

**Plymouth County  
Retirement Association**

WELLINGTON  
MANAGEMENT®

# Blended Opportunistic Emerging Markets Debt

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Neeta Madahar, Falling 1 (detail), 2005. Lightjet print mounted on aluminum, 48 x 48 inches (122 x 122 cm)

## Agenda

**Section one** ..... Wellington Management Company LLP overview

**Section two** ..... Blended Opportunistic Emerging Markets Debt

**Section three** ..... Appendix



**BY THE NUMBERS**

**Business**

USD 1,004 billion of client assets under management  
 2,270+ clients  
 60+ countries in which clients are based

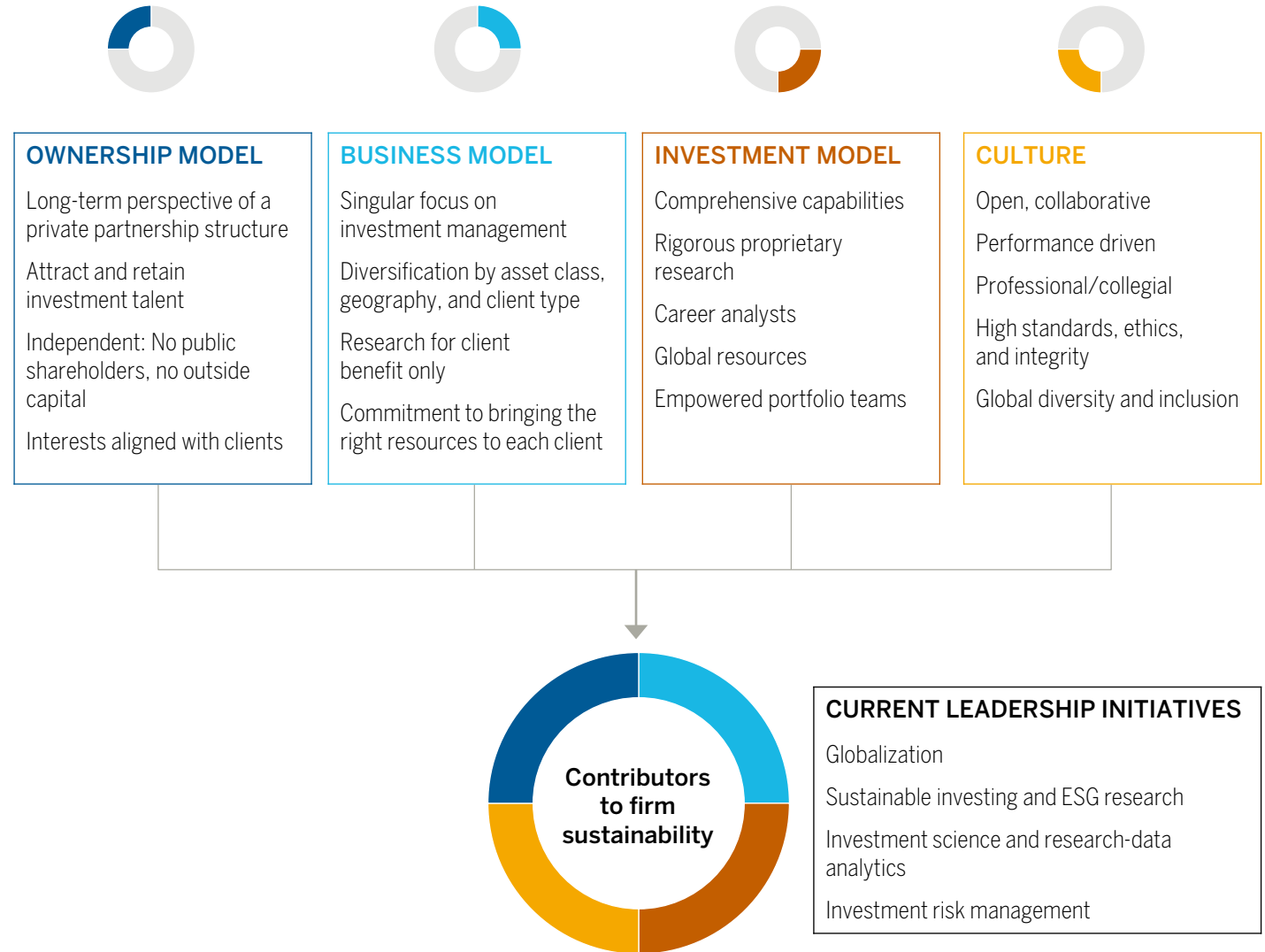
**People and portfolios**

830 investment professionals  
 17 years of experience, on average  
 177 partners all active at the firm<sup>1</sup>

**Heritage: key dates**

<b>1928</b>	Wellington Fund – the first US balanced fund
<b>1979</b>	Establishment of our private partnership
<b>1994</b>	Our first long – short strategy
<b>2014</b>	Our first dedicated private equity strategy
<b>2015</b>	Global Impact: Our first diversified impact investing strategy in public equities

# A trusted advisor and strategic partner to clients worldwide

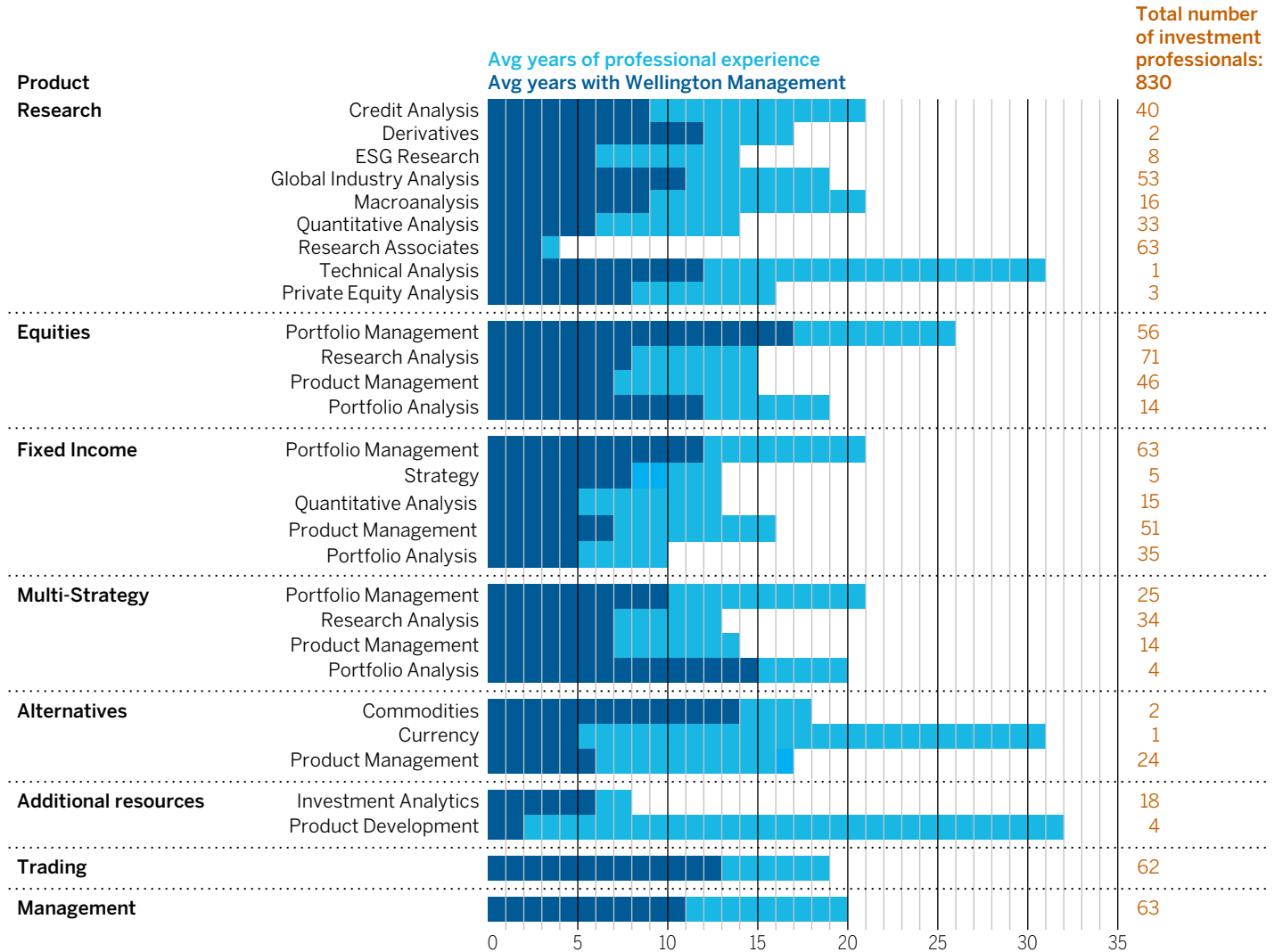


As of 31 March 2020 | <sup>1</sup>Effective as of 31 March 2020

Investors draw on rigorous, proprietary research

We conduct research through fundamental; environmental, social, and corporate governance (ESG); quantitative; macro; and technical lenses

