# Global Stewards Fund Report

2Q23

WELLINGTON MANAGEMENT®

## ENGAGEMENTS IN SPOTLIGHT

Our investment framework is centered on finding companies with high, relative returns on capital and the stewardship to help ensure that those returns are sustained. Stewardship is an important concept for us; we are looking for companies that have built a privileged competitive position and understand their responsibility in carrying it forward.

**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 on page 8 for further details.

This is a marketing communication. Please refer to the prospectus of the Fund and to the KIID and/or offering documents before making any final investment decisions.

### It's a Marathon, Not a Sprint

The story for the markets this year has been all about technology, and 2Q was no exception. Large companies across the TMT sector have rallied in 2023, driven by interest in emerging capabilities such as generative AI, which was powered higher by expanding P/E multiples. On one hand our portfolio posted positive returns in the second quarter and for the year. on the other our positive returns lagged the overall market, as we had no exposure to high-flying stocks like Apple, Nvidia and Amazon.

We are disappointed, though not surprised, to have trailed the market. Our aim is not to outperform in every short-term period. The conservatism embedded in our investment philosophy means that we expect to lag surging markets. Rather, our aim is to responsibly select companies with a combination of fundamental and stewardship attributes that have the potential to lead to attractive risk-adjusted returns over the long-term. We are going to experience short-term periods when we are out of sync with the market. 2Q was such a period.  We are very committed to using adversity to challenge our logic, double down on our research, and re-underwrite what we own and what we have chosen not to own.

This is not to say that we have avoided Tech altogether; rather, we continue to have conviction in holdings like Taiwan Semiconductor, Texas Instruments, Microsoft, Visa, Accenture, and Automatic Data Processing. These companies meet our stringent criteria for high, sustainable return-on-capital and superior stewardship."

We are also excited by our investments outside of Tech. We own companies in strong competitive positions with a record of earning high returns through cycles and a proven ability to adapt and innovate over time. Our holdings typically have pristine balance sheets, experienced management, engaged boards, a long-term orientation, proven capital allocation skill and a stakeholder mindset. We believe this combination of factors yields long-term financial success and long-term stock price outperformance, beyond whatever might be inspiring the market at the moment. In fact, we feel this combination of factors is even more important as the world exits a decade-long regime characterized by low inflation, low rates, and low volatility.

Below we offer a snapshot of our meetings and engagements in the latest quarter, including holdings in US technology and holdings in other sectors and geographies.

We met this quarter with Haviv Ilan, the new CEO of semiconductor business **Texas Instruments**. Mr.Ilan held a broad range of leadership roles across both the analog and embedded businesses since joining in 1999. Texas Instruments provided an update on supply chain management and the planned build-out of capacity. Over time, the company has developed a phenomenal track record as an allocator of capital, and we expect similar results from the current investment cycle. The newest ramp in capital expenditures is prioritizing flexibility with clients and driving new solutions in automotive and industrial sectors where the demand for lagging edge semiconductors is accelerating. The recently passed Inflation Reduction Act includes tax incentives which make building US-based semiconductor capacity even more attractive to us. Moreover, clients are asking for dependable, domestically sourced manufacturing and a clearer road map from Texas Instruments so they can better scope their production plans. We believe Texas Instruments is in an advantaged position based on their differentiated technology, varied product offering and broad market reach. We love to see companies reinvesting in their business on attractive terms and believe this capital cycle will yield higher growth, stronger customer relationships and improved business resilience over time.

We also met with **Recruit Holdings** CEO, Hisayuki Idekoba, to discuss the structural outlook for the company and understand how the franchise was navigating cyclical pressures on the business. Recruit is seeing a lower correlation than historically between labor markets and the economy. While recessionary pressures are impacting demand, there has been surprising resilience in pricing power and Recruit is still generating over 20% margins in the HR Technology segment, where it operates through subsidiaries Indeed and Glassdoor. This has been supported by the move in their pricing model from pay-per-click to pay-per-application, which we believe is better aligned with strong outcomes for corporate customers. Recruit continues to build trust with job seekers and enterprise clients and will lean into the ecosystem of technology around recruitment data. In our view, Recruit benefits from very powerful secular trends that are driving greater employee mobility, higher turnover, and higher costs to attract, develop and retain talent. Recruit offers a less costly and more effective alternative to employers that insource all HR functions.

