Wellington Euro High Yield Bond Fund

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MARKET REVIEW

Broadly encouraging economic data releases contributed to rising sovereign yields against the backdrop of political uncertainty stemming from the US elections and intensifying tension in the Middle East. Most fixed income sectors outperformed duration-equivalent government bonds.

Euro high yield returned 0.61% (in local currency terms) in October, as measured by the ICE BofA Merrill Lynch Euro High Yield Constrained Index, outperforming duration equivalent government bonds by 1.14%. The option-adjusted spread of the index tightened by 25 basis points to 317 basis points.

Eurozone annual inflation edged higher, while constrained new orders and backlogs weighed on manufacturing PMI. Germany's IFO business climate index rose, with assessment of current conditions and expectations both improving. UK's S&P global manufacturing PMI dipped slightly but stayed in expansionary territory as an improvement in new orders was offset by the increased cost of raw materials.

FUND PERFORMANCE AND ATTRIBUTION

- The portfolio underperformed its benchmark during the month.
- In aggregate, sector allocation had a positive impact on relative performance during the month. An overweight to the government & government related sector and underweight to supermarkets contributed to relative results. In contrast, an overweight to the metal/mining sector and overweight to packaging detracted from relative results.
- In aggregate, security selection had a negative impact on relative performance during the month. From a sector perspective, the largest detractors were security selection within financial institutions and the wirelines industries. In contrast, the largest positive contributors were security selection within technology and packaging.
- One of the largest relative detractors was an underweight to Telecom Italia and one of the largest relative contributors was an overweight to SFR Group.
- SFR Group, owned by Altice, provides telecom and media services. The bonds have recovered following a drawdown after announcement of management's potential plan for an LME. We are maintaining exposure but are monitoring SFR closely. Telecom Italia, together with its subsidiaries, engages in the provision of fixed and mobile telecommunications services. Management remains committed to their multi-year fiber buildout with the goal of 65% footprint by 2027.

FUND POSITIONING AND OUTLOOK

- The Fund remains positioned with a modestly defensive risk posture as high yield spreads remain tight. However, we think further bouts in volatility may present opportunities to tactically increase risk at more attractive valuations. Our largest sector level overweights are in the technology and packaging sectors. Within technology, our exposure is focused on issuers that have stable, recurring revenue sources such as software service companies and cybersecurity providers. On the other hand, we are more cautious on sectors experiencing increased capacity and therefore remain underweight the automotive sector. In terms of credit quality, the fund remains underweight BB-rated bonds and overweight investment grade and B-rated bonds.

- From a macroeconomic perspective, a soft-landing scenario appears to be playing out in the US economy and the Fed began easing. While market expectations call for the Fed to slow its pace of cuts, the risk is that they potentially move to keeping rates flat or increasing them again - the "false landing" scenario. The US presidential election remains in focus as the market begins to digest potential policy changes which may be a source of volatility. In terms of corporate fundamentals, earnings remain relatively strong and we are less concerned about the impact of tighter monetary policy on fundamentals. We continue to prefer companies with stable to improving credit profiles.

- We believe default rates are likely to stay around long-term averages over the next 12 months. We do not see a full-scale default cycle on the horizon given the higher quality composition of the high yield market relative to past cycles. In terms of valuations, high yield spreads remain inside historical medians although we believe current yields may be attractive to longer-term focused investors. Euro high yield valuations continue to appear more attractive relative to the US, particularly when controlling for compositional differences at the sector and rating level.

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

Fund performance is based on EUR S Acc share class and are net of fees and expenses. Other share class performance may differ.| Index used in the calculation of attribution data: ICE BofA Euro High Yield Constrained.| 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.

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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. **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. **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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