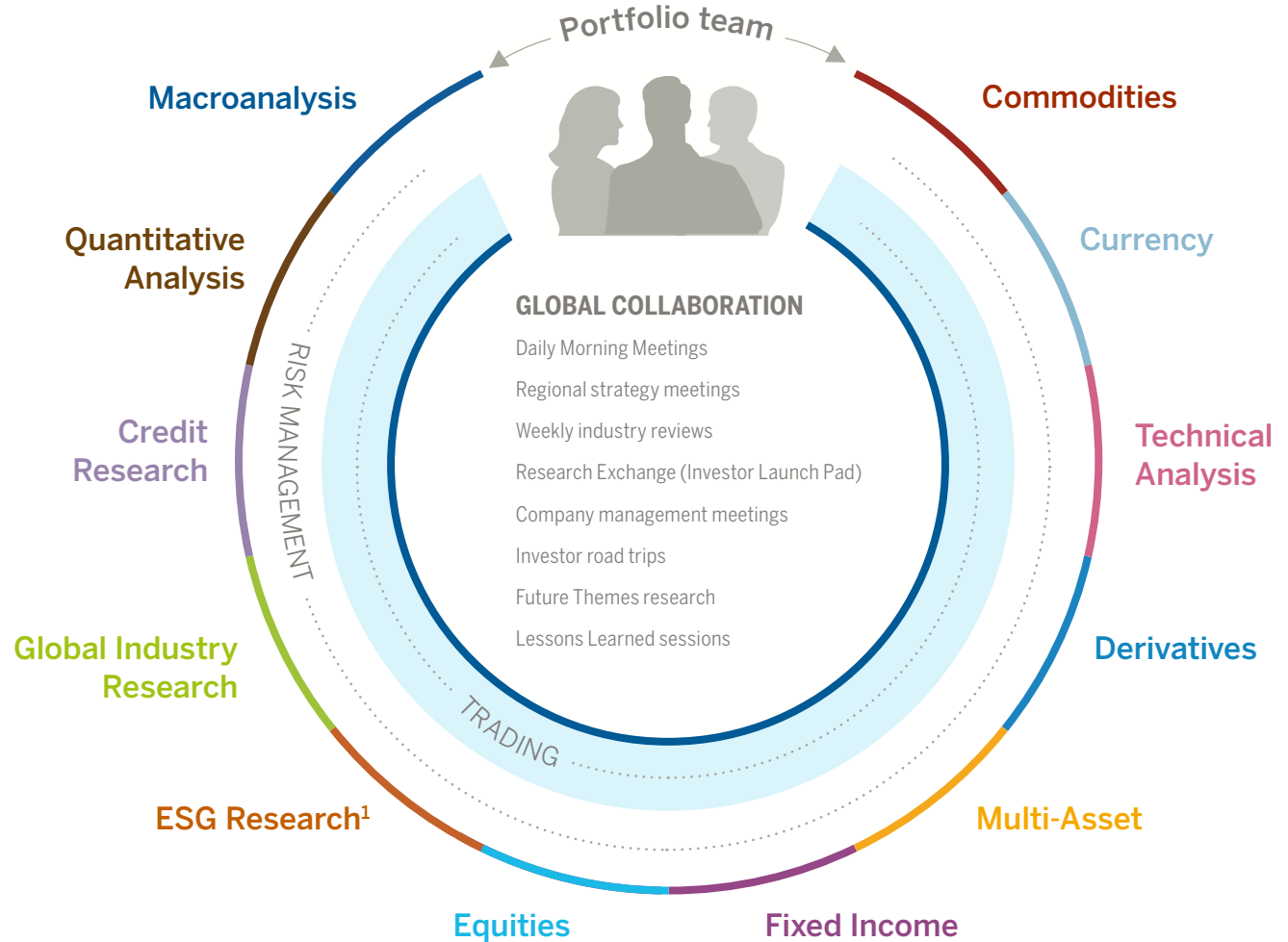
## Depth, experience, and continuity create interpretation advantage



As of 31 March 2020

## Investors draw on our marketplace of ideas to build portfolios

We believe the best investment thinking is forged by the free exchange of ideas among a broadly diverse group of professionals



<sup>1</sup>Environmental, social, and corporate governance

# **Plymouth County Retirement Association**

## Relationship review

<b>Investment assignment</b>	Durable Enterprises
<b>Portfolio managers</b>	Daniel Pozen
<b>Portfolio inception</b>	28 February 2018
<b>Relationship team</b>	Beth Catino
<b>30 April 2020</b>	Market value: \$32.3 million





# Why Wellington Management Opportunistic Emerging Markets Debt

## Experience

Wellington Management has been investing in emerging markets debt since the inception of the asset class in the early 1990s

## Comprehensive Research, Collaborative Culture

Our 35 member emerging markets debt investment team is supported by colleagues in equities, fixed income, commodities, and currencies

- Enables us to develop multi-dimensional views of the countries in which we invest
- Helps us keep emerging markets in a broader global context

## Disciplined, systematic investment process

We combine quantitative and fundamental research in a disciplined, consistent investment process to identify attractive opportunities

## Consistent performance<sup>1</sup>

Our Blended Opportunistic Emerging Markets Debt approach has consistently outperformed its benchmark on a gross rolling three-year basis since its inception

**EMD Platform AUM**  
\$28 billion

**No. of EM Strategies**  
8

**Blended Opp EMD**  
\$4.8 billion

<sup>1</sup>When evaluating long-term historical performance, we have selected the rolling three year periods as they are generally considered to capture full market cycles. Based on the gross of fee composite returns through 31 March 2020 for the Blended Opportunistic Emerging Markets Debt Composite since its inception date of 28 February 2009. | Benchmark is a blend of JPM EMBI Gbl Div (50%) & JPM GBI-EM Gbl Div (50%) | **PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS AND AN INVESTMENT CAN LOSE VALUE.**

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. Actual fees will vary depending on, among other things, the applicable fee schedule and account size. For example, if US\$100,000 was invested and experienced a 10% annual return compounded monthly for ten years, its ending value, without giving effect to the deduction of advisory fees, would be US\$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 ten-year period, the annualized compounded return would be 9.43% and the ending dollar value would be US\$246,355. Information regarding the firm's advisory fees is available upon request. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. For use in one-on-one presentations only. This supplemental information complements the GIPS® compliant presentation provided in the attachment.

## Blended Opportunistic Emerging Markets Debt

Objective, approach, and key characteristics

### Description

Blended Opportunistic Emerging Markets Debt is a benchmark aware, emerging markets debt approach that invests across the full EM fixed income spectrum

### Objective

Outperform the benchmark over a full market cycle

### Benchmark

50% JPMorgan EMBI Global Diversified  
50% JPMorgan GBI-EM Global Diversified

### Investment universe

External sovereign debt  
Local sovereign debt  
Corporate debt  
EM currencies  
Developed market bonds and currencies  
Swaps, futures, forwards, options

### Typical characteristics<sup>1</sup>

Average credit quality	BBB/BB
Portfolio duration (yrs)	±2
Expected turnover (%)	75 – 100

### Historical sector ranges<sup>2</sup>

	Average (%)	Range (%)
External debt	57	40 – 70
Local markets <sup>3</sup>	56	45 – 70
Corporate debt	7	0 – 20

<sup>1</sup>The below characteristics are sought during the portfolio management process. Actual experience may not reflect all of these characteristics, or may be outside of stated ranges. | <sup>2</sup>Historical ranges based on trailing 10 year month-end data and have been rounded to the nearest 5%. | <sup>3</sup>Local market exposure represents the combination of local debt and local currency exposure. Local market exposure at the portfolio level is the sum of the local market exposure calculations done at the individual country level.

