WELLINGTON MANAGEMENT®

SEPTEMBER 2025

FIXED INCOME | MULTI-ASSET | DEFINED CONTRIBUTION

The role of multi-asset credit in DC plans

KEY POINTS

Defined contribution plans have traditionally built their fixed income selections around core and core-plus strategies, sometimes paired with a companion approach geared toward a higher-yielding sector. Given the evolving financial markets and rate environments as well as the growing need by plan participants to seek income and greater diversification, we believe pairing the traditional fixed income exposure in plans with a multi-asset credit (MAC) approach either on a core menu or in a custom white label structure may be worth considering for several reasons:

- **Diversification** — A MAC approach allocates across a variety of higher-yielding sectors, expanding the potential diversification benefit for the fixed income allocation and providing returns that have low correlations with core fixed income, especially during periods of market turmoil.
- **Real-time allocations to sector opportunities** — Rather than allocating individually to higher-yielding sectors, a MAC approach is supported by a broad assortment of specialist experts to position around potential inefficiencies throughout the fixed income universe. We believe that successfully identifying and positioning around a wide range of credit market potential inefficiencies can lead to superior and more resilient returns.
- **Stable income profile** — Bolstered by higher yields and the approach's diversity of return sources, this type of approach seeks to offer an attractive and relatively stable income stream, enhancing income and total return while dampening volatility when combined with a core fixed income.

EXPERTS

KRISTIN O'DONNELL, CFA

Director of Defined Contribution

RAINA DUNKELBERGER

Investment Director

SAM ROWLEY

Investment Analyst

DIVERSIFICATION

The concept of a MAC approach is to offer sources of return that may be different from a traditional core or core plus fixed income approach. There tends to be minimal overlap between the major allocations in a MAC strategy and the sectors represented in the Bloomberg US Aggregate Index, the common benchmark for core approaches. Primary strategic exposures in MAC include high yield, bank loans, and emerging market sovereigns. However, over time, notable return contributions can occur across a range of other sectors, such as:

- **European contingent convertibles (CoCos)** — Through collaboration between credit and equity bank analysts, CoCos exposure provided a strong return source from 2014 to 2019.
- **Emerging market high-yield corporates** — Initially an opportunistic allocation initiated in 2017, additional attractiveness in the sector has led to many MAC managers expanding this exposure.
- **Convertible bonds** — First built around a unique market opportunity in spring 2020, there has been additional interest in the sector over time.
- **Structured finance** — Many teams have recently been increasing allocations to mezzanine RMBS and CMBS securities, fostering close collaboration between credit analysts and equity domain experts (e.g., in homebuilders, REITS) to identify issuances that were excessively discounted relative to the riskiness of their underlying collateral.

It's important to note that the sector returns over time provide opportunities for skilled portfolio management teams to invest opportunistically with thoughtful rotation. **Figure 1** compares 10 years of annualized returns across a range of sectors a MAC portfolio may invest in. The spread of returns in each calendar year illustrates opportunities for a differentiated return pattern. In addition to returns, the rolling annualized correlations of the Bloomberg US Aggregate Index and many MAC approaches have traditionally been meaningfully low. This diversification benefit was particularly pronounced in periods such as February and March 2020, when core fixed income provided downside protection as higher-yielding sectors sold off, and more recently in May and July 2025, when multi-asset credit approaches generated positive total returns while duration-sensitive core fixed income experienced negative total returns.

Not only could a MAC allocation offer diversification in the form of return dispersion and low correlation to other fixed income asset classes, but also potential income generation. This could help DC plan participants maintain a resilient return profile in a turbulent world and move through their plan life cycle effectively.

