Wellington Global Bond Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

Market volatility fell following Donald Trump's win in the US presidential election amid speculations that his economic policies would boost growth and corporate earnings. Most fixed income sectors outperformed on an excess return basis.

US economic releases were largely positive. Consumer data was upbeat, encouraged by higher confidence in prospects for business conditions and employment. Retail sales benefited from consumers ramping up spending on cars and electronics. Annual inflation ticked higher, with core personal consumption expenditures (PEC) index and producer prices excluding food and energy both slightly exceeding the previous levels. The manufacturing PMI remained below expansionary threshold according to S&P Global, while the services PMI posted solid growth. HCOB eurozone manufacturing PMI retracted further into contraction territory, and industrial production faltered. Germany's IFO business climate index weakened and assessment of current conditions and expectations both fell. UK's annual headline inflation reached the highest level since April, while industrial production declined. China's annual industrial profits declined owing to low demand and a struggling property sector. Inflation was weighed down by weakness in private spending. Japan's producer price index rose from a year earlier led by higher costs of nonferrous metals, food, and oil. Canada's housing starts and building permits advanced. Australian annual inflation came in a touch lower than expected.

The Federal Reserve delivered its second rate cut of 25 basis points, and anticipates further rate cuts, albeit at a slower pace. The BOE cut rates as economic data disappointed and growth expectations eased since Chancellor Reeves' Budget announcements. In EM, central banks of South Africa and Mexico lowered their rates as growth moderated. Most other major central banks kept policy rates unchanged.

FUND PERFORMANCE AND ATTRIBUTION

Interest rate strategies were positive. Our overweight to short-dated German bund yields contributed favorably to performance as bund yields sharply declined over the month, due to mounting concerns about political instability (particularly Germany and France). The negative implications on the European economy from Trump's proposed tariff policies also added downward pressure to bund yields, as markets see these as a prompt for further and faster ECB rate cuts. Partially offsetting the positive performance was our underweight to long-dated German bund yields. Our Japanese yield curve flattener was additive. Japanese government bond yields spiked as the Japanese headline inflation jumped from 1.8% to 2.6% in November, boosting confidence in the sustainability of higher inflation. In country relative value strategies, our long Germany 10yr versus short US duration also aided performance as spreads widened between the pair, driven by sharp rally in German bund yields due to negative sentiment around political uncertainty. Our underweight to US and UK rates detracted as yields fell over the month.

Currency strategies were positive. Our short SEK and CHF versus the US dollar contributed to performance. The US dollar appreciated against most major developed market currencies in November, fueled by Trump's victory and a Republican sweep as investors expected that the new administration's policies will have a significant positive impact on the value of dollar. Our long JPY versus the EUR also added to performance as the JPY strengthened over the month, driven by growing weakness in the Euro Area and renewed speculation about a December rate hike by the BOJ.

Credit strategies were negative. Our overweight to emerging market debt detracted from performance while our overweight to investment grade credit was additive, as credit spreads tightened over the month generating positive excess returns relative to duration-equivalent bonds.

FUND POSITIONING AND OUTLOOK

We favor a curve steepening bias in US duration and eurozone duration. Our structural framework suggested a move up in bond yields to account for higher trend growth, average inflation and inflation volatility, as well as negative fiscal backdrop for the US. We anticipate that a Trump presidency will significantly accelerate these trends, with a focus on contracting labor and goods supply. We expect the US will likely add more demand through fiscal measures amidst negative supply shocks, such as tariffs and immigration restrictions.

We are overweight duration in smaller, open economies (Australia, New Zealand). Smaller, open economies have significantly higher level of household debt than their developed-market counterparts. Labor markets and inflation are also weaker in many of these countries. In the event of meaningful growth slowdown, we expect rates to fall at a more rapid pace and by a greater magnitude in in these countries.

We are underweight Japanese duration with a curve flattener. In Japan, there has been a huge mismatch between the Bank of Japan's guidance and market pricing. The BOJ is the only DM central bank that is priced for rates sustainably below neutral in a year's time, and we think markets are underappreciating the possibility of rates increasing to 1-1.25% by the middle of next year.

We are tactically positioned in the US dollar against G10 currencies. At the time of this writing, we were overweight JPY, GBP and AUD versus the dollar. We expect the US dollar to be rangebound in the near term and therefore will be more tactical in our dollar positioning against other G10 currencies, with a focus on idiosyncratic stories that could drive individual currency performance.

We are underweight in CHF, EUR, and SEK. Within the G10 cohort, we are bearish on these currencies where a weakening growth outlook could put pressure on currencies as central banks lean dovish.

We are underweight low-yielding APAC EM FX (CNH). We remain bearish on Chinese currency.

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

Fund performance is based on EUR S Acc Hdg share class and are net of fees and expenses. Other share class performance may differ.| Index used in the calculation of attribution data: Bloomberg Global Aggregate.| 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.

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. **CREDIT:** The value of a bond may decline, or the issuer/guarantor may fail to meet payment obligations. Typically lower-rated bonds carry a greater degree of credit risk than higher-rated bonds. **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. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **INTEREST RATES:** The value of bonds tends to decline as interest rates rise. The change in value is greater for longer term than shorter term bonds. **LEVERAGE:** The use of leverage can provide more market exposure than the money paid or deposited when the transaction is entered into. Losses may therefore exceed the original amount invested. **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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