We engaged with Ryan McInerney, the incoming CEO of global payments company, **Visa**. He is a 10-year veteran at Visa, having led product groups, operations, and client teams globally. In our meeting we looked for evidence of adaptability at Visa as the trend from cash to digital payments matures. We welcomed the CEO's strategic orientation, initiatives to improve speed and execution, and efforts to foster innovation. Visa's ecosystem has become more complex with more players embedded in global payment networks. Visa has found ways to partner with these new entrants and gain share. They are also focused on stronger execution outside of the US. Visa's global network serves millions of merchants and card issuers and billions of card holders, processing trillions of payment volume; it is global; it is fast; it is reliable; it is safe. This makes it nearly impossible to replicate or replace. The company sees growth opportunities in the B-to-B space, offering solutions in travel and expenses and accounts payable and in the payment distribution space, including wage and insurance distributions. Given a favorable industry and its privileged competitive position, Visa's most important stewardship priority is to maintain strong relationships with regulators, politicians, banks, and merchants.

Resilience and adaptability are themes in less obvious parts of the market. Our engagement with the CFO of UK headquartered utility **National Grid** left us more confident in the defensiveness of this name. In our view, capex for National Grid is set to drive 8 – 10% asset growth with inflation protection. They have opportunities in electricity distribution in the UK with connection demand from car charging and heat pump conversions accelerating growth. National Grid's biggest challenge is in the US where the electricity they distribute is still two-thirds from natural gas. Here, National Grid's efforts are focused on improving the efficiency of transmission and reducing methane leaks from existing pipelines.

We took a further productive step in our engagement with US auto insurer **Progressive** this quarter. We pressed for an opportunity to meet with the Board Chair, Lawton Fitt. Ms. Fitt has been on the board of Progressive for 14 years (joining in 2009) and chair for five years. We credit the company for having an independent Chair and for its annual board evaluation process. During our engagement, we discussed the level of challenge in the boardroom. Ms.Fitt shared the board's focus on strategy, risk and talent development and noted the board's active engagement on the competitive environment and workforce issues. We were reassured to hear how actively the board engages with the CEO. While there is a heavy emphasis on internal vs external talent, Progressive intentionally moves top talent around to develop them proactively. The culture of the firm is measured through employee satisfaction and retention numbers. We'd like to see Progressive extend ongoing efforts to refresh the board. There is a goal to reflect the diversity of customers served and to bring in fresh ideas. Recent changes have resulted in more directors with cyber, digital and HR expertise. Progressive is willing to flex the number of board seats to further bridge any gaps. The board proactively tracks every metric to ensure that the insurer is not falling behind on its objective of excellence. We encouraged the board to dedicate more time to debate Progressive's role in the energy transition. We challenged the board on the need for more robust environmental disclosures, as the group is still in the process of collecting and assessing Scope 3 emissions data. We worry that environmental measures are seen as a reporting requirement first and a risk second. We look forward to tracking progress on areas like these at future engagements, having raised awareness of the importance we place on the topic.

As engaged fiduciaries, one of the most important responsibilities we undertake is to thoughtfully vote proxies on your behalf. This activity is heavily concentrated in the second quarter. Among the principles that we seek to uphold through our votes is the belief that the odds of long-term financial success are enhanced by an empowered and engaged board. We encourage board refreshment and challenge directors that are over committed. We look for executive compensation plans to align with the interests of shareholders and stakeholders and will vote against plans to push for change. And we recognize and support those shareholder proposals that call for financially material change.

We believe that a director with heavy commitments, especially across a broad number of complex multinational company boards, leaves the board vulnerable at times of stress, with less capacity to engage at times of adversity. In 2023 we raised the bar in terms of what we expect from committed directors, recognizing that serving as either the Chair of the Board or as the Chair of the Audit Committee is an outsized commitment that should limit the total number of board commitments. This resulted in further votes against board directors in this latest proxy season.

Overall, in 2023, we voted against a total of 20 directors for overboarding, refreshment and low attendance across 13 of our portfolio companies. This is nearly double the 11 directors we voted against in 2022. 45% of the directors we voted against received less than 90% support from shareholders.  We call out **Ecolab, Texas Instruments**, and **Accenture** for having more than one overboarded director in our judgment. Through our process, we follow up with our votes and engage with companies to encourage boards to address lower levels of support and to encourage directors to step back from some of their outside commitments. Voting for change requires persistence and follow up as we have voted against the same directors in some instances for several years in a row.

