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 aggressive rally across markets from late 2023 naturally led to some retracement early in January albeit the "soft landing" narrative continued to drive returns into the end of the month. Emerging market credit benefitted from the tailwinds despite a still uninviting narrative in China and lack of momentum in commodity markets. Nevertheless, differentiation between corporates and sovereigns was apparent as spreads have enrichened far more in the sovereign space than in the corporate space leading to corporate outperformance. Our EUR denominated institutional share class returned 0.5% (gross) in January, almost 10bps ahead of its benchmark. Similarly, our USD I and II share classes returned 0.7% (gross), about 10bps ahead of their benchmark.

Asian credits led returns delivering 0.8% (0.4% IG / 2.4% HY) powered by a surge in HY credits. Corporates from the Philippines stood out with a return of 2.0% (0.8% IG / 10.4% HY) as many perpetual tenor papers across sectors led investor preferences. Our overweight allocation to papers from the Philippines yielded modest negative relative performance owing to our smaller footprint in perpetual notes. Indian credits also had a good month with a return of 1.8% (0.8% IG / 3.3% HY) as Vedanta's announcement of completing an upcoming bond payment in February propelled performance in the HY space. Our overweight exposure to Indian papers contributed positively to performance despite avoiding the distressed credits from Vedanta and instead opting for the energy/industrial/infrastructure names. Lastly, Chinese credits returned 1.0% (0.6% IG / 4.3% HY) as the deeply distressed real estate names registered a strong tactical bounce during the month. Our underweight exposure to Chinese credits yielded neutral relative performance owing to our exposure in the TMT sector which offset our avoidance of the distressed real estate outperformers in January.

Credits from CEEMEA returned 0.4% (-0.4% IG / +1.5% HY) as HY returns also drove performance. Credits from Ukraine stood out with a return of 7.3% as recent underperformance and hopes for further support from allies in the US and EU boosted performance. Furthermore, Metinvest's signing of a deal with an Italian partner raised the bar for performance after the credit had been deemed a Ukraine-only story. Our small overweight in these credits yielded modest relative outperformance. Elsewhere in CEEMEA's HY space, Zambian credits posted a return of 5.2% after First Quantum, struck by Panama's sudden removal of their mining concession, announced they would seek to monetize some inventories still in Panama. Our modest underweight yielded neutral relative performance. Lastly, oil and duration sensitive credits from Saudi Arabia (-1.5%), Qatar (+0.3%), and the UAE (+0.0%) lagged albeit much of the weakness could be traced to large Saudi Arabian bond supplies and to some extent the proximity to the armed disturbances in the Red Sea. Our net exposure to these three jurisdictions yielded positive relative performance, mostly gaining on our avoidance of ARAMCO but losing some performance through our overweight in credits from the UAE.

LatAm credits performed similarly to their peers from CEEMEA with a return of 0.5% (. -0.1% IG / +1.1% HY). Credits from Panama performed well, returning 2.0% (1.9% IG / 2.1% HY) after recent sovereign driven underperformance seemed stretched and prompted bids. Our overweight exposure produced neutral relative performance since we have avoided the most speculative papers in Panama which were also the most sought after in January. Credits from Colombia experienced a setback after many months of strong performance, returning -0.6% (-0.1% IG / -0.4% HY). Our modest underweight in these names yielded neutral relative performance as the bulk of exposure lies with Ecopetrol, the state-owned oil company, which lagged the most in this jurisdiction. Lastly, credits from Guatemala returned 0.8% after political headlines subsided and President Arevalo was sworn in after overcoming many obstacles. Our overweight in these credits produced modest positive relative performance since our holdings in soda bottler CAMEBO have remained relatively stable throughout the turbulence.

EM corporate issuance was active in January and even extended into the HY space as many issuers saw a good window for a deal given the general macroeconomic expectations and recent compression in US yields. Total issuance reached USD53bn with about USD14bn printing in the HY space. The geographic mix of issuers widened considerably beyond Asia (USD22bn) as LatAm issued about USD14bn and the Middle East & Africa block printed close to USD11.0bn. The persistence of favorable macro tailwinds may favor new issuance windows throughout the year especially since most market participants are anticipating some form of monetary easing from most central banks in 2024.

02/02/2024	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*0.47*	*0.76*						
EM Corporate Index	0.59	0.91	6.72	-0.61	-0.09	273	-16	-8
CEMBI Investment grade	0.06	0.46	5.57	-0.57	0.02	157	-11	3
CEMBI High Yield	1.37	1.58	8.85	-0.64	-0.26	487	-19	-23
EMBI	-1.02	-0.54	8.01	-0.68	0.16	400	-22	17
EMBI Investment grade	-1.36	-0.79	5.42	-0.54	0.18	133	-7	17
EMBI High Yield	-0.68	-0.29	11.19	-0.79	0.20	722	-33	21
Developed USD IG (JPM)	0.04	0.55	5.13	-0.52	-0.01	109	-5	-2
US High Yield Corp (BarCap)	0.00	0.23	7.71	-0.84	0.12	340	-47	17
5Y US Treasury bond	0.22	0.44	3.83	-0.42	-0.02	n.m.		
10Y US Treasury bond	-0.15	0.48	3.88	-0.45	0.00	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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Last edited 08th February 2024.