Wellington Global Property Fund

WELLINGTON MANAGEMENT®

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MARKET REVIEW

Global equities rose in November. Donald Trump's presidential reelection and the Republican Party's sweep of both chambers of Congress led the US to significantly outperform other regions amid expectations for deregulation, additional tax cuts, and a more accommodative US business environment. The breadth of change anticipated from the new US administration reverberated across the globe with far-reaching implications for foreign policy, trade dynamics, inflation, and economic growth. Elon Musk's appointment to the newly formed US Department of Government Efficiency extended a strong risk appetite in markets. Prospects for a soft landing appeared to remain intact, and central banks in the US, UK, New Zealand, Mexico, and Sweden continued to lower interest rates. Inflation neared central bank targets in many regions. However, in November, a key measure of US inflation rose for the first time since March, and UK inflation surged to its highest level in six months, highlighting the ongoing sensitivity of prices to economic changes. Eurozone business activity sank to a 10-month low, while Germany's coalition government collapsed, and the country's manufacturing sector remained mired in a deep downturn. In France, Prime Minister Michel Barnier's Cabinet confronted a possible vote of no confidence. A stronger US dollar pressured emerging markets, and Chinese equities declined amid limited government aid and low consumer demand. Geopolitical risks remained heightened, while the US and France brokered a ceasefire agreement between Israel and Hezbollah.

The FTSE EPRA/NAREIT Developed NET returned 2.4% over the period. Within the index, 10 out of 14 sectors rose for the month. Real estate technology and lodging were the top performing sectors, while home builder and real estate service company were the bottom performing sectors for the month.

FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index over the period.
- Security selection was the primary driver of relative outperformance. Strong selection in office, multifamily and retail - malls was partially offset by selection in self-storage facilities, warehouse and retail - shopping centers. Sector allocation, a result of our bottom-up stock selection process, detracted from returns. Allocation effect was driven by our overweight to home builder and underweight to real estate technology and multifamily, but partially offset by our underweight to warehouse and overweight to lodging.
- At the issuer level, our top two relative contributors were overweights to American Healthcare REIT and Essex Property Trust, while our top two relative detractors were overweights to Klepierre and CareTrust REIT.
- Shares of American Healthcare REIT, a US-based healthcare-focused real estate investment trust, rose over the period. The company released third quarter earnings during the month where normalized FFO beat expectations. The company also increased 2024 NFFO guidance by 14% at the midpoint. Shares of Klepierre, a property management services provider, declined during the period. A downgrade from a significant sell side firm sent shares lower.

FUND POSITIONING AND OUTLOOK

Over the past twelve months the market has wrestled with where growth and inflation will stabilize. Volatile base effects have made an assessment challenging. Still, the swings in market expectations have been extreme, ranging from 7+ rate cuts to a right hike. Betting that the pendulum of sentiment will swing back and forth has been fruitful. As such we believe recent economic negativity is unwarranted. Concerns that the Fed was behind the curve should abate following a 50bps rate cut, which we believe materially takes the risk of recession off the table. While growth has decelerated in recent months, we believe the combination of US rates cuts, Chinese stimulus, and a weakening dollar will stabilize an already healthy economy and labor market in the US. Interestingly, both the ISM and the Financial Conditions Index (FCI) rose in September. Inflation is also poised to reaccelerate with the Shanghai Shipping Index and apartment rents moving higher. We suspect the Fed will be changing their tune on rate cuts by early 2025. In fact, we see a greater risk to no landing than a soft landing. These factors caused us to shift our portfolios more cyclical. However, the outcome of the US election will have a significant impact on future growth and inflation. Consequently, we will be ready to pivot again if necessary.

Historically, REIT performance is mixed during periods of accelerating inflation with better performance in periods of weaker growth than stronger growth, interest rates being the key variable. We believe rates are range bound between 3.5% and 5.0%, but that is predicated on not seeing inflationary government policies, such as tariffs. This cycle, we see REITs as being a better inflation hedge due to low new supply, creating a backdrop for sustained rent growth. With a base case of structurally higher inflation, we are underweight long lease duration and leverage in favor of economic sensitivity and business models that can generate income growth greater than inflation such as data centers, lodging, senior housing, advertising, office, home builders. We also favor regions with greater political stability such as the UK, Japan and the UAE.

At the end of the period, our largest overweights were lodging, home builder and retail - shopping centers. We were most underweight to warehouse and specialty finance. From a regional perspective, our largest overweights were Developed Europe & Middle East ex UK and Emerging Markets. We were most underweight to North America and Developed Asia Pacific ex Japan.

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

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: FTSE EPRA NAREIT Developed.| 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.

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 currencyentails exchange risks. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **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. **REAL ESTATE SECURITIES:** Real estate securities may be subject to the cyclical nature of real estate values; risk related to general and local economic conditions; overbuilding and increased competition; demographic trends; and increases in interest rates and other real estate capital market influences. **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