This season, we supported four proposals for the separation of Chair and CEO. We believe that boards should outlast CEOs and focus on succession planning. These votes against management saw reasonable support from other investors. Home Depot saw 26% support for its proposal while Merck's proposal got 32% support, Colgate's proposal got 34% support and Ecolab's got 45% support. We encourage a sunsetting of combined roles at times of leadership transitions.

When proposals against management garner significant public support, we look for company engagement and evidence of change. How will Deere respond to the 41% investor support for the shareholder proposal on Golden Parachutes at the company? Or will Colgate's board respond to the proposal on restricting executive compensation that received 30% support?  We have voted more proactively against executive compensation plans in the past where the alignment of plans with shareholder interests felt weak. This year, our support was higher, but we continue to engage directly with boards on how plans might be strengthened in the future, including more transparency, less discretion and greater long-termism.

This quarter also saw us make two changes to the portfolio, we added integrated forest products REIT, **Weyerhaeuser**, to the portfolio and sold **Bank of Nova Scotia**. Weyerhaeuser is the largest timberland owner in North America with approximately 80% of revenues coming from selling construction wood products (Source: FactSet | RBICS RevenueData). There is a strong tailwind for Weyerhaeuser with a structural deficit in residential housing and a trend to replace more carbon intensive materials like concrete with more timber in construction. We sought input across a broad base of colleagues with insight on this name, including our real estate, credit and ESG teams along with investors across other strategies, all to better understand the volatility of earnings and to debate the value of the assets and the future potential of the business.

We found Weyerhaeuser to be a standout from a stewardship perspective. The company's mission is to make products people need from forests, in a way that sustains these same forests into perpetuity, sequestering carbon along the way. The company harvests only 2% of their land annually and 100% of that is reforested with two trees on average for every one harvested. Weyerhaeuser have disclosed that their entire timberland portfolio has been certified by the Sustainable Forestry Initiative; a distinction earned by only 11% of the world's forests. Weyerhaeuser has set science-based emission reduction targets (SBTi approved) at 1.5C. Effectively the company is already carbon negative given the amount of $CO_2$ stored in Weyerhaeuser forests and after-market products.

We believe that Weyerhaeuser has a promising and dynamic fundamental backdrop. A strong moat to the business has meant that Weyerhaeuser sustained healthy returns despite exposure to the housing cycle and lumber prices, suffering negative returns only briefly during the GFC. The company actively manages yields and improves the usefulness of trees as "carbon sinks". We look to Weyerhaeuser to authentically engage in the offset market. While the company intends to grow its supplemental carbon capture initiative to $100mil by 2025, we believe that is just the beginning. Specifically, the company can explore selling carbon credits, using acreage for underground carbon storage, and leasing land for solar and wind farm operations.

Our decision to divest of **Bank of Nova Scotia** was driven by a breakdown in our confidence on returns and our uncertainty over the evolution of stewardship. While the bank has seen a modest erosion in returns, they remain healthy at low double-digit levels, down from a mid-teens average. Our concern is that several strategic decisions, including a preference for managing on a product vs client basis, unwillingness to pay up for deposits and a heavy emphasis on unsecured consumer business in Latin America may have reduced the resilience of returns in the business. This risk has become more apparent in the rising rate environment as the group's low deposit base and liability sensitive balance sheet proved costly. While divestitures of far-flung geographies have helped focus and clean up the business, we still question the capital allocation decisions that drove Bank of Nova Scotia to build small market share positions in higher margin but more risky consumer lending businesses in places like Colombia. Higher regulatory capital requirements in Latin America dilute returns and may have contributed to poor decision making to chase spreads.

Bank of Nova Scotia just had a CEO change with Scott Tomson taking Brian Porter's place after nine years at the helm. This change was followed by a turnover of other key leadership positions and early evidence of strategic changes at the group that could add to the near-term friction on returns. We flag the new CEO's narrower experience in Latin America as another risk. When we evaluate the current stewardship changes, it suggests that the group is entering a period of transition, and this added uncertainty at a time of cyclical stress on the business is inconsistent with our philosophy and process.

