Wellington World Bond Fund

WELLINGTON MANAGEMENT®

MARKET REVIEW

Most fixed income spread sectors underperformed duration-equivalent government bonds as spreads widened. Most sovereign yields declined fueled by weakness in global economic data releases, leading to more dovish central bank policy expectations.

US economic data releases were mixed. Consumer confidence dipped lower driven by cooling current conditions' component, and personal consumption data remained soft. The NFIB small business optimism index rose although owners cited that inflation remained a core concern. Retail sales inched slightly higher but missed expectations, while the producer price index fell slightly on account of lower energy costs. The labor market posted healthy results, with strong payroll gains, a modest uptick in the unemployment rate, and relatively stable jobless claims. Eurozone composite PMI fell as both manufacturing and service sectors were weaker than anticipated. Germany's higher inflation expectation curbed the rise of the ZEW survey expectations, and the IFO business climate index declined amid persistent economic challenges. UK's year-over-year core and headline inflation edged down. China's weaker domestic demand dampened year-over-year industrial profit growth. Japan's industrial production rose, with most industrial sectors reporting higher output. Canada's higher services price contributed to lifting year-over-year inflation. Lower consumer spending, impacted by high borrowing cost and inflation, weighed down Australia's annual economic growth in the first quarter.

Most central banks' policy paths diverged over the month. The US Fed held rates steady and signaled a reduced likelihood for substantial cuts in the absence of a recession. The Swiss National Bank and the European Central Bank both cut rates. The Bank of England opted to keep rates steady against the backdrop of a looming election in July. The Norges Bank held policy rates unchanged but communicated with a hawkish tilt removing expectations for a cut later this year as the economy continued to prove quite resilient.

FUND PERFORMANCE AND ATTRIBUTION

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

Strategic duration performance was positive. Our long duration exposure to US contributed as yield moved lower across US, and there has been more evidence of the US economy slowing down (loosening labor market, weaker demand, modest disinflation).

Strategic currency performance was negative. This was mainly led by our short USD exposure vs select G10 currencies as the dollar strengthened against the developed market currencies.

Macro-driven duration strategies were negative. Our short duration positions in the UK and euro area detracted. Sovereign yields declined across major economies amid soft economic data releases. In Europe, bond yields fell broadly as business growth decelerated sharply and demand fell for the first time since February, despite concerns ahead of the French election UK gilt yields drifted lower after inflation fell to the BOE's target for the first time since 2021.

Macro-driven currency strategies were also negative. Our long exposure to MXN detracted. MXN weakened sharply following the election of the new president as investor remained concerned about the judiciary reform.

Credit strategies were positive. Our government bonds and investment grade corporate strategies all generated positive total returns during the month.

FUND POSITIONING AND OUTLOOK

Over the month we increased the Fund's duration to 4.64 years, driven by an increase in both strategy market and opportunistic duration. In strategy market duration, we increased US duration as we are positioned for more Fed rate cuts than priced in 2024

In strategic market currency strategies, we decreased our non-USD exposure, led by decreased in GBP 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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