Dear Investor

Please note that information regarding companies (issuers) and financial instruments (e.g. shares or bonds) in this investor letter shall not be considered as investment recommendations to buy, sell or hold any financial instruments. Information about companies and financial instruments shall only be considered as information concerning the fund's portfolio and risk profile for that quarter.

President Trump managed to stay in everyone's top of mind as his "Liberation Day" tariff announcements took the financial markets out for a rollercoaster ride in April. The initial risk off/shock reaction of the markets saw US yields go lower (albeit with USD weakness) and risk assets being left behind albeit later in the month, in a surprising twist, US yields went higher with the USD still weaker. The anomaly in the USD and yields market is largely being attributed to leveraged trades, the perception of "self-harm" from US policies, and an increased risk premium on US assets. The mood in the markets stabilized as President Trump was perceived to "blink" when bond markets became unruly (especially considering the decided steepening of the US curve in April) and the US administration started to walk back some of its threats to world trade partners. Emerging markets defied the usual trend and delivered relative outperformance, especially in the local currency space, as many lacked significant trade links to the US or simply had a more robust fiscal or monetary outlook. China did not deploy stimulus measures and seems to be playing a longer game. In the end, CEMBI delivered a negative return of -0.4% in USD (-0.6% in EUR) with HY being the weakest link as is usual in a shock to growth scenario and especially given the starting point for valuations. Our EUR denominated institutional share class returned about -1.0% (gross) and was about 40bps behind its benchmark. Our USD I and II share classes returned -0.9% (gross) and were about 50bps behind the benchmark.

Asian corporates fared marginally better than the other regions with a return of -0.2% (+0.2% IG / -1.1% HY). The purported pause in tariff impositions from the US to China greatly helped sentiment thus propelling Chinese credits into positive territory in April with a return of +0.1% (+0.2% IG / -0.4% HY). The realization that President Trump is willing to walk back some of his most aggressive proposals and the expectation Chinese authorities can unleash more stimulus domestically has helped to calm the markets in general. Our underweight exposure to Chinese corporates yielded modest negative relative performance as we have chosen to take our IG duration exposure in other jurisdictions. Indian credits had a tougher month and delivered a return of -0.4% (+0.5% IG / -1.6% HY) as some of the commodity exposed credits lagged the market aggressively. Our overweight in Indian names yielded negative relative performance driven by our exposure to commodity conglomerate Vedanta.

CEEMEA names were somewhat weaker than their Asian counterparts and posted a return of -0.4% (+0.1% IG / -1.0% HY). The preponderance of oil related names within the regional block was a source of weakness as global oil prices experienced a sharp decline as the market braced for a lower growth outlook. The usual stabilization coming from adjustments in Saudi production have not materialized as it is believed the Saudis would be interested in bringing some market discipline to the OPEC block first which means lower prices for some time. Credits from Nigeria were among the hardest hit with a return of -1.4% (-0.2% IG / -2.1% HY) owing to the high relevance of oil production for the country and many of its corporates. Our overweight in Nigerian names yielded a small negative relative contribution to performance. Conversely, the IG rated GCC credits in Saudi Arabia, UAE, and Qatar; which are also heavily reliant on hydrocarbons, produced positive returns in April given their usual safe haven appeal for credit investors. Our combined exposure to these names yielded neutral relative performance owing to our usual preference for the UAE over Qatar and Saudi Arabia.

LatAm corporates were the weakest link despite having fewer vulnerable trade ties to the US and returned -1.0% (-0.4% IG / -1.1% HY). Much of the counterintuitive weakness in IG could be tracked down to Mexican names which returned -1.0% (-0.7% IG / -1.5% HY). Within Mexican IG, weakness in TMT name Televisa was a drag on performance for the group as a whole. Our overweight in Mexican names generated positive relative performance owing to our avoidance of the longest tenors, Televisa, and the riskiest HY names. Furthermore, the tariff impacts over Mexico have remained limited as President Trump has called for more exceptions and the Mexican government has moved fast to anticipate his demands. Colombian credits were among the weakest in the overall space with a return of -2.8% (+0.3% IG /-3.1%) given the relevance of oil in the space but also the links to a weak sovereign story at the moment. Our underweight in Colombian names produced negative relative performance given our footprint in the oil and gas names.

Rating actions among our holdings were dynamic in April with Access Bank reaching B from B- with Fitch, Mongolian Mining Corp to B2 from B3 with Moody's, Seplat to B from B- with Fitch, Alpha Star to Ba1 from Ba2 with Moody's, OTP Bank to BBB from BBB- with S&P, Muthoot Finance to Ba1 from Ba2 with Moody's, and BCP to Baa2 from Baa3 with Moody's. On the other hand, Alibaba was downgraded to A from A+ by Fitch, Canacol was lowered to CCC+ from B- by S&P, and Energo at B+ from BB- with S&P. EM corporate issuance came in at about USD27bn which was a natural slowdown given the volatility backdrop for the markets in general. IG names printed about USD16bn of the total and, from a geographic view, Asia did about USD11bn of the total. Names from the Middle East and Africa issued about USD10bn and the remainder was almost evenly split between Latin America and Emerging Europe. It is worth noting primary activity was reactivated toward the end of the month as the stabilization of global markets brought forth a window for issuance. Nevertheless, primary activity may remain highly tactical should volatility return to the markets.

02/05/2025	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*-0.55*	*1.33*						
EM Corporate Index	-0.43	1.87	6.63	0.19	0.07	256	33	51
CEMBI Investment grade	0.05	2.45	5.59	0.07	-0.09	141	18	29
CEMBI High Yield	-1.10	1.07	8.52	0.37	0.35	459	55	85
EMBI	-0.22	1.99	7.91	0.12	0.04	363	19	38
EMBI Investment grade	0.15	2.89	5.78	0.04	-0.11	135	6	16
EMBI High Yield	-0.58	1.12	10.45	0.26	0.31	630	37	71
Developed USD IG (JPM)	0.07	1.98	5.54	0.05	-0.02	120	10	28
US High Yield Corp (BarCap)	-0.02	1.19	7.81	0.17	0.32	368	37	81
5Y US Treasury bond	1.30	3.67	3.82	-0.22	-0.56	n.m.		
10Y US Treasury bond	1.03	4.47	4.22	-0.04	-0.35	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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