# Emerging Markets Debt

## Investment team and resources



**Jim Valone, CFA**  
Portfolio Manager  
32 years experience



**Kevin Murphy**  
Portfolio Manager  
33 years experience



**Evan Ouellette**  
Portfolio Manager  
20 years experience

### Additional Portfolio Management Resources

**Julian Dwek**  
Portfolio Manager  
20 years experience

**Michael Henry**  
Portfolio Manager  
24 years experience

**Eric Lambi**  
Portfolio Manager  
19 years experience

**Alonso Perez-Kakabadse, PhD**  
Portfolio Manager  
20 years experience

**Schuyler Reece, CFA**  
Portfolio Manager  
12 years experience

### Dedicated resources

#### Sovereign Research

Ludvig Söderling, PhD  
Macro Strategist

Gillian Edgeworth  
Macro Strategist

Matt Hildebrandt  
Macro Strategist

Nader Nazmi, PhD  
Macro Strategist

#### Corporate Research

Alwyn Pang, CFA  
Credit Analyst

Desmond Lee, CFA  
Credit Analyst

Sam Epee-Bounya  
Credit Analyst

Dmitry Sentchoukov  
Credit Analyst

Xena Dai  
Credit Analyst

#### Quantitative Strategists

Kazim Kazimov, PhD  
FI Strategist – EM Rates

Roger Liao  
Fixed Income Strategist

Yi Wang, PhD  
FI Strategist – EM Currencies

Sauli Nathan, PhD  
Quantitative – Portfolio Manager

Marlyn Anthonyrajah  
Fixed Income Strategist

#### Portfolio Analysts

Nick Ouellette  
Portfolio Analyst

Emma Baron  
Portfolio Analyst

Steve Lee  
Portfolio Analyst

Connie Torrens-Spence  
Portfolio Analyst

#### Trading

Marc MacLachlan, CFA  
Trader

Sean Hayes  
Trader

Dominic Godfrey  
Trader

Katie O'Hare  
Trader

Brett McClenning  
Trader

#### Product Management

Maura Neely, CFA  
Investment Director

Darren Capeloto  
Investment Director

Marena Hnat-Dembitz  
Investment Specialist

Patricia Goodstadt, PhD  
Investment Director

### Shared resources

#### Global Perspectives: Macro Strategy

##### North America

Toby Johnston  
Macro Strategist

Mike Medeiros, CFA  
Macro Strategist

Juhi Dhawan, PhD  
Macro Strategist  
March 2020

##### Europe

John Butler  
Macro Strategist

Jens Larsen, PhD  
Macro Strategist

Eoin O'Callaghan  
Macro Strategist

##### Asia

Paul Cavey  
Macro Strategist

Tushar Poddar, PhD  
Macro Strategist

#### Market Insights: Portfolio Management

##### Fixed Income

Campe Goodman, CFA  
US Broad Market  
Portfolio Manager

Chris Jones, CFA  
Global High Yield  
Portfolio Manager

##### Equity

Vera Trojan, CFA  
Team Leader, Emerging Markets

##### Technical Analysis

Brian Decker  
Market Strategist

##### Commodities

David Chang, CFA  
Portfolio Manager

##### Risk Management

Justen Carter  
Risk Oversight

## Opportunistic Emerging Markets Debt investment philosophy

### View emerging markets with a global perspective

The global economic cycle can have an important impact on emerging markets' economic performance

### Seek to capture market inefficiencies with disciplined research

Market segmentation in this asset class is generally high given the global investor base

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A disciplined research approach that incorporates macroeconomic, currency, interest rate, and credit analysis can uncover value in emerging debt markets

### Manage risk

Apply both quantitative and fundamental risk assessments to bonds, currencies, and derivatives