REAL-TIME ALLOCATIONS TO SECTOR OPPORTUNITIES

An actively managed MAC allocation can provide nimble asset reallocation and more integrated risk oversight across higher-yielding credit sectors. Investment teams responsible for these strategies are typically able to move swiftly to take advantage of dislocations throughout the fixed income universe. These dislocations are often only apparent to specialist investors deeply immersed within these sectors. At Wellington, our team collaborates closely with a platform of specialist investors

Figure 1 – Variation in sector returns (%)

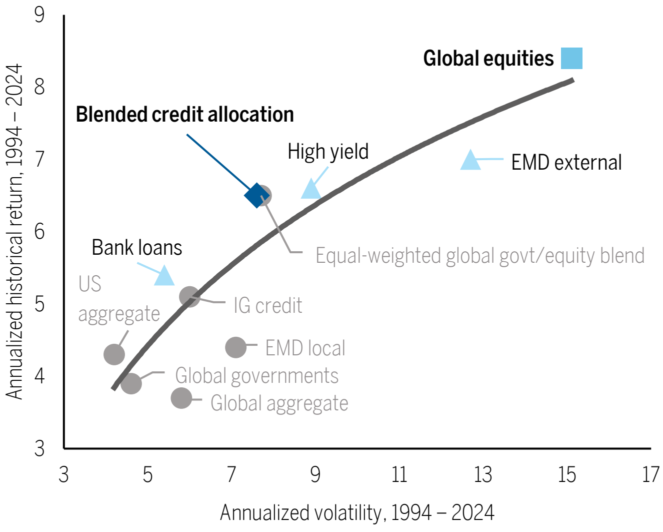
Opportunities for thoughtful sector rotation

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD 2025
6.2	3.8	17.1	15.2	1.8	14.5	22.8	5.4	0.2	13.4	9.4	12.3
6.2	1.8	16.2	8.3	1.3	14.3	7.6	5.3	-1.1	13.1	9.0	7.3
5.4	1.5	11.1	8.0	1.1	13.8	7.5	3.4	-4.3	13.0	8.9	6.2
4.7	1.3	9.9	7.9	1.0	13.5	7.1	3.0	-10.9	12.7	8.6	4.6
4.2	1.0	9.9	7.5	1.0	13.1	7.1	2.4	-11.2	12.3	8.3	4.5
4.1	1.0	9.6	6.7	-1.5	12.6	6.5	-0.3	-11.3	10.5	8.2	4.4
2.5	0.9	9.1	6.0	-1.9	11.2	4.5	-0.7	-11.4	10.3	7.7	4.3
2.5	0.7	5.2	4.3	-2.1	8.3	3.9	-0.9	-11.7	9.8	7.0	4.2
2.1	-0.4	3.5	4.3	-3.0	8.2	3.1	-1.0	-11.8	7.2	5.0	2.9
1.9	-2.0	2.0	3.5	-3.6	6.4	2.8	-1.1	-14.2	5.5	5.0	2.9
0.7	-4.5	1.7	2.5	-5.3	5.5	2.7	-4.5	-16.0	5.3	1.2	2.9
-5.7	-14.9	1.6	1.6	-6.2	4.5	2.7	-8.8	-24.7	5.1	-2.4	2.8

Global high yield | US high yield | European high yield | Bank loans | EM sovereigns | EM corporates
CLOs | MBS | CMBS | Convertibles | Asset-backed securities | EM local

As of 30 June 2025 | Calculations are based on corresponding, publicly available index data. This is for illustrative purposes only and does not reflect a portfolio managed by Wellington. Indices are unmanaged and do not reflect fees and expenses | **PAST INDEX OR THIRD-PARTY RETURNS DO NOT PREDICT FUTURE RETURNS.**

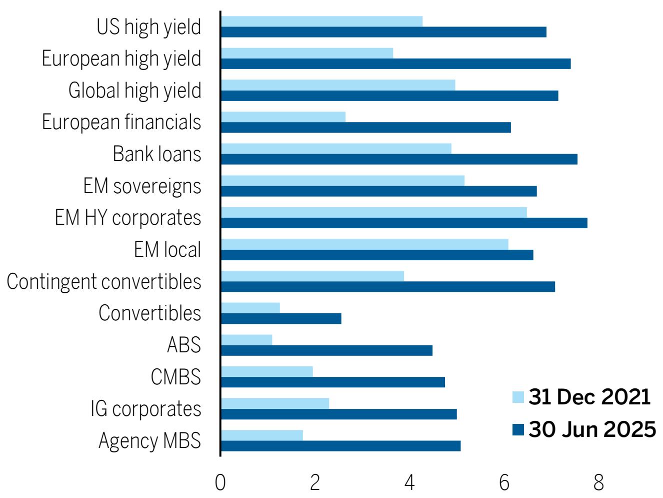
Figure 2 – Diversification can improve risk-adjusted returns



