

Wellington Enduring Assets Fund

MARKET COMMENTARY

- Global equities surged in November, ending the month with a loss year to date. Markets remained acutely focused on slowing global economic growth and rising inflation. Ongoing inflation and higher interest rates weighed on consumer sentiment, while headline retail sales rose more than expected. The NFIB Small Business Optimism Index fell on account of a bleak future sales and business conditions outlook. The unemployment rate rose moderately, and jobless claims climbed amid layoffs in the technology sector. The manufacturing PMI contracted, and industrial production eased on slowing demand hampered by higher interest rates. The services PMI also contracted as rising costs hindered demand. Durable goods orders advanced, bolstered by cars, aircraft, and business equipment orders. Building permits and housing starts each declined, with weakness largely driven by the single-family-unit segment. The NAHB homebuilder index recorded declines across buyer traffic, sales, and sales expectations components. New-home sales rebounded unexpectedly amid strong demand in the southern states post-hurricane Ian.
- The eurozone reported tepid GDP growth in the third quarter, with output shrinking in most member countries, while supply-chain pressures eased. Germany's manufacturing PMI contracted for a fifth consecutive month, hampered by high inflation and economic uncertainty. The UK's third-quarter GDP shrank on waning manufacturing and retail activity.
- China's industrial production and retail sales lagged amid a surge of new COVID-19 cases. Global recession fears took a toll on the country's exports. Japan's economy shrank in the third quarter owing to declining consumer and business spending as rising inflation and a weaker yen lifted import costs. Australia's consumer confidence hit a two-year low on the rising cost of living.

PORTFOLIO PERFORMANCE AND ATTRIBUTION

- The Enduring Assets Fund delivered a positive performance in November, led by positive contributions from the Electric Utilities, Multi-Utilities and Gas Utilities industries.
- Some of the largest contributors over the month included ENN Energy Holdings (Chinese Gas Utilities), Engie (French Multi-Utilities) and AES (United States Independent Power Producers & Energy Traders). Some of the largest detractors over the period included Nippon Telegraph and Telephone (Japanese Integrated Telecommunication Services), Cia de Saneamento (Brazilian Water Utilities) and KDDI (Japanese Wireless Telecommunication Services).
- The largest contributor, ENN Energy Holdings, ended the period higher along with other Chinese energy companies after China's Covid Zero policy restrictions loosened and support for the nation's property market raised the outlook for gas demand. The largest detractor, Nippon Telegraph and Telephone, fell during the period. The company reported results for the fiscal second quarter that missed consensus estimates and full-year guidance remained unchanged, with revenue and earnings coming in below expectations.

PORTFOLIO POSITIONING AND OUTLOOK

- The portfolio remains low turnover given the long-term nature of the underlying assets. There were no eliminations or initiations during the period.

RISKS

CAPITAL: Investment markets are subject to economic, regulatory, market sentiment and political risks. Before investing, all investors should consider the risks that may affect their capital. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries or geographical regions may affect 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:** 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. **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 precise 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. **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. **LIQUIDITY:** The Fund may invest in securities that are less liquid and may be more difficult to buy or sell in a timely fashion and/or at fair value. **LONG-SHORT STRATEGY RISK:** The Fund could encounter higher losses if its long and short exposures move in opposite directions at the same time and both in an unfavourable way. **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. **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. **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 RISK:** 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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