# Fundamental research and quantitative relative valuation

## Broad strategy

### Inputs

Secular trends  
Economic cycle  
Relative value



### Outputs

Portfolio risk  
Sector allocations  
Local exposure

## Research

### Inputs

Economic forecasts  
Quantitative models  
Site visits  
ESG analysis



### Outputs

Country scores  
Corporate spreads  
Currency targets  
Rate forecasts

## Portfolio construction

### Inputs

Expected returns  
Relative valuations  
Investment conviction



### Outputs

Country weights  
Corporate holdings  
Currency positions  
Instrument selection

## Risk control

### Inputs

Expected volatilities  
Correlation assumptions  
Downside scenarios

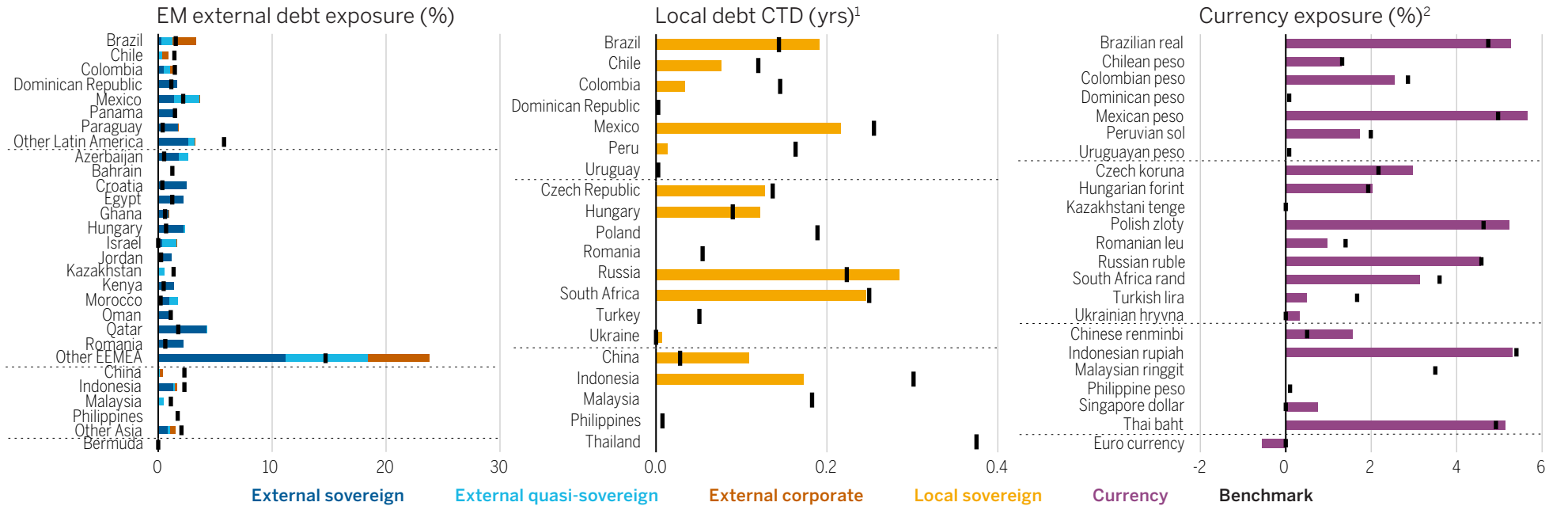


### Outputs

Value-at-Risk  
Sensitivity analysis  
Stress tests

# Blended Opportunistic Emerging Markets Debt

Representative account  
Portfolio characteristics as of 30 April 2020



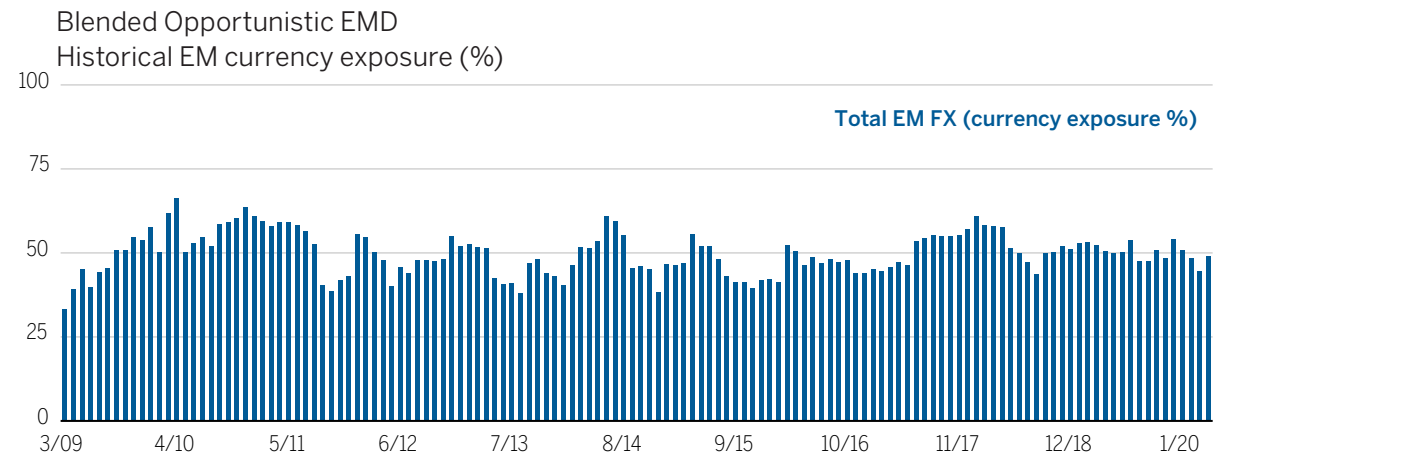
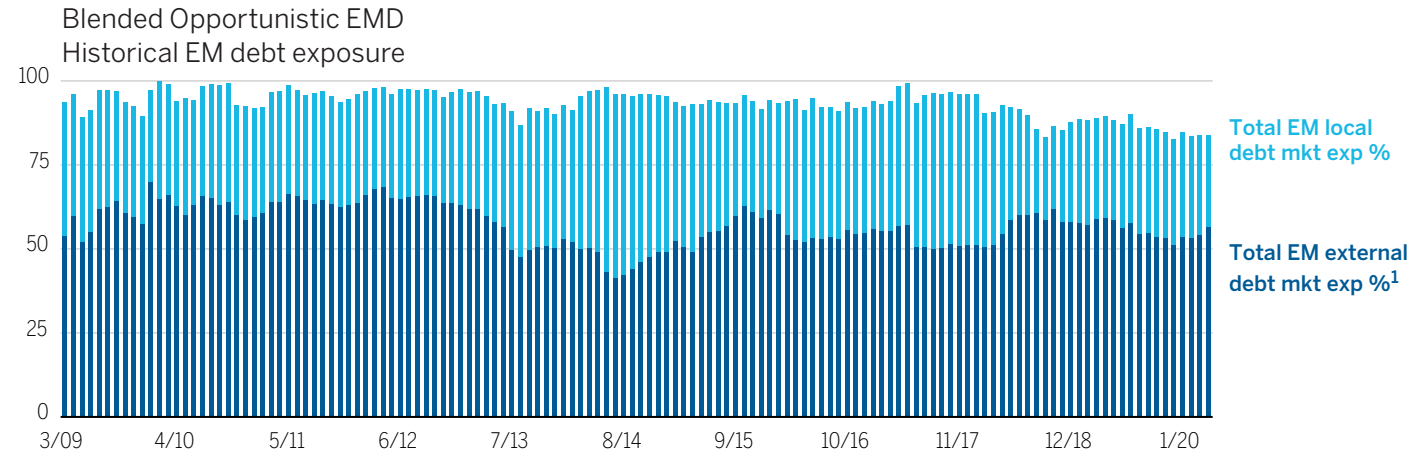
	Yield (%)	Spread duration (yrs)	Effective duration (yrs)	Cash balance	External debt exposure (%) <sup>3</sup>	Local debt exposure (%) <sup>4</sup>	EM Currency exposure (%)	Corporate exposure (%)	Supranational exposure (%)	Moody's average rating	S&P average rating
Representative account	6.4	5.9	6.3	8.8	55.6	27.0	49.0	4.9	1.9	Baa2	BBB
JPM EMBI Gbl Div (50%) & GBI EM Gbl Div (50%) Blend	5.7	6.1	6.3	-	50.0	50.0	50.0	-	-	Baa3	BBB

<sup>1</sup>Includes local sovereign, may include local quasi-sovereign and local corporate, excludes supranational | <sup>2</sup>US dollar exposure of 51.5% is excluded from the currency chart | <sup>3</sup>External debt exposure represents the combination of external sovereign and external quasi-sovereign debt, not including external corporate debt | <sup>4</sup>Local debt exposure represents the combination of local sovereign and local quasi-sovereign debt, not including local corporate debt | Futures are excluded from the chart. DM government bond futures are used for interest rate management purposes. | EM CDX exposure is excluded and may consist of sovereign, quasi-sovereign, and/or corporate exposure | The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. The representative account shown was designated on 1 January 2018 and was selected because it has minimal investment restrictions and most closely conforms to the Blended Opportunistic Emerging Markets Debt strategy. 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 certain 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. Representative account information is supplemental to the GIPS® compliant presentation for the Opportunistic Emerging Markets Debt – Blended Index Composite which is provided in the attachment. | Portfolio characteristics are based on the underlying holdings of the representative account and are subject to change. This data may be sourced internally or externally depending on the specific approach, availability of internal data, underlying holdings characteristics, and other factors. Projected or forward looking characteristics are based on a number of assumptions and the use of alternative assumptions could yield significantly different results. Additional information on this data is available upon request. | Sources: Wellington Management, JPMorgan

## Blended Opportunistic EMD representative account

### Historical allocations through 30 April 2020

<sup>1</sup>Includes CDX; both local and external include corporate holdings | Data shown since inception of the Opportunistic Emerging Markets Debt – Blended Index which is 1 March 2009 | Local market exposure represents the combination of local debt and local currency exposure. Local market exposure at the portfolio level is the sum of the local market exposure calculations done at the individual country level. | EM External Debt exposure includes emerging markets sovereign, quasi sovereign and corporate debt in hard currency | Currency exposure only includes exposure to emerging market currencies | The data shown is of a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. The representative account shown was designated on 1 January 2018 and was selected because it has minimal investment restrictions and most closely conforms to the Blended Opportunistic Emerging Markets Debt strategy. 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 certain 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. Representative account information is supplemental to the GIPS® compliant presentation for the Opportunistic Emerging Markets Debt – Blended Index Composite which is provided in the attachment. | Chart data: March 2009 – April 2020



	Avg Corp Exp (%)	Corp Max	Corp Min	Avg EM External Mkt Exp (%) <sup>1</sup>	External Max	External Min	Avg EM Local Mkt Exp (%)	Local Max	Local Min	Avg EM Currency Exposure (%)	EM Currency Max	EM Currency Min
Blended Opp EMD	7	20	1	57	70	41	56	72	44	50	66	33

## Blended Opportunistic Emerging Markets Debt Composite

Investment returns (US\$) through 31 March 2020

	Annualized returns (%)						
	YTD	3 mos	1 yr	3 yrs	5 yrs	10 yrs	Since inception <sup>1</sup>
<b>Blended Opportunistic Emerging Markets Debt Composite (gross)</b>	<b>-14.56</b>	<b>-14.56</b>	<b>-5.31</b>	<b>0.90</b>	<b>2.71</b>	<b>4.10</b>	<b>7.64</b>
JP EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend	-14.28	-14.28	-6.61	-0.13	1.60	2.77	5.63
Active return (gross vs benchmark)	-0.28	-0.28	1.31	1.03	1.11	1.33	2.01

	Calendar year returns (%)				
	2019	2018	2017	2016	2015
<b>Blended Opportunistic Emerging Markets Debt Composite (gross)</b>	<b>17.28</b>	<b>-5.34</b>	<b>14.56</b>	<b>12.55</b>	<b>-6.72</b>
JP EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend	14.31	-5.15	12.74	10.16	-7.14
Active return (gross vs benchmark)	2.97	-0.19	1.82	2.39	0.43

