

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.

The usual rollercoaster ride of inflation dynamics, growth outlook, and interest rate path brought modest steepening to the US yield curve and somewhat higher rates especially in the longer tenors. Emerging market credit was not immune to these moves albeit volatility in general was subdued. Nevertheless, weak Chinese growth dynamics continued to make headlines and most commodities, except for oil, lacked upwards momentum in their prices. The USD remained rangebound as has been the case in recent months and the last summer month did not bring special surprises to the markets. Our institutional EUR was about 30bps behind its benchmark in August (gross). The USD share class was also about 30bps behind its benchmark in August (gross).

Asian credits were the weakest with a return of -0.8% (-0.4% IG / -2.6% HY). As has been the case for many months now, most of the weakness was concentrated in the Chinese HY real estate sector which still has been unable to find firm grounding. Last minute coupon payments, rumors over credit events, and still fundamental weakness continued to be a drag on the sector. Our underweight in Chinese credits yielded modest negative relative performance owing to our small exposure to VANKE and COGARD. Credits from Macau were also among the weakest posting a return of -1.1% (-3.9% IG / -1.1% HY) as concerns over China's economic slowdown and even a typhoon hitting the region hurt gaming and lodging related names (which dominate exposure from Macau). Our underweight exposure to these credits yielded neutral relative performance since most of our footprint is in Sands China which was hit the hardest this month despite its recent IG upgrade by Fitch.

Credits from CEEMEA were some of the most resilient with a return of -0.1% (-0.8% IG / +0.4% HY) in August. Turkish credits had a good month returning 1.3% (-2.4% IG / +1.3% HY) as investors are increasingly getting comfortable with the newly appointed economic authorities and their return towards orthodoxy steering the country away from the economic brink. Our underweight in Turkish credits delivered modest negative relative performance. Israeli credits were among the strongest with a return of 1.2% (0.4% IG / 1.5% HY) with some of the lower rated names like ALTICE leading the charge on the back of a potential deleveraging plan. Our overweight exposure to credits from Israel produced modest positive relative performance since we have focused on higher rated entities. South African credits were the laggards in the regional block with a return of -1.8% (-2.2% IG / -1.0% HY) with weakness concentrated in PRXNA, the flagship media conglomerate. The name was hit by a multitude of headlines including weaker revenue at Tencent in Asia, changes in its corporate structure with the removal of cross holdings between Naspers and Prosus, and the overall upward trend in interest rates for most of the month. Our overweight in South African names yielded negative relative performance in August.

LatAm credits lost momentum with a return of -0.3% (-1.1% IG / 0.2% HY). Mexican credits were among the weakest returning -1.0% (-1.2% IG / -1.0% HY). IG weakness reflected the usual interest rate sensitivity while HY weakness came from TOTALP and BAKIDE, two of the

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most volatile stories in recent months. Our overweight exposure in Mexico, tilted to the shorter tenors and higher quality names, yielded modest negative relative performance. Credits from Panama were some of the strongest with a return of 1.1% (0.3% IG / 1.5% HY). The most volatile names in this jurisdiction led returns albeit the lower beta names did not post negative performance. Our overweight positioning in Panama delivered neutral relative performance owing to our preference for the safer names in this jurisdiction.

EM corporate issuance remained modest in August with USD10bn printed. Asia issued slightly over USD7bn while LatAm and Eastern Europe issued about USD1.0bn each. IG dominated activity with USD8bn of the total. Traditionally, August is a quiet month and the rate volatility from August probably led many issuers looking into September for tapping the markets. Primary activity might be challenged by the ongoing market uncertainty albeit any sign of stabilization might prompt issuers to seize the moment.

05/09/2023	Return last month (USD)	Return YTD	Yield to Worst	Last month	Δ YTD	OAS Spread	Last month	Δ YTD
<i>CEMBI EUR hedged</i>	-0.60	2.53						
EM Corporate Index	-0.44	4.14	7.42	0.26	0.14	302	16	-20
CEMBI Investment grade	-0.60	2.91	6.10	0.25	0.35	171	13	1
CEMBI High Yield	-0.23	5.82	9.74	0.39	0.21	530	30	-15
EMBI	-1.51	4.32	8.54	0.37	-0.02	417	24	-35
EMBI Investment grade	-1.30	2.19	5.61	0.22	0.20	121	7	-13
EMBI High Yield	-1.72	6.58	12.11	0.57	-0.15	775	46	-48
Developed USD IG (JPM)	-0.62	2.46	5.71	0.16	0.17	134	2	-16
US High Yield Corp (BarCap)	0.28	7.14	8.40	0.11	-0.56	366	5	-103
5Y US Treasury bond	0.11	1.14	4.33	0.08	0.32	n.m.		
10Y US Treasury bond	-0.74	-0.37	4.21	0.15	0.34	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

Annie Chen, Chresten Hagelund, Eduardo Ordoñez,
Jakob Christensen, and Søren Bertelsen.

BI Asset Management Fondsmæglerselskab A/S
"BankInvest"

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