets products, and is an exempt financial adviser. ■ In Australia, Wellington Management Australia Pty Ltd (WM Australia) (ABN19 167 091 090) has authorized the issue of this material for use solely by wholesale clients (as defined in the Corporations Act 2001). ■ In Japan, Wellington Management Japan Pte Ltd (WM Japan) (Registration Number 199504987R) is registered as a Financial Instruments Firm with registered number: Director General of Kanto Local Finance Bureau (Kin-Sho) Number 428 a member of the Japan Investment Advisers Association, the Investment Trusts Association, Japan (ITA) and the Type II Financial Instruments Firms Association (T2FIFA). WM Hong Kong and WM Japan are also registered as investment advisers with the SEC; however, they will comply with the substantive provisions of the US Investment Advisers Act only with respect to their US clients. Wellington Management Funds ("the Funds") may not be offered to citizens and residents of the United States or within the United States, its territories, or possessions (other than to distributors and financial intermediaries). None of the Funds have been or will be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and none of such shares may be offered, sold, transferred or delivered, directly or indirectly, in the United States or to United States residents or citizens (other than to distributors and financial intermediaries). None of the Funds have been or will be registered as an investment company under the US Investment Company Act of 1940, as amended (the "1940 Act"). Interests in the Funds may be offered through an affiliate of Wellington Management Company LLP; Wellington Funds Distributors, Inc., an SEC-Registered Broker/Dealer, Member FINRA and SIPC. Office of Supervisory Jurisdiction: 280 Congress Street, Boston, MA 02210. Tel: 617-951-5000 Fax: 617-951-5250. Not FDIC Insured – No Bank Guarantee – May Lose Value.

©2024 Wellington Management. All rights reserved. As of 12 April 2024. WELLINGTON MANAGEMENT FUNDS® is a registered service mark of Wellington Group Holdings LLP