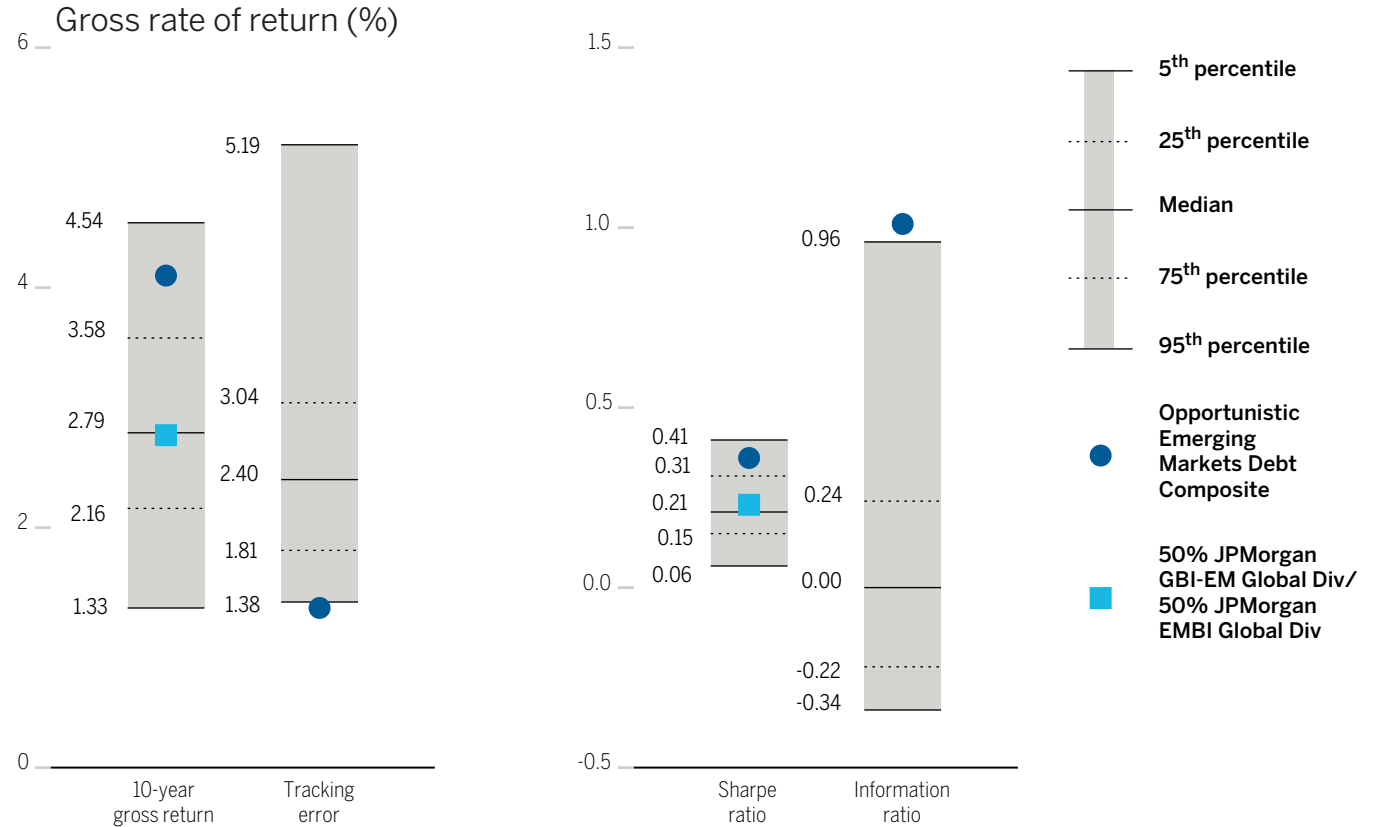
	Calendar year returns (%)				
	2014	2013	2012	2011	2010
<b>Blended Opportunistic Emerging Markets Debt Composite (gross)</b>	<b>2.02</b>	<b>-5.48</b>	<b>21.97</b>	<b>2.35</b>	<b>16.43</b>
JP EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend	0.71	-7.10	17.21	2.79	14.02
Active return (gross vs benchmark)	1.32	1.63	4.77	-0.44	2.41

<sup>1</sup>Inception date of the composite is 28 February 2009. | Performance returns for periods one year or less are not annualized. | **PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS AND AN INVESTMENT CAN LOSE VALUE.** Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. Actual fees will vary depending on, among other things, the applicable fee schedule and account size. For example, if US\$100,000 was invested and experienced a 10% annual return compounded monthly for ten years, its ending value, without giving effect to the deduction of advisory fees, would be US\$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 ten-year period, the annualized compounded return would be 9.43% and the ending dollar value would be US\$246,355. Information regarding the firm's advisory fees is available upon request. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. For use in one-on-one presentations only. This supplemental information complements the GIPS® compliant presentation provided in the attachment. | Totals may not add due to rounding.



# Blended Opportunistic Emerging Markets Debt Composite

Competitive peer group<sup>1</sup> analysis as of 31 March 2020  
10-year risk analysis



<sup>1</sup>The Emerging Markets Fixed Income – Blended Currency manager returns are presented in USD for the 1, 3, 5, and 10 years ended 31 March 2020 | Source: eVestment Alliance. The inception of the Emerging Markets Debt Composite (the “Adviser”) was 28 February 2009. The peer group comparison represents percentile rankings, which are based on gross of fee returns and reflects where those returns fall within the indicated eVestment Alliance universe. The custom Blended Filtered Universe includes strategies within The Global Emerging Markets Fixed Income– Blended Currency universe includes portfolios deemed appropriate by eVestment Alliance and that use any blended benchmark (custom blended EM benchmark or the traditional 50/50, 25/25/50, and 1/3 splits), excluding benchmark agnostic strategies and those that use rates such as LIBOR and EURIBOR. Constituent observations are as of 7 May 2020. The Advisor did not pay a fee to be included in the rankings. Data is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness.

**PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS AND AN INVESTMENT CAN LOSE VALUE.**

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends. If all expenses were reflected, the performance shown would be lower. This supplemental information complements the GIPS® compliant presentation provided in the attachment.

	1 year	3 years	5 years	10 years
Return (gross) percentile rank	9	7	10	8
# of constituents	44	44	38	14

## Blended Opportunistic Emerging Markets Debt Fee schedule

### Commingled account investment management fee

	<u>Annual management fee</u>
All assets	0.55%
	<u>Minimum account size</u>
	USD 1 million

