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.

A rollercoaster ride in UST yields in March, with most tenors ending the month roughly unchanged, as the realization of a longer wait for rate cuts continued to be digested in the markets and each new data point continued to be scrutinized for direction. This context left something positive or negative for everyone, regardless of their views, hence both IG and HY credit performed well in March albeit still favoring HY. All sectors and maturity tenors in CEMBI posted positive returns in March and aggregate regional performance was similar across the board. Our EUR denominated institutional share class returned 0.93% (gross) in February, almost 5bps ahead of its benchmark. Similarly, our USD I and II share classes returned 1.04% (gross), about 5bps ahead of the benchmark.

LatAm credits led the pack returning 1.2% (1.0% IG / 1.4% HY). Mexican credits returned 1.4% (0.9% IG / 2.7%) with a strong comeback in some distressed stories. Total Play matched a restructuring deal offered privately in recent weeks in an offering for all investors. Braskem Idesa gained from an unexpected improvement in fundamentals and the potential M&A activity at its parent's level. Subordinated financial papers also did well. Our overweight exposure to Mexican credits yielded negative relative performance owing to our larger footprint in the less risky names. Brazilian credits also had a good month returning 1.0% (1.3% IG / 0.8% HY). The recently junked papers from Braskem were among the top performers in March owing to the increasing likelihood of a potential investment from strategic partners from the Middle East. This same catalyst lifted papers from MCBRAC in February as the diplomatic relations between Brazil and this region have intensified in recent months. Our modestly underweight exposure to Brazilian names contributed positively to performance in March owing to our exposure in Braskem.

CEEMEA delivered a return of 1.0% (0.9% IG / 1.2% HY). Ukrainian credits were some of the few which posted negative returns in March, at -1.0% on the back of weakening credit quality for the sovereign. Our overweight exposure in Ukrainian names yielded positive relative performance since not all corporates suffered the headlines in the same magnitude. At the other end of the spectrum, credits from Nigeria delivered some of the highest returns in March at 3.0% (1.1% IG / 4.0% HY) with papers from IHS leading. The market reacted positively to the company's release of its 4Q23 results and forward-looking guidance, with fundamental and strategic improvements lifting investor sentiment. Our overweight positioning in Nigerian credits contributed positively to performance particularly owing to our exposure to IHS. Lastly, credits from Saudi Arabia posted a comeback with a return of 1.2% (1.1% IG / 1.4% HY) after the interest rate shock in the markets had hurt these usually low beta papers in recent months.

Asian credits posted a 0.9% return (0.8% IG / 1.1% HY). Chinese credits returned 0.7% (0.7% IG / 0.4% HY) as the duration sensitive names recovered some lost ground. Our underweight in Chinese credits yielded modest positive relative performance owing to rate sensitive names like BABA or PROSUS. Conversely, Indian credits lagged with a return of only 0.4% (0.6% IG / 0.2% HY) as some of the industrial names which had been outperforming recently took a pause. Our overweight in Indian papers yielded negative relative performance. News over a potential investigation from US authorities into the Adani complex did not yield material weakness in the bonds outstanding. Lastly, IG stalwarts in Thailand (+0.8%), Taiwan (+1.0%), and South Korea (+0.6%) posted positive returns after regaining some ground from the recent interest rate shocks.

EM corporate issuance came in at USD22.8bn with almost USD19bn coming from the IG space and about USD10bn of the total coming from Asia. LatAm only printed USD2.5bn while CEEMEA took the rest evenly split between MENA and Emerging Europe. The rationalization of the debate over how many rate cuts should be appropriate in the US for 2024 and developments from real data may continue to dictate the pace of primary market activity.

03/04/2024	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*0.89*	*1.60*						
EM Corporate Index	1.00	1.97	6.74	-0.19	-0.07	226	-14	-55
CEMBI Investment grade	0.89	0.59	5.73	-0.11	0.18	125	-6	-29
CEMBI High Yield	1.16	4.03	8.66	-0.25	-0.45	418	-21	-92
EMBI	0.96	1.27	7.88	-0.32	0.03	340	-27	-44
EMBI Investment grade	1.21	-1.64	5.65	-0.11	0.41	112	-6	-4
EMBI High Yield	2.96	4.26	10.53	-0.52	-0.46	607	-48	-93
Developed USD IG (JPM)	1.15	-1.24	5.52	-0.11	0.38	103	-5	-8
US High Yield Corp (BarCap)	1.18	0.94	7.84	-0.20	0.25	308	-13	-15
5Y US Treasury bond	0.47	-0.93	4.36	-0.03	0.52	n.m.		
10Y US Treasury bond	0.81	-2.53	4.38	-0.05	0.50	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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

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Last edited 04th April 2024.