As always, we remain singularly focused on bringing together financial return and stewardship insights that we believe will drive investment performance over time. We thank you for the privilege of managing this portfolio on your behalf.

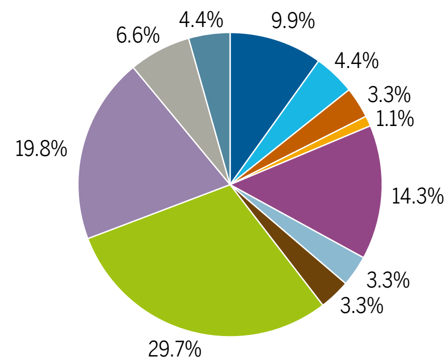
The engagement case studies presented are for illustrative purposes only. The engagement case studies chosen are based on meetings held during the quarter and focus on topics we think are important to stewardship, giving insight into our process. There can be no assurance that every fund in the composite held these companies or that they will continue to hold these companies and will be profitable in the future. This report is using rep account holdings only.

## ENGAGEMENT SUMMARY

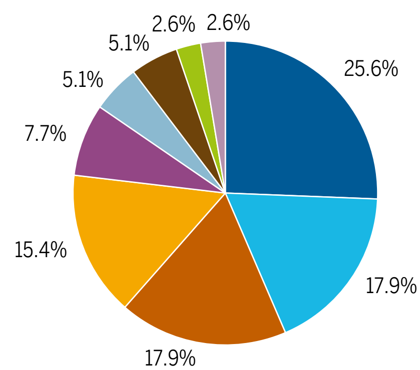
We see a meaningful opportunity to supplement our knowledge of companies, and to enhance our influence on their long-term success, through engagement. Regular conversations with Management and with Boards open the door for this to be a two way dialogue. Our exchanges help us assess companies for their corporate culture, adaptability, responsiveness, and an alignment of incentives with sustainable long term targets. We believe it is our fiduciary duty to give feedback to companies entrusted with our client's capital, supporting long-term behavior, and holding accountable those in charge. Over the reporting period, 39 engagements with the portfolio's held names were conducted on a broad range of ESG topics.

| | Number of Engagements | Market Value Covered by Engagements (%) |
|---|---|---|
| 2Q23 | 39 | 76.9 |
| Year-to-date | 73 | 89.4 |

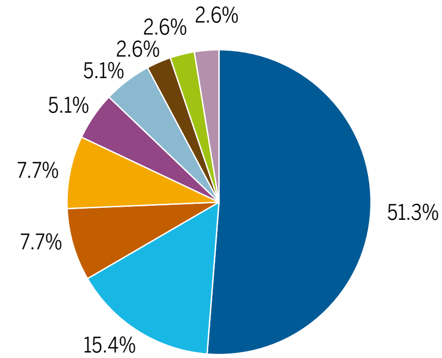
| Engagements by Topic | Class | Split (%) |
|---|---|---|
| Product Sustainability/Innovation | E | 9.9 |
| Environmental Practices | E | 4.4 |
| Climate - Physical/Adaptation or Transiton Mitigation | E | 3.3 |
| Science-Based/Net Zero Target | E | 1.1 |
| Culture/Talent/Labor/Health & Safety/Ethics | S | 14.3 |
| Labor Management/Talent | S | 3.3 |
| Other Social | S | 3.3 |
| Long Term Corporate Strategy | G | 29.7 |
| Capital/Resource Allocation | G | 19.8 |
| Governance/Compensation/Succession Planning | G | 6.6 |
| Board Structure/Composition/Classified Board | G | 4.4 |
| **Total** | | **100.0** |




| Engagements by Sector | Split (%) |
|---|---|
| Information Technology | 25.6 |
| Financials | 17.9 |
| Industrials | 17.9 |
| Health Care | 15.4 |
| Consumer Discretionary | 7.7 |
| Consumer Staples | 5.1 |
| Utilities | 5.1 |
| Materials | 2.6 |
| Real Estate | 2.6 |
| **Total** | **100.0** |




| Engagements by Market | Split (%) |
|---|---|
| United States | 51.3 |
| United Kingdom | 15.4 |
| Japan | 7.7 |
| Netherlands | 7.7 |
| France | 5.1 |
| Hong Kong | 5.1 |
| Spain | 2.6 |
| Switzerland | 2.6 |
| Taiwan | 2.6 |
| **Total** | **100.0** |




