Wellington Global Credit ESG Fund

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MARKET REVIEW

Global investment grade corporate bonds outperformed government bonds in August. Global credit spreads ended the month unchanged while government bond yields fell. US dollar-denominated corporate bonds outperformed Euro - and Sterling-denominated bonds on an excess return relative to duration-equivalent government bond basis.

We modestly increased the portfolio's overall credit exposure in August, taking advantage of more attractive valuations amid heightened credit spread volatility during the first half of the month. The portfolio's credit exposure remains above its benchmark on a duration-times spread (DTS) basis. We continue to emphasize issuer-specific concentration of the portfolio by increasing exposure to high-conviction, idiosyncratic opportunities, focusing on higher-quality issuers or those issuers that have a positive credit catalyst which has yet to be reflected in current market pricing.

On a relative basis, we continue to prefer euro-denominated corporate bonds relative to US dollar- and Sterling-denominated credit due to Europe's greater dispersion among individual issuers. However, valuations in the US dollar-denominated corporate bond market are becoming more attractive, and bouts of volatility in August provided an opportunity to add US dollar-denominated corporate bond exposure. We remain mindful that industry and issuer dispersion remain more limited relative to the Euro-denominated corporate bond market. We continue to favor the communications, capital goods and energy sectors. We remain constructive on the fundamental outlook for the large, systematically important US and European banks.

Looking forward, we believe that global central bank responses to domestic dynamics resulting from conflicting growth, inflation and labor market data will pave the way for a divergence in monetary policy across developed markets. We expect global economic growth to remain positive and we expect inflation, while on a declining path, to remain above central bank target levels. However, central banks may be eager to cut short-term interest rates in response to deteriorating economic data, increasing the risk of loosening policy before inflation is effectively contained. In fact, central bank reactions to economic and market events could even exaggerate the peaks and troughs in the economic cycle, making the major global central banks a potential source of market volatility going forward, rather than the primary drivers of the decline in market volatility that we experienced over the last 15 years. We anticipate continued bouts of credit spread volatility in the remainder of the year as the US election's potential ramifications for fiscal and trade policy become clearer, as the global cycle moderates and as geopolitical tensions persist.

FUND PERFORMANCE AND ATTRIBUTION

- The portfolio performed in line with its benchmark during the month.
- Active duration and yield curve positioning had a limited impact on active returns during the month.
- The portfolio's credit spread duration position had a limited impact on active returns over the month.
- Sector allocation contributed to active returns over the month. The portfolio's allocation effect from below investment-grade financials contributed to active returns, specifically our exposure to securities within other finance. The allocation effect from below investment-grade industrials also contributed to active returns, specifically our exposure to securities within communications. Additionally, an allocation to government-related exposures contributed to active returns, specifically our exposure to sovereign holdings. This was partially offset by the allocation effect from government exposures which detracted from active returns, specifically our exposure to treasury notes/bonds.
- Among investment grade corporate bonds, the aggregate impact of allocation effects was limited across industrials, financials, and utilities.
- In aggregate, security selection had a negative impact on relative performance during the month. From an investment-grade perspective, security selection within industrials detracted while security selection within utilities contributed positively. Security selection within financials was muted.

FUND POSITIONING AND OUTLOOK

At the end of August, the portfolio's credit exposure, as measured by the portfolio's duration times spread (DTS), was higher when compared to that of its benchmark, and the portfolio was modestly overweight interest rate duration versus its benchmark.

In terms of credit quality, the portfolio decreased its active exposure to A-rated debt. The portfolio's active exposure to US dollar and sterling-denominated debt increased, while our active exposure to euro-denominated debt decreased.

At the end of August, the portfolio was primarily overweight securitized and financials and underweight industrials and derivative index debt on a benchmark-relative credit spread duration basis. The portfolio was also primarily overweight BBB-rated debt and underweight to A and AA-rated debt. The portfolio was primarily overweight sterling-denominated issuers while underweight US dollar and euro-denominated issuers. In terms of active industry exposure, the portfolio was primarily overweight communications, and underweight energy and consumer non-cyclical. In terms of active issuer exposures, the portfolio's largest benchmark-relative credit spread duration overweight exposures were PG&E, Charter Communications, and HCA.

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

Fund performance is based on USD 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: BBG Glb Agg Corp USD/EUR/GBP 1% capped Finance capped at 40%.| 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.

Although major global central banks have begun to cut short-term interest rates, we continue to observe divergence in the growth and inflation outlook across economies. The market's heightened focus on a possible recession was one of several factors that drove a bout of credit spread volatility in early August, and provided opportunities to selectively add to high conviction investment opportunities. Credit spread volatility and dispersion in the credit spreads of individual issuers may be further exacerbated by weakening technicals, as the all-in yield of corporate credit declines from recent levels. We will continue actively managing the portfolio's credit exposure to protect portfolio capital, while exploiting idiosyncratic security selection opportunities among issuers in which we have the highest conviction.