Calculations based on monthly index return data from January 1994 to December 2024. Blended credit index is an equal-weighted blend of high-yield bank loans and EMD external indices. This is for illustrative purposes only and does not reflect a portfolio managed by Wellington. Sources: BBG US Aggregate Index, BBG Global Aggregate Index, FTSE WGBI Index, BBG Corporate index, JPM ELMI+ index, S&P UBS Leveraged Loan Index through 31 March 2025 and effective 1 April 2025 Morningstar LSTA leveraged loan index, JPM EMBI+ Index, MSCI World Index. High yield is comprised of: BBG HY 2% Issuer Capped index and ICE/BofA/ML Global HY Constrained. Indices are unmanaged and do not reflect fees and expenses. | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.**

Figure 3 – Yield to worst by sector

Building blocks of a multi-asset credit allocation (%)



Sources: US high yield: Bloomberg HY 2% Issuer Cap index, European high yield: ICE BofA Euro High Yield Constrained Hedged to USD index, Global high yield: ICE BofA Global HY Constrained Hedged to USD index, European Financials: ICE BofA European Financials index, Bank loans: Morningstar LSTA Leveraged Loan Index, EM sovereigns: JPM EMBI Plus index, EM high-yield corporates: JPM CEMBI + index, EM local: JP GBI EM Broad Diversified Index, Contingent convertibles: ICE BofA Contingent Capital Index Hedged to USD index, Convertibles: FTSE Convertibles Global Focus USD Hedged Index, ABS: Bloomberg ABS Index, CMBS: Bloomberg CMBS Index, IG corporates: Bloomberg US Corporate Index, Agency MBS: Bloomberg US MBS Fixed Rate index. | Please refer to the Additional Important Disclosure page for additional information regarding third-party indices being shown. | **PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.**

capable of advising on such arising dislocations — an approach that can help us seize opportunities quickly and deliver on MAC allocations' return objectives.

As an illustrative example, **Figure 2** displays the potential benefits associated with a multi sector approach relative to those of single sectors. Multi-asset credit approaches have historically displayed attractive risk/return characteristics relative to standalone sector peers.

STABLE INCOME PROFILE

Especially with yields having reset higher in recent years, higher-yielding fixed income sectors offer the potential for attractive income generation, which is often underrepresented, especially in the DC plan allocations of participants approaching retirement. A multi-asset credit approach's ability to position around a wide range of sector, and security-level, market inefficiencies may help generate not only more resilient returns, but also more reliable income.

Figure 3 illustrates the yield to worst, by sector, of both a mock MAC policy benchmark and some of the key sectors leveraged by such an approach. With yields having reset higher in recent years, we think higher-yielding credit sectors could have even greater potential for income going forward.

A COMPLEMENT TO CORE FIXED INCOME

In summary, augmenting core or core-plus fixed income with a multi-asset credit allocation has, in our view, three major benefits. A low correlation of returns with core fixed income provides meaningful diversification and can lead to a more stable total return experience, especially in turbulent market environments. Allocating in real time across higher-yielding sectors provides more opportunity for enhanced returns than allocating to these sectors individually. Finally, this approach generally has a higher yield from these diverse sources, which can provide a stable income stream and further dampen volatility. With these potential benefits, we believe the case for a multi-asset credit approach alongside core fixed income warrants consideration of DC plan sponsors for their participant base.