The companies shown are not representative of all of the securities purchased, sold, or recommended for the fund. It should not be assumed that an investment in the companies listed has or will be profitable. This material is not intended to constitute investment advice or an offer to sell, or the solicitation of an offer to purchase shares or other securities. ESG company engagement is identified by comparing the fund's holdings for each month-end during the reporting period shown against the ESG engagement activity tracked by the ESG research team for Wellington Management group of companies, representing the engagement activity of the fund's investment team.

## ESG RATINGS SNAPSHOT

As one component of the firm's research process, companies are assigned an ESG rating using a proprietary, systematic process that uses third-party inputs and considers industry, home market, and company size in defining the peer universe. Each rating reflects a peer-relative assessment, thus comparison versus peers is more meaningful than comparison across peer groups, in our view. Importantly, the rating is not a buy or sell signal, but rather helps identify potential issues and provides a starting point for deeper analysis.

### Wellington Management methodology

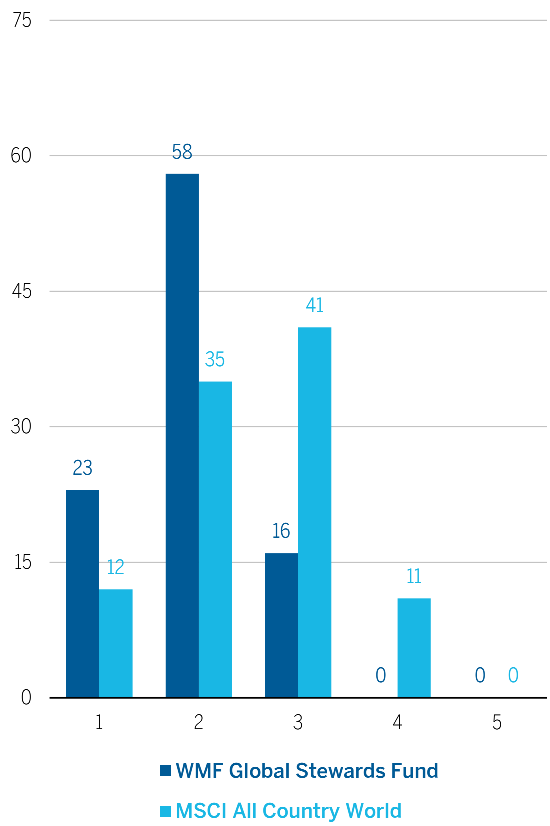
**Comparable:** peer-relative ESG profile and E, S, and G components rated on 1 – 5 scale, facilitating comparison across fund or industry; with 1 being the most positive and 5 the most negative.

**Proprietary:** calculated using our own industry weights and peer universe definition

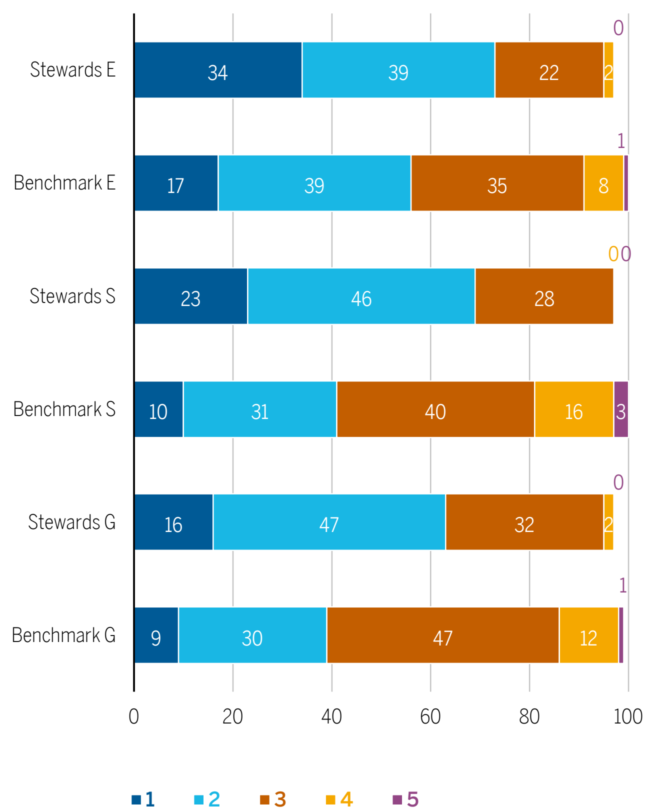
**Accessible:** available through equity and fixed income systems and on our common research platform

