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 last month of one of the most painful years in financial markets brought little in the way of new developments. The usual "tug of war" between the markets and the US Federal Reserve continued, albeit the monetary authority continued to patiently assert its hawkish credentials which prompted a gradual upward trend in rates. China's confusing COVID reopening continued to split opinions with some market participants dwelling on an inflationary impact while others remained puzzled by the lack of clarity in the process. Consensus views have embraced the concept of a global economic downturn but the debate over the timing and magnitude has continued to split opinions. US treasuries produced soft returns with the 10 yr rate rising by more than 25 bp in December. Developed market USD IG paper was down only 0.3% and US HY corporates were down around 0.7%. Conversely, CEMBI was ahead by 1.5% (in USD) with IG returning 0.9% and HY up by almost 2.5% (all in USD). Our institutional EUR share class returned +1.5% and was about 30bps ahead of its benchmark in December. The USD share class returned almost 1.9% and was similarly about 30bps ahead of its benchmark in December.

LatAm credits were among the strongest in the month with a return of 2.4% (+1.6% IG / +2.9% HY). Corporates from all countries except Jamaica (-4.2%) posted positive results. Jamaica's case is special as it is only represented by a deeply distressed TMT credit (Digicel) which should face a new credit event soon. Credits from Argentina rallied hard (+5.8%), from a very weak starting point, on continued expectations of political change in 2023. Chilean credits were strong with a return of +2.9% (+2.7% IG / +4.0% HY) propelled by commodities and utilities in general. Lastly, credits from Brazil were some of the softest with a return of only 1.3% (+0.6% IG / +1.6% HY) as concerns over the changing political landscape in the country, with more economic populism, continued to accumulate. Our neutral to overweight positioning across credits from all these countries contributed positively to relative performance in December.

Asian credits returned 1.5% in December (+0.6% IG / +4.9% HY). Chinese credits continued to benefit from optimism surrounding its gradual reopening plans following the government's COVID zero policies. Chinese credits returned +3.1% (+1.1% IG / +18.3% HY). The big rally in the HY space also reflected more positive developments in the country's highly distressed real estate sector which faced a multitude of obstacles throughout the year. Our underweight positioning in Chinese credits contributed positively to relative performance owing to a mix of names in the real estate space where selection has remained paramount to performance. Indian credits only returned 0.6% in December (-0.02% IG / +1.6% HY) after strong performance in recent months. We have scaled back our overweight positioning in these credits albeit positioning is still not neutral. These credits yielded neutral relative performance in December.

Credits from CEEMEA posted mixed results which tallied up to +1.06% (+1.0% IG / +1.0% HY). Deeply distressed corporates from Turkey (+2.9%) and Ukraine (+3.8%) posted strong performance. Both stories have continued largely unchanged with the same sovereign driven risks. Low beta credits from the United Arab Emirates were also strong returning +1.1%. Our exposure to all these credits yielded positive relative performance in December. Lastly, Nigerian corporates were outliers posting a return of +3.5% (+3.0% IG / +3.8% HY) despite the general weakness in oil markets. Outperformance centered on exposure to mobile tower company, IHS, which is among the more resilient corporate issuers out of Nigeria. Our overweight exposure to these credits contributed positively to relative performance.

EM corporate issuance remained understandably muted in December with only USD1bn priced. Almost bonds were issued from the Asian IG space and a minuscule percentage came from the Middle East HY. Sentiment will remain cautious when it comes to emerging markets in the near term albeit quality names benefitting from trends like higher commodity prices or reduced geopolitical risk exposure could try to issue.

Kind regards,
Annie Chen, Chresten Hagelund, Eduardo Ordoñez, and Søren Bertelsen.

BI Asset Management Fondsmæglerselskab A/S "BankInvest"
Last edited 09th January 2023.