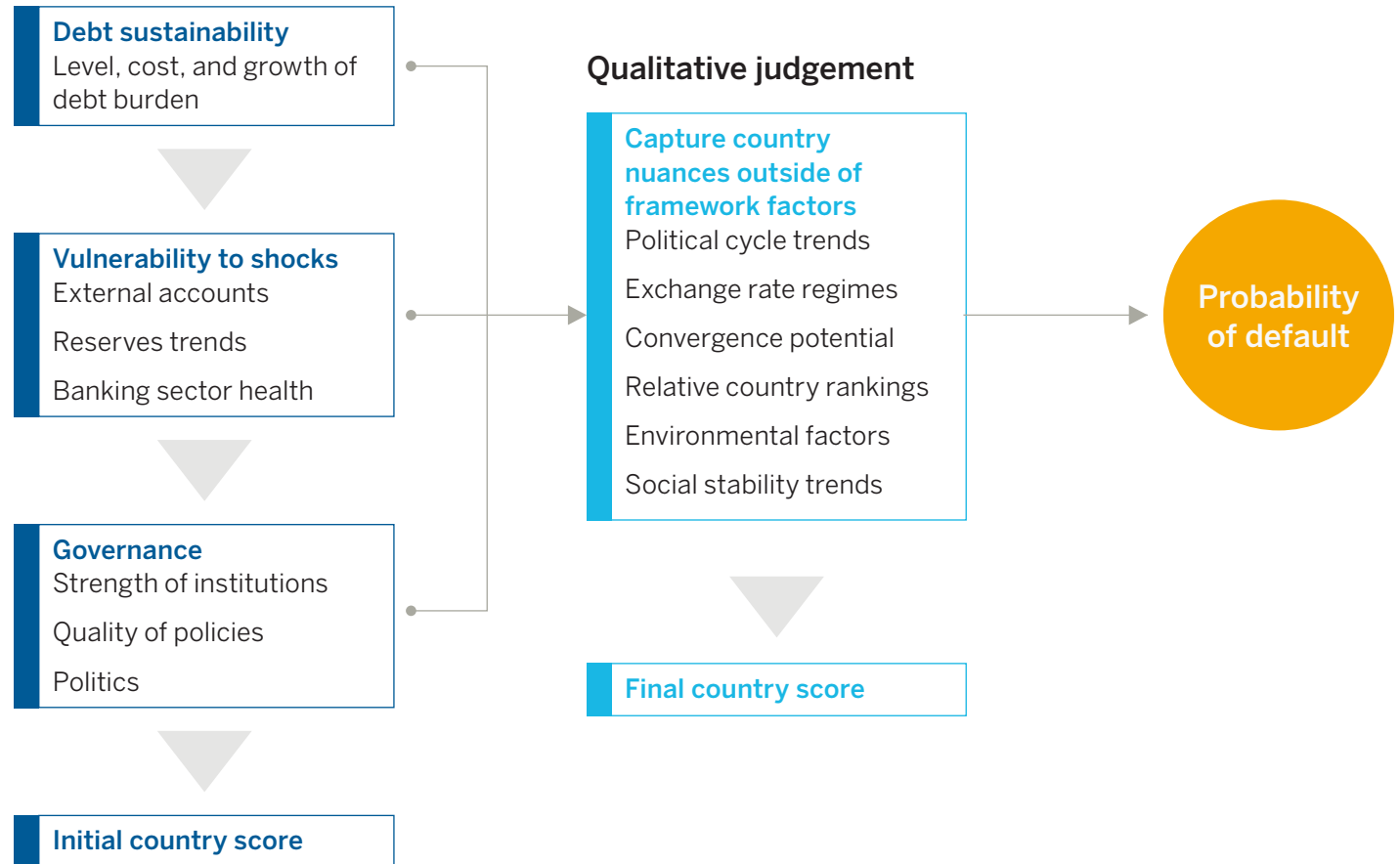
Commingled pool account fees consist of two components: 1) an investment management fee and 2) routine operating expenses (e.g., custody, accounting, audit, transfer agency, and other administrative expenses). Operating expenses are capped, separate from, and in addition to the investment management fee. | Fee changes are not anticipated at this time, but could occur in the future.



# Quantitative and qualitative country analysis

## Estimating default probability

### Quantitative and qualitative inputs



## Country relative value in action

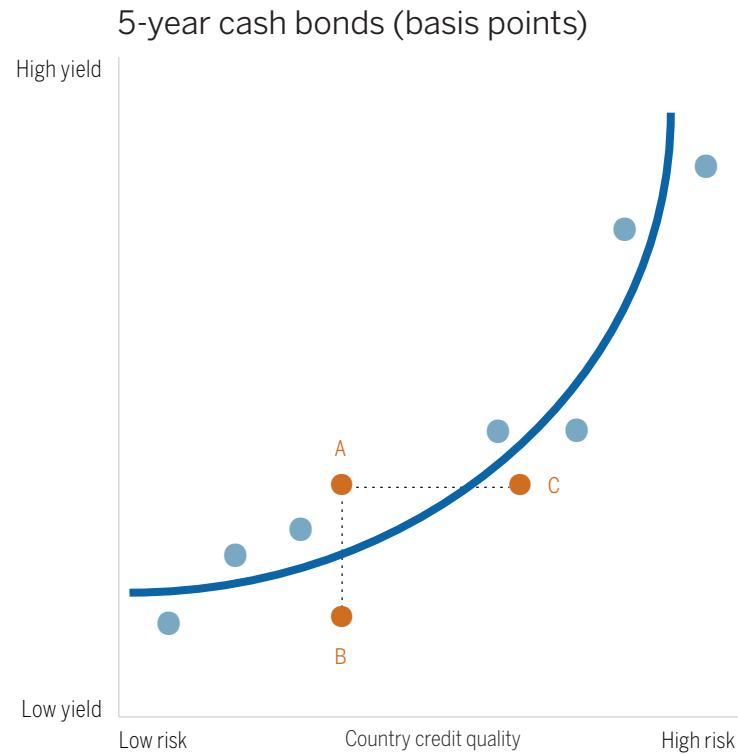


Chart marker	Country	Country score	Fair value spread	Market spread	Spread difference
A	Uruguay	53	460	479	19
B	Panama	53	460	429	-31
C	Costa Rica	58	567	479	-88

Seek to anticipate changes in shape and level of spread curve

Determine appropriate Country Risk ranking to compare valuations

The above illustration is meant to demonstrate how the investment team identifies potential relative value opportunities between countries as part of the investment process. There is no guarantee that relative value opportunities identified by this approach will result in an actual investment in client portfolios.

# Emerging Markets Debt outlook

## Second quarter 2020

### **Fundamentals: EM fundamentals under historic pressure amidst global uncertainties**

Duration of COVID-19's impact unknown, but represents significant near-term drag on global growth

OPEC+ dispute combined with lower global demand created significant oversupply and pressure on oil exporters

Global policy response – monetary and fiscal – should help stabilize markets and promote a rebound

Expect global economy to begin gradual recovery in 2H20, shape of recovery uncertain – successful reopening is key

EM fundamentals entered this period in reasonable shape – manageable fiscal, ample reserve, healthy BoP

Debt and fiscal metrics will deteriorate on lower revenues and high COVID-19 costs

Country selection paramount – favor issuers with balance sheet strength

### **Valuations: attractive, liquidity a constraint**

Significant spread widening has improved valuations across external sovereign and corporate debt

Select EM local rates compelling, particularly in long end as EM CBs cut rates and lower oil and growth is deflationary

EM currency valuations improved in select countries, monitor for more sustained weakness in USD

### **Technical: under pressure from outflows**

Constrained liquidity requires patience in trade execution

Inflows over last half year have reversed year-to-date driven by retail outflows in hard currency debt

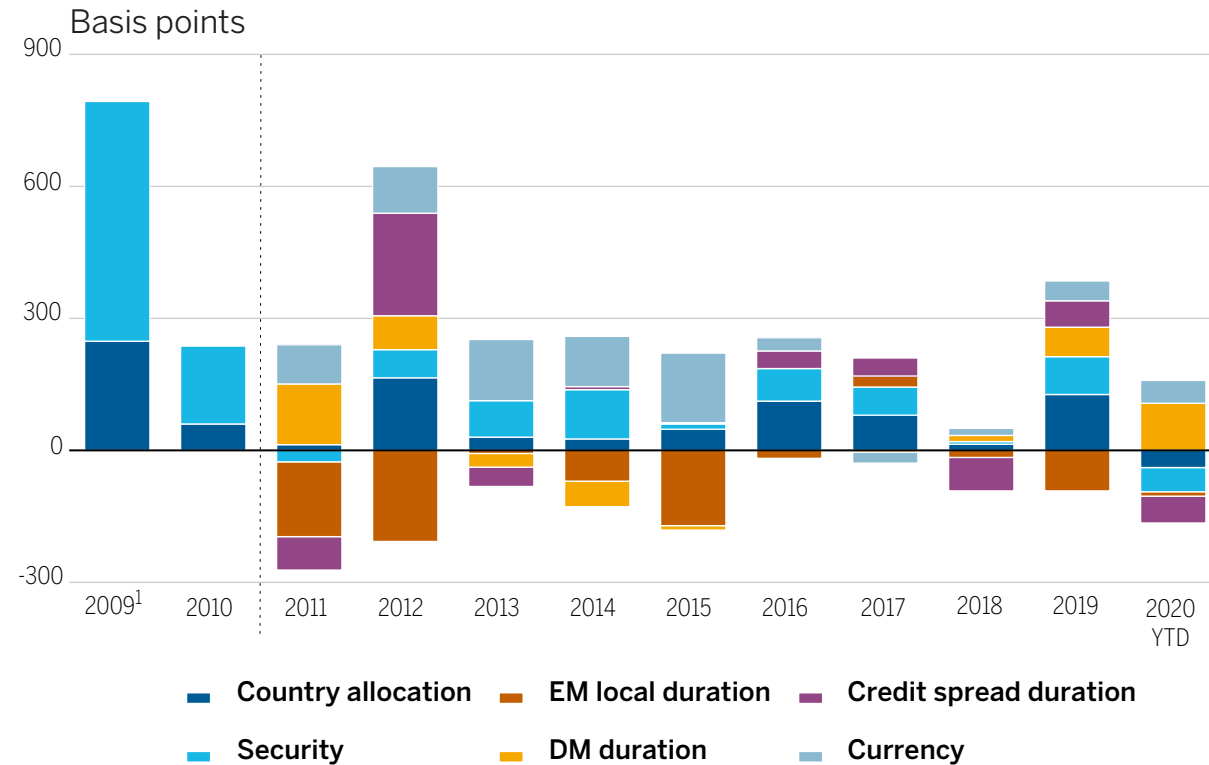
New issue pipeline likely to provide attractive opportunities to add risk in the second quarter