| | ESG Rating | Environmental (E) | Social (S) | Governance (G) |
|---|---|---|---|---|
| Global Stewards | 1.9 | 1.9 | 2.1 | 2.2 |
| MSCI All Country World Index | 2.5 | 2.4 | 2.7 | 2.7 |

**ESG rating distribution – Global Stewards (holdings %)**




**Global Stewards vs benchmark ESG rating distribution (rating %)**




The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future fund characteristics or returns. The representative account shown became effective on 30 January 2019 because it was the largest account at the time of selection. 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.

## FUND CARBON ANALYSIS

We are committed to limit the fund contribution to climate change by targeting a carbon footprint that is at least 50% less than the global economy (MSCI ACWI). Further, we will manage the fund to target net zero emissions by 2050 in alignment with the Paris Agreement. Science-based targets (SBTs) are validated by the Science Based Targets initiative (SBTi). SBTs are 10-year targets aligned with limiting global warming to 1.5°C, include scope 1, 2, and material scope 3 emissions, and must be achieved through direct action in operations/value chain. Three consecutive SBTs would show alignment with the Paris Agreement by meeting net zero by 2050. Carbon footprint reporting is intended to quantify the carbon exposure of a fund by aggregating the contribution of investee entities to climate change through their regular operations. Footprint metrics are most meaningful in reference to the strategy's benchmark or relevant opportunity set. Carbon footprint reporting accounts for scope 1 and 2 greenhouse gas (GHG) emissions and is expressed in carbon dioxide equivalents. Scope 1 emissions are those occurring from sources that are directly controlled by the entity, meaning the operations that create products and services. Scope 2 emissions measure indirect emissions generated by the production of electricity that the entity consumes.

### SBT Summary

| | Eligible MV with SBTs (%) | | # of Issuers with SBTs | | Ctb to WACI (%) | |
|---|---|---|---|---|---|---|
| | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| Total (Targets Set or Committed) | 80.2 | 55.3 | 29 | 859 | 65.0 | 30.2 |
| Targets Set | 63.9 | 38.2 | 23 | 544 | 63.2 | 21.9 |
| 1.5 oC | 52.7 | 31.7 | 19 | 399 | 37.3 | 9.3 |
| 1.5oC / Well Below 2 oC | – | 0.3 | – | 6 | – | 0.1 |
| Well Below 2 oC | 8.1 | 4.8 | 3 | 117 | 25.9 | 11.9 |
| 2 oC | 3.0 | 1.3 | 1 | 22 | 0.1 | 0.7 |
| Committed | 16.3 | 16.9 | 6 | 309 | 1.8 | 8.1 |

% of Eligible Market Value with SBTs is calculated as a percentage of the percent eligible market value with SBTs committed and/or set. Eligibility is currently based on exposure to long-only, direct corporate holdings and excludes look-through to pools. SBT results are based on scope 1, 2 and material scope 3 emissions. | From 15 July 2022, the SBTi will only accept 1.5°C-aligned targets. | SBTs reference data is updated monthly

### Overall Portfolio CO2 Emissions and Intensity

| Carbon Footprint | Carbon Emissions | Total Carbon Emissions | Carbon Intensity | Weighted Average Carbon Intensity | Carbon Emissions Data Availability (%) |
|---|---|---|---|---|---|
| Portfolio | 12 | 12,693 | 49 | 46 | 100.0 |
| Benchmark | 52 | 55,063 | 149 | 139 | 99.9 |
| | T CO2e/$M Invested | T CO2e | | T CO2e/$M Sales | % Market Value |

The Weighted Average Carbon Intensity of the Global Stewards' representative fund is 67% less than that of the MSCI ACWI.