Investment risks: Multisector Credit

PRINCIPAL RISKS

Asset/mortgage-backed securities risk – Mortgage-related and asset-backed securities are subject to prepayment risk, which is the possibility that the principal of the loans underlying the securities may prepay differently than anticipated at purchase. Because of prepayment risk, the duration of mortgage-related and asset-backed securities may be difficult to predict. | **Bank loan risk** – Bank loans involve risks, including the risk of nonpayment of principal and interest by the borrower. In the event of a default, bank loans contain the risk that any loan collateral may be impaired and that the investor may obtain less than the full value for the collateral sold. An investment in bank loans may also be in the form of an assignment or a participation of all or a portion of a loan from a third party. Participation may involve counterparty exposure to the original bank. | **Commingled fund risk** – Investments in funds or other pooled vehicles will generally indirectly incur a portion of that fund's operating expenses and/or fees and will inherit a proportion of the fund's investment risks. Funds may have different liquidity profiles based on their dealing terms, and the types of instruments in the fund. In the event a fund holds illiquid instruments, it is possible that a full redemption from the fund could result in taking custody of illiquid instruments that could not be sold in the market. | **Credit derivatives risk** – Credit derivatives transfer price, spread and/or default risks from one party to another and are subject to additional risks including liquidity, loss of value, and counterparty risk. Payments under credit derivatives are generally triggered by credit events such as bankruptcy, default, restructuring, failure to pay, or acceleration. The market for credit derivatives may be illiquid, and there are considerable risks that it may be difficult to either buy or sell the instruments as needed or at reasonable prices. The value and risks of a credit derivative instrument depend largely on the underlying credit asset. These risks may include price, spread, default, and counterparty risk. | **Credit risk** – The value of a fixed income security may decline due to an increased risk that the issuer or guarantor of that security may fail to pay interest or principal when due, as a result of adverse changes to the issuer's or guarantor's financial status and/or business. In general, lower-rated securities carry a greater degree of credit risk than higher-rated securities. | **Currency risk** – Active investments in currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Active currency risk may be taken on an absolute, or a benchmark-relative basis. Currency markets can be volatile, and may fluctuate over short periods of time. | **Derivatives risk** – Derivatives can be volatile and involve various degrees of risk. The value of derivative instruments may be affected by changes in overall market movements, the business or financial condition of specific companies, index volatility, changes in interest rates, or factors affecting a particular industry or region. Derivative instruments may provide more market exposure than the money paid or deposited when the transaction is entered into. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a portfolio to the possibility of a loss exceeding the original amount invested. Derivatives may also be imperfectly correlated with the underlying securities or indices they represent, and may be subject to additional liquidity and counterparty risk. Examples include futures, options and swaps. | **Emerging markets risk** – Investments in emerging and frontier countries may present risks such as changes in currency exchange rates; less liquid markets and less available information; less government supervision of exchanges, brokers, and issuers; increased social, economic, and political uncertainty; and greater price volatility. These risks are likely to be greater relative to developed markets. | **Fixed income securities risk** – Fixed income security market values are subject to many factors, including economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, and the creditworthiness of the issuer. | **Interest rate risk** – Generally, the value of fixed income securities will change inversely with changes in interest rates, all else equal. The risk that changes in active interest rates will adversely affect fixed income investments will be greater for longer-term fixed income securities than for shorter-term fixed income securities. | **Leverage risk** – Use of leverage increases portfolio exposure and may result in a higher degree of risk, including (i) greater volatility, (ii) greater losses from investments than would otherwise have been the case had leverage not been used to make the investments, (iii) margin calls that may force premature liquidations of investment positions. | **LIBOR risk** – Now that certain IBORs (including USD LIBOR) are no longer deemed representative, securities that contain fallback language will transition to an alternative reference rate, depending on the deal documents. Some securities lack any fallback language or contain fallback language that differs from current industry standards and the rate could remain permanently fixed. As a result, the liquidity and value of these securities may be adversely impacted and clients may be forced to hold these securities to maturity. | **Liquidity risk** – Investments with low liquidity may experience market value volatility because they are thinly traded (such as small-cap and private equity or private placement bonds). Since there is no guarantee that these securities could be sold at fair value, sales may occur at a discount. In the event of a full liquidation, these securities may need to be held after liquidation date. | **Non-investment-grade risk** – Lower-rated securities have a greater risk of default in payments of interest and/or principal than the risk of default for investment-grade securities. The secondary market for lower-rated securities is typically less liquid than the market for investment-grade securities, frequently with more volatile prices and larger spreads between bid and ask price in trading.

