Wellington Global High Yield Bond Fund

WELLINGTON MANAGEMENT®

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MARKET REVIEW

Additional signs of economic weakness in the US prompted a greater-than-expected Fed rate cut. In Europe, monetary policy easing continued as the euro area economy remained at a standstill while inflation pressures abated. Most fixed income sectors produced positive total returns and outperformed duration-equivalent government bonds.

US economic data releases lagged, highlighted by a fragile labor market amid weaker non-farm payroll report in August and elevated continuing claims. Consumer confidence sank to a three-year low driven by a negative assessment of business conditions and the labor market. Year-over-year headline CPI growth moderated to its lowest level since February 2021. S&P global manufacturing PMI continued to recede, while services and composite PMIs were little changed. Retail sales posted modest gains, wholesale inventories rose, durable goods orders were flat, and industrial production improved slightly, related in part to the recovery of motor vehicles and parts. In housing data, the interest rate decrease bolstered refinancing activity and housing starts.

Eurozone manufacturing activity moved deeper into contraction. Germany's industrial production declined on a slowdown in the automotive sector, and the IFO business climate index fell for a fourth straight month. UK's S&P global manufacturing PMI dipped below estimates but stayed in expansionary territory, while year-over-year CPI remained steady on account of sticky energy prices.

FUND PERFORMANCE AND ATTRIBUTION

- The portfolio outperformed its benchmark during the month.
- Quality positioning had a negligible impact on relative performance during the month.
- Regional allocation had a negligible impact on relative returns during the month. We maintain an overweight to North America against an underweight to Emerging Markets.
- In aggregate, sector allocation had a positive impact on relative performance during the month. An underweight to the energy sector and underweight to automotive contributed to relative results. In contrast, an underweight to the cable and satellite sector and overweight to technology 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 government & government related and the cable and satellite industries. In contrast, the largest positive contributors were security selection within media and entertainment and building materials.
- The largest relative detractor was an underweight to DISH Network and the largest relative contributor was an overweight to The E.W. Scripps Company.
- E.W. Scripps (SSP), together with its subsidiaries, operates as a media enterprise through a portfolio of local and national media brands. We maintain a constructive outlook on SSP given the strength of its local TV stations, free cash flow generation, and management team. DISH Network (DISH) is a satellite television company. We remain cautious on DISH given the issuer's continued cash burn, upcoming maturities, and governance issues from the founder having ~90% of voting share.

FUND POSITIONING AND OUTLOOK

We advocate for a modestly defensive risk profile for high-yield investors, primarily due to valuations. High yield spreads have moved well inside historical medians, although still elevated all-in yields do create an attractive entry point for longer-term focused investors. Corporate fundamentals are only marginally deteriorating from a very strong starting point and the quality composition of the high-yield market remains strong relative to history. From a macroeconomic perspective, we continue to see disinflationary trends in many developed market economies and the Fed has begun its cutting cycle as unemployment rises from low absolute levels. Additionally, the consumer remains resilient, as strong home prices and lower household leverage relative to past cycles have buoyed spending. Market pricing has fully engaged with the soft-landing scenario in many global economies, although we continue to monitor economic data points given the tail risk of a mild recession.

From a high level, corporate earnings remain relatively strong, although we expect to see further deterioration in the coming quarters as the lagged effects of higher policy rates weigh on economic activity. We envision that default rates could move modestly higher but do not see a full-scale default cycle on the horizon. Despite concerns about the lagged impact of past rate increases, we do not believe higher interest expense alone will trigger a wave of defaults. The starting points of strong earnings and interest coverage provide ample cushion for deterioration, in our view. Still, we prefer to stick to more stable credit profiles and are wary of the high rate of growth and weaker underwriting standards of deals financed in the private credit market which could portend rising future defaults. The quality of recent new issuance remains generally healthy and we are not yet seeing widespread aggressively structured deals or use of proceeds that increase leverage. Security selection will take on increased importance moving forward.

At the end of the month, our largest overweight was to investment grade-rated issuers, and our largest underweight was to the BB segment of the market. Our largest industry overweights were the technology and packaging industries. In particular, within technology, our largest overweight is, and within packaging, our largest overweight is Crown Holdings. The largest industry underweights in the portfolio were the energy and utilities industries. During the month, we added to our financial institutions and packaging exposure while trimming our exposure to the health care and restaurants industries.

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: ICE BofA Global 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.

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. **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. **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.

DISCLOSURE