Views of the Emerging Markets Debt Team are based on available information and are subject to change without notice. Information contained within the Outlook section contains estimates and forecasts. Actual results may differ significantly from information shown. Individual portfolio management teams may hold different views. This is not to be construed as investment advice or a recommendation to buy or sell any security or asset class.

## Blended Opportunistic Emerging Markets Debt

Representative account

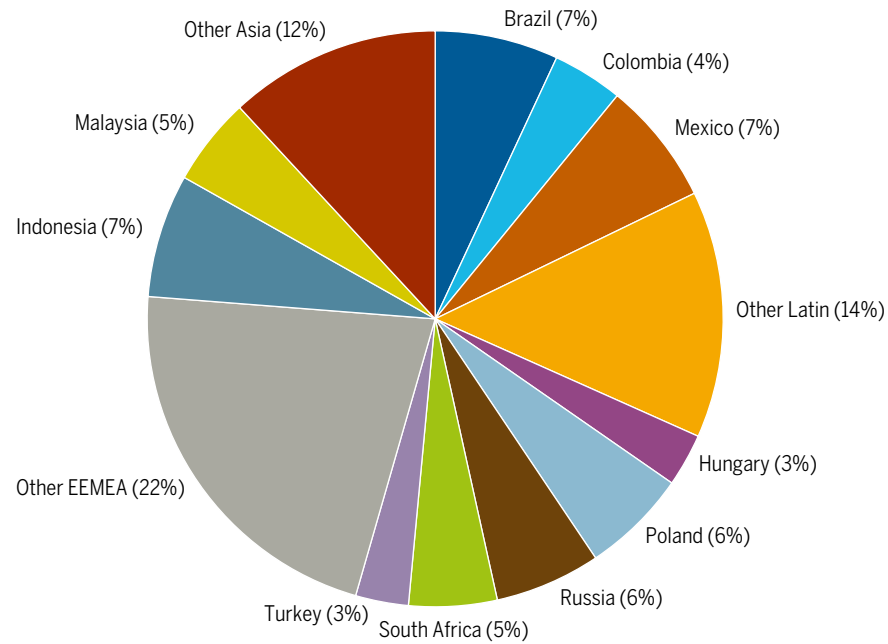
Performance attribution (USD) through 30 April 2020



<sup>1</sup>From March 2009 to December 2009 | Inception date is 1 March 2009 | Wellington Management's proprietary attribution methodology was updated in 2017 with backdated analysis available to 2011. The new methodology is a duration based approach. Prior to that point, we used an equity based model based on market value exposures. | Portfolio attribution is calculated for a representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. The representative account shown was designated on 1 January 2018 and was selected because it has minimal investment restrictions and most closely conforms to the Blended Opportunistic Emerging Markets Debt strategy. 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. **PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS AND AN INVESTMENT CAN LOSE VALUE.** Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses, and include reinvestment of dividends and other earnings. If all expenses were reflected, the performance shown would be lower. For use in one-on-one presentations only. This supplemental information complements the GIPS® compliant presentation in the attachment.

## Benchmark index alternatives

### JPMorgan EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend



### JPM EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend

#### Statistics

Yield (%)	6.3
Sovereign spread (bps)	626
Average life (yrs)	9.6
Modified duration (yrs)	6.3
Average credit rating	Baa2/BBB/BBB-

#### Composition

Market capitalization	\$1,483 bil
Number of countries	75
Number of issues	1,026
Average issue size	\$1,446 mil
Issuer (%)	
• Sovereign	100
• Corporate	0
Region (%)	
• Latin America	32
• EEMEA	44
• Asia	24

31 March 2020 | Sources: JPMorgan, Wellington Management | Data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness.



## Emerging markets team Biographies



**Jim W. Valone, CFA**  
Senior Managing Director and Fixed Income Portfolio Manager

Jim has been a fixed income portfolio manager and chair of Wellington Management's Emerging Markets Debt Strategy Group since its inception in 1999. He and his team manage portfolios invested in the emerging debt and currency markets for a wide range of investors – including pension funds, mutual funds, endowments, and central banks focusing on the integrity of our fixed income investment processes and achieving the investment goals of our clients. In addition, Jim leads our Fixed Income Risk Advisory Council efforts and is an important member of the Fixed Income Review Group, where he has significant impact providing peer feedback to other fixed income investors.

Prior to joining the firm, Jim was an emerging markets debt portfolio manager at Baring Asset Management (1997 – 1999). He also worked at Fidelity Investments as an emerging markets debt portfolio manager and regional analyst covering Latin America (1989 – 1997) and at Northwest Quadrant, Inc. in Newport Beach, California, where he was a portfolio manager (1985 – 1987).

Jim received his MBA from the University of Chicago (1989) and his BA in economics from Pomona College (1985). He also holds the Chartered Financial Analyst designation.



**Kevin Murphy**  
Senior Managing Director and Fixed Income Portfolio Manager

As a fixed income portfolio manager, Kevin focuses primarily on developing investment strategies in emerging market corporate debt, determining where to invest within the emerging markets corporate universe and contributing to broader investment discussions within the Emerging Markets Debt team.

Prior to joining Wellington in 2016, Kevin was the lead portfolio manager responsible for all external sovereign and corporate emerging market debt allocations across a range of different strategies at Putnam (1999 – 2016) and was a managing director on the emerging markets derivative products group at BancBoston (1996 – 1999). He also previously served as the Vice President of the Commodity Finance, Commodity Derivatives, and Structured Asset Groups at ING Baring Securities (1991 – 1996). Earlier in his career, Kevin was an assistant treasurer for the EM trading team at ING and a senior consultant for investment banks at Andersen Consulting in Chicago.

Kevin received his B.S. in electrical engineering from Columbia University's School of Engineering and Applied Science (1987).

## Emerging markets team Biographies (continued)



### **Evan J. Ouellette**

#### Managing Director and Fixed Income Portfolio Manager

As a fixed income portfolio manager, Evan focuses on beta management for the Emerging Markets Debt Team. This involves understanding all aspects of client benchmarks, minimizing the impact of benchmark differences and inefficiencies, and preventing alpha dispersion where possible. Additionally, he works with other members of the team on portfolio construction and ongoing risk monitoring.

Prior to his current role, Evan was a fixed income portfolio analyst, and before that a team lead within Trade Operations, which involved redesigning the firm's external trade messaging platform. He also spent time in the London office during 2007 – 2008 to help globalize various functions within Investment Administration. Before joining the firm in 2001, Evan worked as regional controller in the global custody division of BNY-Mellon Corporation (1999 – 2001).

Evan earned his MBA with a concentration in finance from Boston University (2009) and his BA from the College of the Holy Cross (1999).

# Blended Opportunistic Emerging Markets Debt

## Investment risks

### PRINCIPAL RISKS

**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 in an absolute, or a benchmark relative basis. Currency markets can be volatile, and may fluctuate over short periods of time.

**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 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.

**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 asked price in trading.

### ADDITIONAL RISKS

**Commingle Fund Risk** – Investments in funds or other pooled vehicles generally will indirectly incur a portion of that fund's operating expenses and/or fees and will inherit a proportion of the funds 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.