ADDITIONAL RISKS

Concentration risk – Concentration risk is the risk of amplified losses that may occur from having a large percentage of your investments in a particular security, issuer, industry, or country. The investments may move in the same direction in reaction to the conditions of the industries, sectors, countries, and regions of investment, and a single security or issuer could have a significant impact on the portfolio's risk and returns. | **Contingent convertible securities risk** – Contingent convertible securities (CoCos) are fixed income securities that, under certain circumstances, either convert into common stock of the issuer or undergo a principal write-down by a predetermined percentage if the issuer's capital ratio falls below a predetermined trigger level. Due to contingent write-down, write-off, and conversion features of contingent capital and contingent convertible securities, such high-yielding instruments may have substantially greater risk than other forms of securities in times of credit stress. This action could result in a partial or complete loss even if the issuer remains in existence. In full principal write-downs of CoCos, for instance, bondholders could theoretically lose the value of their investment completely, even though the common equity of the bank retains (and perhaps eventually recovers) some value. | **Convertible securities risk** – Convertible securities are hybrid securities that combine the investment characteristics of bonds and common stocks, and may be exchanged or converted into a predetermined number of the issuer's underlying shares, the shares of another company, or shares that are indexed to an unmanaged market index at the option of the holder during a specified time period. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying shares and thus is subject to equity market risk as well. | **Model risk** – Model risk occurs when systematic and/or quantitative investment models used in investment decision making fail. These models may evolve over time and have risks related to mistakes in software or data inputs that could go undetected for a period of time before being rectified. Models may fail to adequately measure or predict market risks or outcomes and could result in a loss of value or opportunity cost. | **Options risk** – An option on a security (or index) is a derivative contract that gives the holder of the option, in return for the payment of a "premium," the right, but not the obligation, to buy from (in the case of a call option) or sell to (in the case of a put option) the writer of the option the security underlying the option (or the cash value of the index) at a specified exercise price prior to the expiration date of the option. Purchasing an option involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. However, the seller of an option takes on the potentially greater risk of the actual price movement in the underlying instrument, which could result in a potentially unlimited loss rather than only the loss of the premium payment received. Over-the-counter options also involve counterparty risk. | **Preferred stock risk** – Preferred stock represents an equity or ownership interest in an issuer. If an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred stock. Preferred stock is subject to many of the risks to which common stock and debt securities are subject, and may be subject to more volatility because it may trade with less frequency and in more limited volume. Additional risks include interest rate sensitivity, deferred distribution payments, involuntary redemptions, and limited voting rights. | **Repo & reverse repo risk** – Both repurchase and reverse repurchase transactions involve counterparty risk. A reverse repurchase transaction also involves the risk that the market value of the securities the investor is obligated to repurchase may decline below the repurchase price.

Important disclosures: Multi-Sector Credit

ADDITIONAL PERFORMANCE INFORMATION

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. There can be no assurance nor should it be assumed that future investment performance of any strategy will conform to any performance examples set forth in this material or that the portfolio's underlying investments will be able to avoid losses. The investment results and any portfolio compositions set forth in this material are provided for illustrative purposes only and may not be indicative of the future investment results or future portfolio composition. The composition, size of, and risks associated with an investment in the strategy may differ substantially from the examples set forth in this material. An investment can lose value.

IMPACT OF FEES

Illustration of impact of fees: If USD 100,000 was invested and experienced a 10% annual return compounded monthly for 10 years, its ending value, without giving effect to the deduction of advisory fees, would be USD 270,704 with an annualized compounded return of 10.47%. If an advisory fee of 0.95% of average net assets per year were deducted monthly for the 10-year period, the annualized compounded return would be 9.43% and the ending USD value would be USD 246,355. Information regarding the firm's advisory fees is available upon request.

SELECTION OF REPRESENTATIVE ACCOUNT

The current representative account became effective on 1 March 2014 because it was the least restrictive account at the time of selection. For data shown prior to the current representative account effective date, data of the representative account(s) deemed appropriate for the time period was used. Further information regarding former representative accounts can be provided upon request. Each client account is individually managed; individual holdings will vary for each account, and there is no guarantee that a particular account will have the same characteristics as described. Actual results may vary for each client due to specific client guidelines, holdings, and other factors. In limited circumstances, the designated representative account may have changed over time, for reasons including, but not limited to, account termination, imposition of significant investment restrictions, or material asset size fluctuations.

ACCESS PRODUCTS

If access products are held by the portfolio they may not be included in the calculation of characteristic data. Access products are instruments used to gain access to equity markets not otherwise available and may include (but are not limited to) instruments such as warrants, total return swaps, p-notes, or zero strike options.

ADDITIONAL DISCLOSURES

Securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly into an index.

IMPORTANT INFORMATION

WELLINGTON
MANAGEMENT®