UNITED STATES: SOFTER INFLATION AND GROWTH DATA PAVES THE WAY FOR RATE CUTS
Short-term interest rates have peaked, as softer inflation and growth data opens the door for several rate cuts by the end of the year. We expect further bouts of volatility as the market engages with weaker economic data. Although we expect softening in US economic data to persist, we do not expect a more protracted downturn. Strength of consumers and the labour market will be a key driver of market pricing over the remainder of this year. Despite softer inflation, we believe that structural forces driving post-Covid inflation could sustain in the medium term and may be accelerated depending on the outcome of the US election. Continued Treasury market volatility and election uncertainty could prompt further episodic corporate credit spread widening, providing an opportunity to exploit high conviction opportunities at more attractive valuations. We remain focused on sectors such as banking, communications, and energy.

EUROPE: INFLATION REMAINS STICKY AND STRONGER THAN EXPECTED
Economic activity is expected to moderate on the margin from here on given renewed bumps in the global manufacturing cycle. Inflationary pressures, while declining, remain above ECB targets, particularly within the services sector. Nevertheless, the ECB has proven, by cutting rates in June despite stronger than expected growth and inflation, that it remains sensitive to the labor market, and may be willing to cut rates into a reflationary backdrop. Valuations and fundamentals amongst higher quality issuers remain attractive and demand for investment grade corporate bonds remains strong, despite the recent decline in yields. In this environment, we expect further industry and issuer dispersion and favor high-quality industrials, senior and subordinated bank debt, and select utilities in the euro-denominated market.

UK: GROWTH AND INFLATION OUTLOOK REMAINS COMPLICATED
Short-term interest rates have peaked as the Bank of England delivered a 25 basis point cut in August. The Bank of England's preoccupation with both financial market stability and economic growth continues to suggest that it will remain accommodative even though inflation remains elevated. In fact, service sector inflation, wage growth and GDP growth continues to suggest that the level of rates in the UK has not been restrictive, and lowering rates will increase the risk of inflation becoming entrenched. This is likely to further exacerbate the UK government's longer-term debt sustainability challenges. Consequently, we remain cautious on the Sterling credit market and focused on exploiting idiosyncratic security selection opportunities.

JAPAN BoJ HIKE PROMPTS CREDIT SPREAD VOLATILITY
The Bank of Japan delivered a 15 basis point hike in July, announced a gradual taper of Japanese government bond (JGB) purchases, and provided guidance for further rate increases. With most developed market central banks becoming more accommodative, the Bank of Japan's continued shift to a tighter policy will reduce the interest rate gap that has contributed to the yen's record weakness. This in part, was a catalyst for heightened credit spread volatility in August, as appreciation in the yen caused a partial unwind of 'carry' trades. The increased competitiveness of JPY yields could also prompt domestic investors to repatriate capital, and in turn tighten financial conditions. Corporate credit spreads in the yen-denominated corporate bond market are low and do not compensate for the liquidity risks involved. Furthermore, the yen-denominated corporate bond market is highly concentrated and transaction costs tend to be relatively high, and so there are fewer opportunities to exploit mispricings.

EMERGING MARKETS: SLOWER ECONOMIC GROWTH AND CONTINUED RATE CUTS EXPECTED
The ample supply of sovereign new issuance so far this year has provided attractive opportunities to add select idiosyncratic emerging markets debt issuers at significant new issuance concessions. While elections have introduced volatility allowing us to find attractive opportunities among select, high-quality sovereign issuers, particularly in Eastern Europe we remain opportunistic in Emerging Markets and are mindful of the adverse impact of higher short-term rates in Europe and the US, election uncertainty, and expectations for slower economic growth.

HIGH YIELD: ECONOMIC GROWTH AND FAVORABLE TECHNICALS ARE SUPPORTIVE
Robust fundamentals and an ensuing benign default environment have continued to support issuers rated below investment grade. Technical factors, such as a shrinking amount of outstanding debt as issuers are upgraded to investment grade, and the continued growth of private credit markets have further been supportive. However, valuations in BB-rated issuers remain less attractive relative to history, and we have reduced exposure to below investment grade issuers in recent months. We continue to avoid issuers that could be vulnerable to a potential increase in credit stress in the event of deeper cycle weakness.

RISKS

BELOW INVESTMENT GRADE: Lower rated or unrated securities may have a significantly greater risk of default than investment grade securities, can be more volatile, less liquid, and involve higher transaction costs. **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 (D+E) (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. The use of derivatives forms an important part of the investment strategy. **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. **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. **SHORT SELLING:** A short sale exposes the Fund to the risk of an increase in market price of a security sold short; this could result in a theoretically unlimited loss. **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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