Kreditanstalt für Wiederaufbau (KfW)

WHAT IS IT?

KfW[1] is a German development bank, which aims to promote sustainable economic, social and environmental development both within Germany and worldwide. Through its financing, the development bank aims to support projects and initiatives that contribute to economic growth, job creation, and social welfare, while also addressing environmental challenges and fostering sustainability.

Examples of projects financed by KfW's green bond aim to mitigate climate change by financing the construction of new energy-efficient buildings, alongside improving the energy efficiency of existing residential, commercial, and municipal buildings.

WHY DO WE OWN IT?

The proceeds of this particular issuance have been used to finance the construction of 42 energy-efficient apartments in the Hamburg Metropolitan area. These buildings produce more energy than they use, pioneering innovative technologies which could be rolled out to future housing developments. This project was the winner of the "KfW Construction Award 2020" in the category "New building"; in our opinion, the project is aligned with our Resource Efficiency impact theme as well as UN SDGs 7, 9 and 11, fitting our impact thesis while, as a high-quality security, also offering liquidity and potentially attractive financial returns.

COMPETITIVE ADVANTAGE – IMPACT

As one of the world's largest financiers of climate action and environmental protection, we believe KfW is in a unique position to tackle climate change, backed by the German government which has set an ambitious goal of increasing the share of renewable energy in its electricity mix to 65% by 2030. Through financing renewable energy and energy efficiency projects, KfW is facilitating the accelerated expansion of renewable electricity and energy-efficient buildings primarily in Germany, as well as surrounding European countries, delivering progress towards its goal of achieving net zero by 2050.

KEY POINTS FOR KfW

- Supporting job creation, social welfare and environmental solutions in Germany and worldwide
- In 2022, the projects financed by this specific green bond contributed to the avoidance of 1.9 million tons of greenhouse gas emissions.[2]
- In our view, the labelled bond framework of KfW, which aligns with the ICMA Green Bond Principles, is robust.

CONSIDER THE RISKS

Investors should consider the risks that may impact their capital, before investing. The value of your investment may fluctuate from the time of the original investment. Please refer to the risks section enclosed. A decision to invest should take account of all the characteristics and objectives described in the prospectus and KIID/KID and/or offering documents. Please refer to the sustainability related disclosures for information on the commitments of the portfolio: www.wellington.com/en/legal/sfdr.

[1] All information can be found on KfW's website.

[2] Global Impact Bond report, Wellington Management, June 2023.

Risks

Below investment grade: Lower rated or unrated securities may have a significantly greater risk of default than investment grade securities, can be more volatile, less liquid, and involve higher transaction costs. | **Capital**: Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. | **Concentration**: Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. | **Credit**: The value of a bond may decline, or the issuer/guarantor may fail to meet payment obligations. Typically lower-rated bonds carry a greater degree of credit risk than higher-rated bonds. | **Currency**: The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. | **Emerging markets**: Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. | **Hedging**: Any hedging strategy using derivatives may not achieve a perfect hedge. | **Interest rates**: The value of bonds tends to decline as interest rates rise. The change in value is greater for longer term than shorter term bonds. | **Leverage**: The use of leverage can provide more market exposure than the money paid or deposited when the transaction is entered into. Losses may therefore exceed the original amount invested. | **Sustainability**: A sustainability risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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

The Wellington Impact Bond Fund is actively managed and seeks to understand the world's social and environmental problems and to identify and invest primarily in debt issued by companies and organisations, with the belief they are able to address these needs in a differentiated way through their core products, services and projects. Through the Fund's investments, we seek to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Fund seeks to deliver long-term total returns in excess of the Bloomberg Global Aggregate Index (USD Hedged).

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