Source: MSCI | Benchmark: MSCI All Country World | **Carbon Emissions**: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the fund's total market value. | **Total Carbon Emissions**: Total emissions financed by the fund. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. | **Carbon Intensity**: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the fund (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the fund (% Enterprise value incl cash owned X Revenue) for each holding. **Weighted Average Carbon Intensity (WACI)**: Proxy for carbon efficiency of fund construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % market value in the fund. Each holding's carbon intensity normalizes its total emissions by output and is calculated as the company's total emissions divided by its revenue. | **Data availability** may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

### Weighted Average Carbon Intensity by Sector

| | % Equity Market Value | | Weighted Average Carbon Intensity (T CO2e/$M Sales) | | Contribution to Weighted Average Carbon Intensity (T CO2e/$M Sales) | |
|---|---|---|---|---|---|---|
| Sectors | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| Utilities | 5.2 | 2.8 | 277 | 1,843 | 15 | 51 |
| Information Technology | 21.1 | 22.1 | 67 | 31 | 14 | 7 |
| Materials | 5.2 | 4.6 | 88 | 712 | 5 | 32 |
| Consumer Discretionary | 10.5 | 11.3 | 34 | 52 | 4 | 6 |
| Real Estate | 5.8 | 2.3 | 45 | 83 | 3 | 2 |
| Industrials | 14.2 | 10.5 | 14 | 113 | 2 | 12 |
| Health Care | 11.1 | 11.8 | 16 | 17 | 2 | 2 |
| Consumer Staples | 6.0 | 7.3 | 27 | 49 | 2 | 4 |
| Financials | 17.6 | 15.4 | 3 | 17 | 0 | 3 |
| Communication Services | 1.6 | 7.3 | 15 | 16 | 0 | 1 |
| Energy | – | 4.6 | – | 425 | – | 20 |
| **Overall** | **98.3** | **100.0** | | | **46** | **139** |

Source: MSCI | Benchmark: MSCI All Country World | % MV Carbon Eligible Securities indicates the extent to which carbon data is available within the fund and benchmark and includes only corporate holdings. Carbon data availability is represented as a % of carbon eligible securities, which may be less than the total market value of the fund Weighted Average Carbon Intensity figures for each sector and the fund are calculated by rescaling exposures based on available emissions data and therefore may not be fully representative of the fund's emissions. | Market exposure through investments in ETFs is excluded from the analysis due to potential opacity; market exposure via look-through to commingled funds is also excluded.

### Largest Contributors to the Global Stewards' Weighted Average Carbon Intensity

| Company | Sector | Country | % Equity Market Value | Contribution to Weighted Average Carbon Intensity (%) | Carbon Intensity (T CO2e/ $M Sales) | Benchmark Average Sector Intensity | Emission Source |
|---|---|---|---|---|---|---|---|
| National Grid PLC | Utilities | United Kingdom | 2.7 | 18.5 | 310 | 1,843 | Company disclosure |
| Taiwan Semi | Information Technology | Taiwan | 3.9 | 16.9 | 198 | 31 | Company disclosure |
| Iberdrola SA | Utilities | Spain | 2.5 | 13.2 | 240 | 1,843 | Company disclosure |
| Texas Instruments | Information Technology | United States | 3.4 | 8.3 | 114 | 31 | Company disclosure |
| DSM-Firmenich AG | Materials | Netherlands | 2.6 | 8.2 | 146 | 712 | Company disclosure |
| Cie Generale des Eta | Consumer Discretionary | France | 2.6 | 6.8 | 119 | 52 | Company disclosure |
| Weyerhaeuser Co | Real Estate | United States | 2.9 | 5.7 | 91 | 83 | Company disclosure |
| Microsoft Corp | Information Technology | United States | 6.4 | 4.6 | 33 | 31 | Company disclosure |
| Deere & Co | Industrials | United States | 3.8 | 2.7 | 33 | 113 | Adjusted |
| Ecolab Inc | Materials | United States | 2.7 | 1.9 | 32 | 712 | Company disclosure |

Source: MSCI | Benchmark: MSCI All Country World | Company represents the name of the parent entity from which a holding's emissions data has been sourced, if that issuer does not disclose its own emissions data. | The % Market Value may represent more than one holding as it aggregates all fund holdings that source emissions data from the same parent entity. | Largest contributors to the fund's Weighted Average Carbon Intensity may be different to the largest holdings of the fund by size and are not representative of all holdings held by the fund. | Eligibility is currently based on exposure to long-only, direct corporate holdings and excludes look-through to pools. | WACI results are based on scope 1 and scope 2 emissions only. | Benchmark Weighted Average Sector Intensity is calculated by taking a weighted average of all companies' intensities per sector within the benchmark.

