Wellington World Bond Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

Mounting concerns over weaker US economic growth contributed to a sharp rise in volatility in early August, though stability returned after more constructive global economic releases and US Fed rhetoric signaling rate cuts. Most fixed income sectors generated positive excess returns over duration-equivalent government bonds.

US economic data releases were mixed. Consumer confidence outpaced expectations, and personal income and spending edged higher. Employment data was generally stable as jobless claims fluctuated modestly but remained rangebound, while continuing claims moved higher. Manufacturing PMI fell below estimates and further into contractionary territory, and industrial production was adversely impacted by hurricane activity causing power outages and facility closures in the eastern Texas region. Eurozone core and headline CPI edged lower year-over-year. HCOB eurozone manufacturing PMI receded into contractionary territory. German's ZEW survey expectation showed the largest decline in economic expectation in two years. UK's S&P global manufacturing PMI beat expectations, while the house price index fell as high borrowing costs stalled growth. China's year-over-year industrial profits rose owing to increased overseas orders. Consumer inflation edged up slightly from a year ago due to extreme weather and flooding disruptions, while producer prices fell over the same period. Japan's industrial production rebounded driven by semiconductor equipment and electrical devices. Canada's annual inflation dropped to a 40-month low. Australia's Westpac leading index declined, indicating a sub-trend economic growth trajectory.

Major central banks' paths to policy normalization continued to diverge across countries and region. US Fed Chair Powell issued the strongest signal yet at the Jackson Hole Symposium that rate cuts are coming. The Bank of England and the Reserve Bank of New Zealand cut interest rates for the first time in over four years and flagged more easing over the coming months. The Riksbank cut rates by 25 basis points and sketched out more easing than previously expected in response to weaker growth. The Bank of Japan's governor Ueda reaffirmed that more rate hikes are on the table if inflation remains on track to hit the 2% target.

FUND PERFORMANCE AND ATTRIBUTION

On a total return basis, World Bond performance was positive on the month as rates, currency and credit were all positive.

Strategic duration performance was positive. Our long duration exposure added to performance as sovereign bond yields moved lower during the month.

Strategic currency performance was also positive. This was mainly led by a broad overweight to G10 currencies vs USD as the dollar experienced a broad-based depreciation against major developed-market currencies.

Macro-driven duration strategies were slightly negative. Our short duration positions in the Japan detracted as sovereign bond yield moved lower across major developed economies including Japan as markets reacted to more data pointing to a slowing global economy.

Macro-driven currency strategies were positive. Our tactical positioning to JPY contributed given the currency's elevated volatility. Partially offsetting the positive performance were our short exposure to SEK and CHF as both currencies appreciated in August.

Credit strategies were positive. Global credit bonds outperformed duration-equivalent government bonds. Emerging market debt generated positive returns. Spread narrowing contributed favorably to external debt performance, while a decrease in US Treasury yields also had a positive impact. EM currencies appreciation drove the positive performance within local markets, and EM rates also had a positive impact.

FUND POSITIONING AND OUTLOOK

Over the month we decreased the Fund's duration to 3.82 years, driven by decreased in opportunistic duration. In opportunistic duration, we decreased Japan duration, we believe current policy rates are still too low given the reflation forces at play in the Japanese economy, and the probability is heavily skewed to more hikes needing to be priced in by Q1 2025.

In strategic market currency strategies, we increased our non-USD exposure, led by increased in JPY, EUR and KRW exposure.

The Fund's exposure to credit sectors remains conservative. We are long investment grade, high-yield, and securitized.

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. **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. **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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