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 start of a new year brought the usual flurry of primary market activity. This year, issuers had the additional motivation of frontrunning the beginning of Donald Trump's new presidential term in the US on the back of the volatility he can bring to the financial markets. Interest rate volatility remained in place in the US as some of Trump's ideas are considered inflationary and are making traders anticipate a steer US yield curve. The USD remained firm albeit subject to swings depending on the market's interpretation of Trump's plans. Commodity markets remained in a holding pattern. Lastly, China reported a 2024 growth figure that met the needs of the government albeit it remains to be seen if a meaningful recovery is truly taking place. CEMBI returned 0.8% with HY still leading on the back of the interest rate volatility seen during the month. Our EUR denominated institutional share class returned about 1.0% (gross) and was about 30bps ahead of its benchmark . Similarly, our USD I and II share classes returned 1.1% (gross) and were about 30bps ahead of the benchmark.

All regions delivered positive returns albeit Asia lagged the rest with a return of 0.6% in January (0.8% IG / -0.1% HY). Asian credits went against the tide in January as weakness in HY, especially among Chinese and Hong Kong names, dragged down aggregate returns for the region. The struggling real estate sector was at the heart of the volatility since there are still no clear and easy solutions that can deal with the financial distress, weakened demand, and government struggles amid a new trade war with the US. Our underweight exposure to these credits contributed positively to performance driven by our exposure to financial papers in Hong Kong. Indian credits did well in January and posted a return of 1.0% (1.1% IG / 0.8% HY) as some industrial and oil names came under pressure in January but the Adani complex recovered lost ground. The Adani complex has been well supported after a turbulent close to 2024. Our overweight exposure to Indian credits contributed positively to performance owing to our footprint in the Adani family of names.

Credits from CEEMEA returned 0.8% (0.4% IG / 1.1% HY) with a wide dispersion of outcomes across issuers in Africa, Eastern Europe, and the Middle East. Israel stood out with a strong return of 2.0% (1.0% IG / 2.4% HY) despite the headwinds for IG rated names on the back of US rate volatility. Many financial papers caught a bid as recent underperformance owing to the armed conflicts in place in the region had held back investors' appetite in these names. The ongoing ceasefires and the expectation of tighter collaboration between Netanyahu's government in Israel with Trump's government in the United States probably lifted sentiment for these credits. Our underweight exposure to Israeli credits yielded modest negative relative performance. Credits from Ukraine continued to perform nicely with a return of 4.4% despite the fears of negative repercussions for the country stemming from a lack of support from the Trump administration. Negotiations are ongoing and an easy resolution is not clear as both the Ukrainians and Russians continue to wear themselves out. Our overweight exposure to Ukrainian credits contributed positively to performance in January.

LatAm names outperformed in January with a return of 1.1% (0.6% IG / 1.3% HY) despite the region's proximity to the US and the ensuing risks from his unpredictable proposals. Names from Argentina continued to deliver solid returns at 1.0% as the improvements in sovereign risk have allowed the corporates to return to the international markets albeit without the spectacular capital appreciation gains seen in the sovereign bonds. Our neutral exposure to credits from Argentina produced neutral relative performance. Credits from Colombia returned 1.8% (0.6% IG / 1.9% HY) after months of underperformance, led mostly by sovereign dynamics, attracted buyers. Some of the distressed junior oil/gas names like FECCN and CNECN outperformed after delivering fundamental improvements in recent months. Our underweight exposure to Colombian credits yielded positive relative performance owing to our footprint in CNECN, the gas producer which is in the midst of an operational turnaround after a failed exploration campaign in 2023.

Rating actions among our holdings were muted in January. Names from Argentina were upgraded by 1 notch to Caa1 (YPFDAR, TECOAR) by Moody's while the Indian commodity conglomerate VEDLN also saw an improvement in its ratings from Moody's by one notch to B2. EM corporate issuance came in at about USD60bn which marked a strong start to the year which is normal. The novelty this year has been the number of issuers coming to market seizing opportunities at a time when spreads are tight and just before Donald Trump started his new presidential term. IG paper amounted to USD43.2bn of the total and Asian paper took almost USD24bn of the total while LatAm printed next to USD17bn and the MENA subregion produced USD13bn. Emerging Europe accounted for the remainder at almost USD7bn. Geopolitical uncertainties remain elevated and US fiscal and monetary policies still have left many questions unanswered. This means February might be a cautious month as the market waits to see what Trump's first actions in office will be.

04/02/2025	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*0.67*	*0.60*						
EM Corporate Index	0.80	0.74	6.55	-0.03	-0.01	209	1	3
CEMBI Investment grade	0.63	0.62	5.68	-0.01	0.00	116	2	3
CEMBI High Yield	1.03	0.92	8.14	-0.08	-0.03	375	-3	0
EMBI	1.44	1.38	7.75	-0.13	-0.12	318	-9	-7
EMBI Investment grade	0.69	0.69	5.88	-0.01	-0.01	122	1	3
EMBI High Yield	2.13	2.02	9.92	-0.25	-0.22	540	-21	-19
Developed USD IG (JPM)	0.62	0.57	5.55	-0.02	-0.01	95	1	3
US High Yield Corp (BarCap)	1.37	1.18	7.28	-0.29	-0.21	266	-26	-21
5Y US Treasury bond	0.60	0.51	4.37	-0.05	-0.01	n.m.		
10Y US Treasury bond	0.68	0.73	4.57	-0.03	0.00	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

Aksel Madslien, Chresten Hagelund, Eduardo Ordoñez, Jakob Christensen, and Søren Bertelsen.

BI Asset Management Fondsmæglerselskab A/S "BankInvest"

Last edited 07th February 2025.