



BYD

New energy vehicles, included as an enabler in the portfolio's energy efficiency theme.

INCLUSION



INNOVATION

SUSTAINABILITY

INTRODUCTION

We seek to invest in themes that benefit from the structural forces driving long-term economic development in emerging markets. We break down economic development into three themes: **inclusion, innovation and sustainability**.

Forces of **sustainability** facilitate the effective rationing of available resources with due consideration for future generations and the environment.

FIRST BOUGHT

September 2022

WHAT IS IT?

Chinese manufacturer of New Energy Vehicles (NEV) and rechargeable battery cells with a leading market position in domestic NEV sales. BYD has built up a strong product portfolio with, in our opinion, industry leading in-house manufacturing capabilities that have cemented strong cost and technological advantages.

KEY POINTS FOR BYD¹

- Leading player in domestic Battery Electric Vehicle (BEV) and Plug-In Hybrid Vehicle (PHEV) market commanding ~38% of China's NEV market share as of August 2023.
- BYD is on track to achieving international unit sales of 300k units in 2023, marking a ~6x increase from 2022 unit sales with a projected ~50% CAGR from 2023 to 2028.
- Cost leadership stemming from its growing scale, vertical integration of supply chains and relationships with ecosystem partners have driven sustainable profit growth.

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. Please refer to the sustainability related disclosures for information on the commitments of the portfolio: www.wellington.com/en/legal/sfdi.

Source: ¹Wellington Management, as of 9 April 2023.

WHY DO WE OWN IT?

BYD is a key figure in the global energy transition with the rollout of electric vehicles to facilitate the move away from Internal Combustion Engine (ICE) vehicles. The company's NEVs are modelling higher energy efficiency in automotive transportation through the usage of renewable electricity to replace traditional fossil fuels. BYD has also made advancements in developing reliable, safe and affordable rechargeable battery technologies. Its innovative efforts are contributing to lower carbon emissions in a broader industry-wide push towards global decarbonisation.

COMPETITIVE ADVANTAGE

BYD's core competencies in NEV manufacturing have been supported by its cost leadership in the industry. The company is one of the most vertically integrated electric vehicle manufacturers in the world. BYD's growing scale coupled with its strong relationships with its ecosystem partners have allowed it to gain market share sustainably. The company has also made efforts to drive premiumisation in its NEVs by targeting the luxury segment, supported by an unwavering dedication in developing innovative and attractively priced electric vehicles. The company has been able to drive profit growth by justifying higher pricings for its differentiated electric vehicles and lowering its cost of operations.

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This is a marketing communication. Please refer to the prospectus of the Fund and to the KIID/KID and/or offering documents before making any final investment decisions. The company showcased is part of a diversified portfolio. The commentary should not be taken as advice on an individual stock. Please refer to the annual and semi-annual report for the full holdings.



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. | **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. | **Liquidity:** The Fund may invest in securities that are less liquid and may be more difficult to buy or sell in a timely fashion and/or at fair value. | **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. | **Small and mid-cap company:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. | **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.

Please refer to the fund prospectus and KIID / KID for a full list of risk factors and pre-investment disclosures. Please refer to the Fund offering documents for additional information on the risks associated with investing.

The Wellington Emerging Market Development Fund seeks long-term total returns in excess of the MSCI Emerging Markets Index. The Fund is actively managed on an unconstrained basis, investing primarily in companies that we believe will benefit from themes relating to structural and economic development in emerging markets.

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