### Emission Source (%)

| | Company disclosure | Adjusted | Estimation | Uncovered |
|---|---|---|---|---|
| Stewards | 94.4 | 5.6 | – | – |
| Benchmark | 89.9 | 5.0 | 5.0 | 0.1 |

Source: MSCI | Benchmark: MSCI All Country World | Data presented in this report is compiled from numerous sources and estimation methods. Subsidiary mapping by MSCI is leveraged where emissions data is available only for the parent issuer. The source % represents a breakdown of scope 1 and 2 carbon data availability as a percentage of carbon eligible securities, which may be less than the total market value of the fund. **Company disclosure**: Direct from entity disclosure, either to CDP or company filings. **Adjusted**: Augmented by MSCI due to partial or outdated company disclosure. **Estimation**: Provided by MSCI based on assessment of business activities and output levels. Where subsidiaries are held and no distinct emissions data is disclosed, emissions may be attributed from the parent company as a proxy. **Uncovered**: No data available, as data is not disclosed by entity or estimated by MSCI. While any third-party data used is considered reliable, its accuracy is not guaranteed. Wellington assumes no duty to update any information in this material in the event that such information changes. The fund is not sponsored or endorsed by MSCI. In no event shall MSCI or its affiliates have any liability of any kind in connection with this information or the Fund.

## STRATEGY OBJECTIVE

Our objective in this approach is to outperform global equity markets as represented by the MSCI All Country World Index by identifying businesses with high financial returns and the stewardship to sustain them. We are biased to own companies already in a position of strength: with established competitive positions, identifiable business advantages, a history of continuous improvement and innovation, and inspiring leadership. We focus on return on capital as a measure of success, looking for a track record of value-added returns over time and through cycles.

There is no guarantee that a company in a position of strength today will be successful in the future. To help evaluate the likelihood for high returns to continue, we place a heavy emphasis on each company's stewardship, with the belief that proper care and nurturing of a corporation's valuable assets and intangibles is critical to a company's long term resilience.

We value stewardship that is long-term oriented; implemented by strong management and an engaged Board; exemplified by excellent capital and resource allocation; and distinguished in its consideration of all stakeholders in the pursuit of profit. The popular moniker ESG (referring to Environment, Social and Governance considerations) captures many of these elements. Our bias is to focus on the ESG issues most material to the long-term value of each company in the fund.

In our opinion, the best global stewards are dynamic, relying on a constantly turning flywheel. That is, businesses that redeploy their free cash flow from high financial returns to further strengthen competitive positions, investing in stewardship activities that energize employees, customers, investors and communities around a company's mission. This creates a bigger competitive moat and a more resilient business, supported by increasingly committed stakeholders. As a result, high financial returns are sustained, if not improved. Then the process repeats itself, again and again. When done well, the spinning flywheel can put even more distance between market leaders and competitors. We want to own these types of companies for a long time.

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**Mark Mandel,** CFA
Equity Fund Manager

Mark manages Global Stewards, a concentrated global equity strategy that aims to invest responsibly in high-return companies with leading corporate stewardship over an extended time horizon. As vice chair Mark also meets with clients, consultants, and prospects to represent the firm and to discuss global capital markets, investment opportunities, risks, and potential solutions. He is based in our Boston office.

**Yolanda Courtines,** CFA
Equity Fund Manager

Yolanda co-manages Global Stewards with Mark and is chair of the firm's Investment Stewardship Committee. From 2006 through 2018, she was a global industry analyst specializing in European and Latin American banks, responsible for fundamental analysis on her sector and for managing research-based portfolios. She is based in our London office.

## INVESTMENT 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.

**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 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.

**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 KEY INVESTOR INFORMATION DOCUMENT FOR A FULL LIST OF RISK FACTORS AND PRE-INVESTMENT DISCLOSURES.**

A decision to invest should take into account all characteristics and objectives as described in the prospectus and KIID.

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