Wellington Emerging Market Development Fund

WELLINGTON MANAGEMENT®

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MARKET REVIEW

Emerging markets (EM) equities were led higher by Latin America, followed by Europe, the Middle East, and Africa (EMEA) and Asia.

In Latin America, Brazil's economy exceeded expectations in November, although the services sector — the main engine of the economy — declined by the most since April 2023. The central bank continued to aggressively tighten monetary policy, raising interest rates by 100 bps for the second straight time and signaling another hike of the same size in March. Mexico's inflation slowed, and the central bank hinted at the possibility of larger rate cuts ahead but also expressed concerns about the inflationary impact of potential US tariffs. Chile's central bank paused interest-rate cuts as economic uncertainty and greater inflation risks warranted caution.

In EMEA, Saudi Arabia's fourth-quarter GDP grew at the fastest quarterly rate since 2022, while the United Arab Emirates' non-oil private sector expanded at the quickest pace in nine months.

In Asia, China's government announced that it will sharply increase funding from ultra-long Treasury bonds in 2025 to spur business investment and consumer spending, with weaker-than-anticipated manufacturing and nonmanufacturing activity in January amplifying calls for more supportive fiscal and monetary policies. Taiwan's export orders grew at the quickest pace in almost three years amid high demand for AI technology. India's government lowered its annual economic growth estimate to 6.4% for the year ending in March, which would be the slowest growth in four years.

FUND PERFORMANCE AND ATTRIBUTION

The portfolio delivered negative returns over the period. Energy efficiency was the bottom contributing sector, while automation and robotics and smart data were the top contributing sectors.

At the issuer level, our top two absolute contributors were Samsung Biologics and Airtel Africa, while our top two absolute detractors were KEC International and Amber Enterprises India.

Shares of Samsung Biologics rose during the period as management reported fourth quarter results that beat expectations. Performance was driven by Plants 1 through 3 which operated at full capacity and an increase in sales from Plant 4. Management expects contributions from Plant 4 to grow in 2025 and Plant 5 to open in the second quarter of 2025. The company is also expected to gain from negative US policies towards China. Shares of KEC International, an Indian-based power transmission company, fell over the period. The company announced the wins of two new transmission and distribution projects in India, worth a combined Rs 2,542 crores. The company is expected to release Q3 earnings in early February.

FUND POSITIONING AND OUTLOOK

In terms of positioning, our investment process, which relies on both fundamental inputs as well as proprietary quantitative models, is currently most constructive on Digital Connectivity and Financial Market Deepening which both exhibit positive momentum and value traits respectively. On the other hand, we are less constructive on Healthcare Provision and Digital Infrastructure which fare less well from a value perspective.

Market risk sentiment has been fluid amid a number of changes in policy direction under a second Trump administration. Geopolitical and bilateral relations have been bartering chips while trade tariffs, immigration, monetary and fiscal policy have been front and center of the US political debate. We believe the outperformance of developed markets relative to emerging markets, has introduced a high degree of skepticism on the asset class. However, we see growing instances of improving fundamentals across China where valuations are low and the potential for policy action to help with macro. In India, we see opportunities for stock picking as quality companies seek to build on their competitive advantages.

We believe that our capabilities in identifying diverse thematic opportunities, strong fundamental bottom-up security selection, and our risk aware portfolio construction methodology will allow us to capitalise on areas of growth. In times of volatility, we believe that our diversified portfolio positioning across themes – and lack of concentrated single stock positions – should position the portfolio well.

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. **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. **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 perfect hedge. **LIQUIDITY (MKT):** 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. **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. 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: 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.

DISCLOSURE