Global auto parts company

A strong competitive advantage and sustainability credentials

WHAT IS IT?

A global auto parts company with a strong European presence, deriving the majority of its revenue from European customers.

COMPETITIVE ADVANTAGE

The company benefits from defensive qualities we favour: a strong competitive position, cost flexibility and low capital intensity. The company is a highly cash generative auto parts distributor, further supported by a CEO with a focus on operational excellence. The issuer's vast, global network enables efficient inventory movement and high fulfillment rates. With over 900,000 unique automobile parts, the company serves as a one-stop solutions provider for diverse automotive repair needs. Furthermore, the company positively contributes towards extending the life of existing vehicles. Its operations in battery recycling and reconditioning could have a potentially significant impact on reducing carbon emissions. The issuer has positioned itself as a key provider of the necessary training, expertise, and products to support the independent aftermarket of electric vehicles (EVs). We believe the issuer's commitment to sustainability, combined with their robust business model, focus on operational excellence, and free cash flow growth, can act as catalysts for stronger fundamentals, which may be supportive of the credit over time.

WHAT FACTORS LED TO A BUY DECISION?

Our security selection decisions are driven by rigorous, bottom-up assessment of company valuations and fundamentals, as well as a thorough understanding of ESG and climate risks.[1] We identified this issuer as being attractively valued, relative to both similarly rated automobile peers and our view of the business fundamentals. Furthermore, the issuer offers defensive characteristics which we favour against a more uncertain growth backdrop. We believe the company has the potential to outperform its peers as profit margins continue to improve. Its ambitious deleveraging targets may act as a catalyst for both spread tightening and a further rating upgrade. From an ESG perspective, the company benefits from strong governance, has low carbon emissions relative to automobile peers, and has committed to a science-based target for scope 1 and scope 2 emissions.

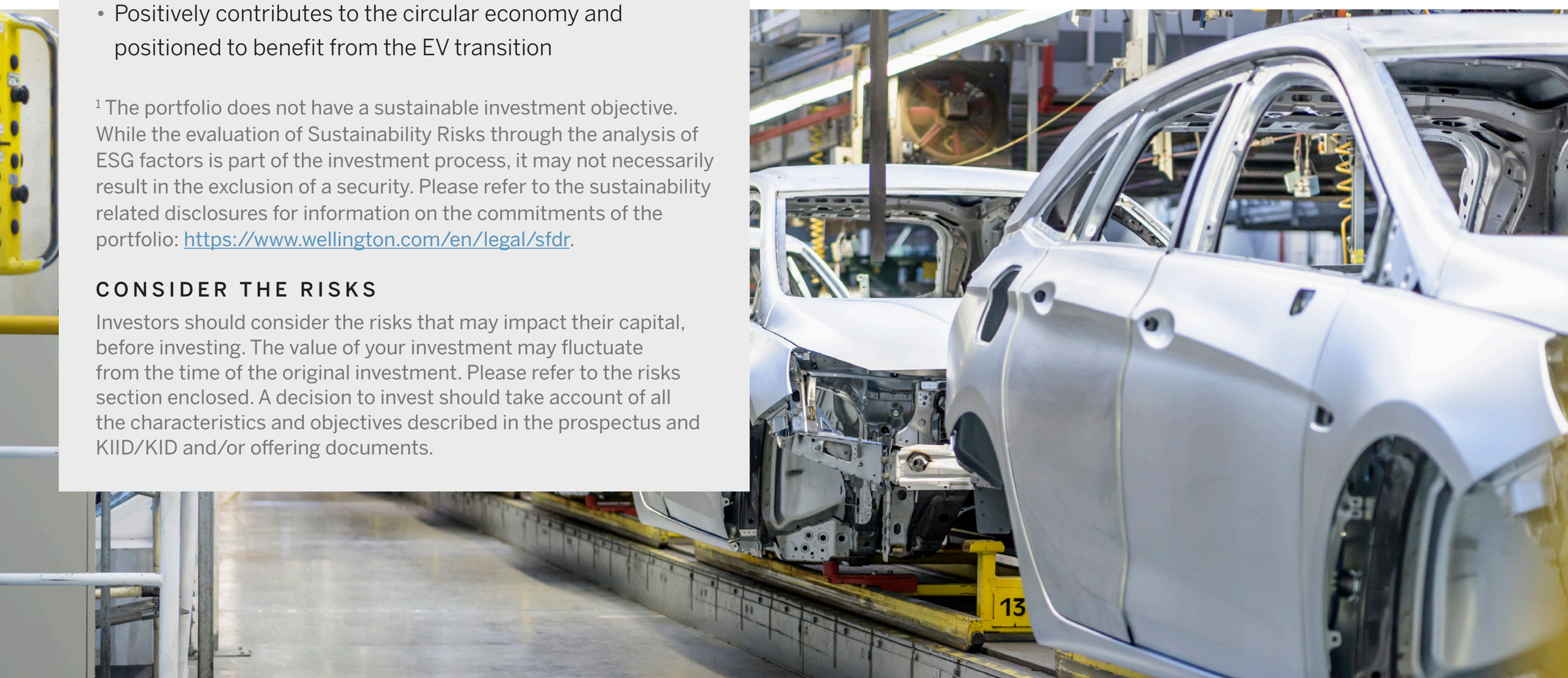
KEY POINTS

- Strong competitive position, cost flexibility and low capital intensity
- Robust fundamentals and, in our view, attractively valued with meaningful upside potential
- Positively contributes to the circular economy and positioned to benefit from the EV transition

[1] The portfolio does not have a sustainable investment objective. While the evaluation of Sustainability Risks through the analysis of ESG factors is part of the investment process, it may not necessarily result in the exclusion of a security. Please refer to the sustainability related disclosures for information on the commitments of the portfolio: https://www.wellington.com/en/legal/sfdr.

CONSIDER THE RISKS

Investors should consider the risks that may impact their capital, before investing. The value of your investment may fluctuate from the time of the original investment. Please refer to the risks section enclosed. A decision to invest should take account of all the characteristics and objectives described in the prospectus and KIID/KID and/or offering documents.



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. | **Concentration:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. | **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. | **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. | **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. | **Leverage:** The use of leverage can provide more market exposure than the money paid or deposited when the transaction is entered into. Losses may therefore exceed the original amount invested. | **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:** 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.

Please refer to the fund prospectus and KIID/KID for a full list of risk factors and pre-investment disclosures.

The Wellington Euro Credit ESG Fund seeks long-term total returns in excess of the Bloomberg Euro Aggregate Corporate Index. The Fund is actively managed, primarily investing in euro-denominated corporate debt securities from issuers located around the world. An environmental, social and governance (ESG) framework is applied to investment decisions to assess how ESG activities and attributes are likely to impact the ability of the issuers to repay debt, both now and in the future. Exclusions are used to avoid issuers with the worst ratings from the investment universe and exclude issuers identified by the Investment Manager as undertaking business practices which cause significant environmental or social harm around the world.

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