**Commodities Risk** – Commodities markets may be more volatile than investments in traditional equity or fixed income securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, commodity price volatility, interest rate changes or events affecting a particular commodity or industry. Instruments used to invest in commodities include forward contracts, futures contracts, options, and swap agreements.

**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.

## Blended Opportunistic Emerging Markets Debt Investment risks

**Contingent Convertible Securities Risk** – Contingent capital 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.

**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 depends largely the underlying credit asset. These risks may include price, spread, default, and counterparty.

**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 it represents, and may be subject to additional liquidity and counterparty risk. Examples include futures, options and swaps.

**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.

**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 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.

**Restricted Security Risk** – Restricted securities are securities acquired in unregistered, private sales from the issuing company or from an affiliate of the issuer. These securities may not be transferable until certain criteria are met and under the federal securities laws, generally may be resold only to qualified institutional buyers, resulting in liquidity risk.

# Blended Opportunistic Emerging Markets Debt

## Investment risks

### Additional performance information

**Past results are not necessarily indicative of future results.** 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.

**Wellington Management**  
**Composite: Blended Opportunistic EMD**  
**Schedule of Performance Returns from 01 January 2010 to 31 December 2019**

<i>Period</i>	<i>Gross Return (%)</i>	<i>Net Return (%)</i>	<i>Benchmark Return (%)</i>	<i>Number of Portfolios</i>	<i>Internal Dispersion (%)</i>	<i>Composite Mkt. Value (USD Mil)</i>	<i>Total Firm Assets (USD Mil)</i>
2010	16.43	15.57	14.02	< 6	N/M	860	633,922
2011	2.35	1.59	2.79	< 6	N/M	2,114	651,496
2012	21.97	21.08	17.21	< 6	N/M	2,789	757,903
2013	-5.48	-6.19	-7.10	< 6	N/M	1,368	834,441
2014	2.02	1.26	0.71	< 6	N/M	1,395	914,109
2015	-6.72	-7.42	-7.14	< 6	N/M	1,466	926,949
2016	12.55	11.71	10.16	< 6	N/M	1,750	979,210
2017	14.56	13.71	12.74	< 6	N/M	2,276	1,080,307
2018	-5.34	-6.05	-5.15	< 6	N/M	3,199	1,003,389
2019	17.28	16.42	14.31	< 6	N/M	4,845	1,154,735

Benchmark: JP EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend

*N/M: For years where there are less than six portfolios throughout the performance period, Internal Dispersion is not meaningful.*

**Composite Description:** Portfolios included in the Blended Opportunistic EMD Composite seek to generate returns in excess of a blended benchmark of emerging markets hard and local currency-denominated bond indices such as 50% JP Morgan EMBI Global Diversified and 50% JP Morgan GBI EM Global Diversified or similar through investment in a diversified portfolio of emerging markets sovereign, corporate, and local market instruments. This is a less constrained, best ideas emerging markets debt approach. Investment in less regulated markets carries increased political, economic, and issuer risk.

**Composite Creation Date:** The composite creation date is June 2009.

**Composite Membership:** All fully discretionary, fee paying portfolios are eligible for inclusion in the composite.

**Fee Schedule:** The institutional separate account fee schedule for this product is:

<u>Market Value</u>	<u>Annual Fee</u>
On the first US\$200 million	0.75%
Over US\$200 million	0.55

**Benchmark Description:** As of 31 December 2019, the JP EMBI Gbl Div (50%) & GBI-EM Gbl Div (50%) Blend benchmark for Blended Opportunistic EMD is comprised of: 50.00% JP Morgan Govt Bond Index - Emerging Markets Global Div; 50.00% JPM EMBI Global Diversified. Prior allocations are available upon request. The benchmark's weights are rebalanced monthly.

**Benchmark Definition:** JPM EMBI Global Diversified is a uniquely weighted USD-denominated emerging markets sovereign index. It has a distinct distribution scheme which allows a more even distribution of weights among the countries in the index.

JP Morgan Govt Bond Index - Emerging Markets Global Div is a market capitalization weighted Index that is designed to measure the performance of local currency government bonds issued in emerging markets. The Index includes only the countries which give access to their capital market to foreign investors.

**Composite Name Change:** As of April 2019, the composite name changed from Opportunistic EMD - Blended Index to Blended Opportunistic EMD. The name change has not resulted in any material changes to the investment philosophy or process.

**Derivatives/Leverage/Shorts:** Derivative instruments are used only when and as client guidelines permit. Portfolios in the composite may use exchange-traded and over-the-counter derivative instruments, including interest rate, index and currency futures; interest rate, total rate of return, credit default and currency swaps; currency, bond and swap options; deliverable and non-deliverable currency forward contracts; bonds for forward settlement, forward rate agreements and other derivative instruments for risk management purposes and otherwise in pursuit of the investment objective of the portfolios in the composite.

Typically, portfolios in the composite will use derivative instruments for hedging purposes and in the pursuit of approved investment strategies. Derivative instruments are used either as a substitute for underlying cash or bond positions or to hedge the risk of a portfolio in the composite in a way that is consistent with client investment guidelines. In particular, derivative instruments are used as an efficient alternative to cash bonds in the implementation of security selection and country rotation strategies.

The Portfolio may hold outright short positions in these derivative instruments, but short sales of physical securities are prohibited.

**Firm:** For purposes of GIPS® compliance, the Firm is defined as all portfolios managed by Wellington Management Company LLP, an independently owned, SEC-registered investment adviser, as well as its affiliates (collectively, Wellington Management). Wellington Management provides investment advisory services to institutions around the world.

**GIPS®:** Wellington Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Wellington Management has been independently verified for the periods 1 January 1993 to 31 December 2018. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards.

**Performance Calculation:** Gross performance results are net of trading expenses. Returns are gross of withholding taxes on dividends, interest and capital gains. Returns, market values, and assets are reported in USD except when otherwise noted. Returns, market values and assets reported in currencies other than USD are calculated by converting the USD monthly return and assets using the appropriate exchange rate (official 4:00 p.m. London closing spot rates). Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Net of fees performance reflects the deduction of the highest tier investment management fee ("model fee") that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints and is calculated by subtracting 1/12th of the model fee from monthly gross composite returns. In certain instances Wellington Management may charge certain clients a fee in excess of the standard model fee, such as to legacy clients or clients receiving additional investment services. Performance net of model fees is intended to provide the most appropriate example of the impact management fees would have for you.

Pool investors will experience costs in excess of investment management fees, such as operating expenses and custodial fees. These indirect costs are not reflected in the model fee, or net of fees performance.

**Wellington Management**  
**Composite: Blended Opportunistic EMD**  
**Schedule of Performance Returns from 01 January 2010 to 31 December 2019**

**Internal Dispersion:** The dispersion measure presented is the asset-weighted standard deviation. The asset-weighted standard deviation measures the dispersion of individual portfolio returns relative to the asset-weighted composite return. Only portfolios that have been included in the composite for the full period are included in the standard deviation calculation. Limitations imposed by client guidelines or by law on a portfolio's ability to invest in certain securities or instruments, such as IPO securities, and/or implementation of the firm's Trade Allocation Policies and Procedures, may cause the portfolio's performance to differ from that of the composite.

**External Dispersion:** The dispersion measure presented is the three-year annualized ex-post standard deviation. It measures the variability of the composite and the benchmark(s) over the preceding 36-month period. For periods prior to 1 January 2011, the Firm was not required to present the three-year annualized ex-post standard deviation.

<i>3-Year Standard Deviation (%)</i>									
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Composite	N/A*	9.96	10.11	8.99	7.86	8.45	7.54	7.98	6.95
Benchmark	N/A*	8.97	9.64	9.06	8.12	8.60	7.61	7.83	6.51

*\*N/A for performance periods with less than 36 months of data based on composite inception date.*

**Composite Listing:** Wellington Management's list of composite descriptions is available upon request.

**Other Matters:** This material contains summary information regarding the investment approach described herein and is not a complete description of the investment objectives, policies, guidelines, or portfolio management and research that supports this investment approach. Any decision to engage Wellington Management should be based upon a review of the terms of the investment management agreement and the specific investment objectives, policies, and guidelines that apply under the terms of such agreement.

**Past Performance:** Past results are not necessarily indicative of future results and an investment can lose value.

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