Wellington All-China Focus Equity Fund

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MARKET REVIEW

In June, global equities exhibited varied performance as markets navigated the implications of divergent monetary policies across major economies. The US Federal Reserve's decision to hold rates steady, contrary to market expectations, introduced uncertainty, while the European Central Bank's decision to lower rates positively impacted European equities. Despite these challenges, the overall economic outlook remained positive, supported by robust data in key areas such as employment and inflation. Asian economies marginally outperformed broader emerging markets with Taiwan and Korea being the better-performing markets on a relative basis, while Hong Kong and China lagged.

Chinese and Hong Kong equities pulled back in June. Persistently low consumer confidence in the face of the ongoing crisis in the property sector contributed to sentiment turning softer. Investor concerns further increased following the EU's decision to impose tariffs of up to 38% on Chinese electric vehicles and the market shrugged off a resurgence in China's export growth which was largely fueled by heightened demand from Asia. The intensifying conflict between the US and China over semiconductors, along with fears of capital outflow from China due to the depreciating Yuan, further contributed to the market's decline.

The MSCI China All Shares Net returned -2.5% for the month. Within the index, eight out of 11 sectors declined for the period. Real estate and consumer staples were the bottom performing sectors, while utilities and communication services were the top performing sectors over the month.

FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index over the period, however delivered negative returns.
- Sector allocation, a result of our bottom-up stock selection process, was the primary driver of relative outperformance. Allocation effect was driven by our overweight to communication services and utilities, but partially offset by our underweight to information technology and overweight to consumer staples and real estate. Stock selection also modestly contributed to returns. Strong selection in consumer discretionary and communication services was partially offset by selection in financials and industrials.
- At the issuer level, our top two relative contributors were overweights to NetEase and China Yangtze Power, while our top two relative detractors were an overweight to KE Holdings and an out of benchmark allocation to AIA Group.
- Shares of PC and mobile game developer NetEase rose over the period after China's gaming regulator approved 104 new domestic video games, which included NetEase's 'Epic of Tiara'. Shares of KE Holdings declined during the period as most major cities in China are failing to show a recovery in new-home sales a month after downpayment ratios and mortgage rates were cut to record lows.

FUND POSITIONING AND OUTLOOK

Moving forward, we continue to maintain a cautiously optimistic view as policy executions accelerate into 2024 with prudent monetary and proactive fiscal support, further relaxation for the property market and a renewed focus on economic growth. Beyond macro policy, company earnings revisions and capital allocation are another critical factors to watch, as they will reveal unique opportunities for businesses that can thrive even as the broader economy slows down. As such, our focus remains on identifying companies with strong organic growth prospects, sustainable higher returns on capital and good corporate governance.

At the end of the period, our largest exposures were communication services and consumer discretionary and we were least exposed to real estate and energy. We had no exposure to materials.

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. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact 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. **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. **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. **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.

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

Fund performance is based on USD 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: MSCI China All Shares.| 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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