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.

President Trump's backtracking of his fiery retaliatory measures against trade partners around the world continued in May helping the markets to find a firmer footing. Nevertheless, the focus on his "big, beautiful bill" highlighted the problems with the fiscal trajectory in the US and prompted a US centric but global reaching steepening of yield curves. The USD remained challenged as strong equity performance in the US was not enough to offset sellers of USD across the board. Commodity markets remained supported with Brent crude clawing back small gains after recently sliding on oversupply concerns. Emerging market currencies remained an oasis of outperformance as lower oil prices and potential deflation exported from China out of the US and into other markets were seen as tailwinds in a context where global growth is expected to slow down but not reach a serious halt. CEMBI performed well amid the generalized rebound with a return of 0.6% in USD (0.4% EUR) with its HY leg regaining a lot of the lost ground from recent volatility. The recover allowed CEMBI to perform almost in line with US HY on a YTD basis. Our EUR denominated institutional share class returned about +0.7% (gross) and was about 30bps ahead of its benchmark. Our USD I and II share classes returned +0.9% (gross) and were also about 30bps ahead of the benchmark.

Asian corporates were on the back foot again given the preponderance of IG papers in this space hence returning only 0.5% on aggregate (0.3% IG / 1.3% HY). The notable surge in HY outperformance did not come from the Chinese real estate sector for once as Indian credits took the lead returning 1.3% on aggregate (0.5% IG / 2.4% HY). The surge in Indian HY names came from the commodity conglomerate Vedanta as well as papers from the Adani complex of entities which had been on the back foot in recent months. Our overweight exposure to Indian credits, particularly to the Adani names, yielded strong positive relative performance in May. At the other end of the universe in Asia, names from Hong Kong were among the weakest with a return of -0.5% (+0.3% IG / -3.9% HY) as fears over a potential default/refinancing risk from New World Development dragged down performance. The company announced it was working on securing fresh bank financing but the market was not satisfied with the information made available. Our underweight in credits from Hong Kong contributed handsomely to performance since we lacked exposure to New World Development.

CEEMEA names fared somewhat better than Asian names with a return of 0.7% (0.0% IG / 1.3% HY). The relatively muted action in the IG space reflected low returns among the highly rate sensitive jurisdictions in the GCC (e.g. Saudi Arabia, UAE, Qatar) in a period where the global interest rate backdrop was negative for long duration credits. In addition, low oil prices amid a push from the Saudis to instill some production discipline in OPEC and regain market share probably served to limit enthusiasm for these names in May. Our net underweight exposure to these credits produced modest positive relative performance. The surge in CEEMEA HY credits was dominated by the highest beta names albeit credits from Israel also captured some gains with a return of 1.3% (0.3% IG / 1.7% HY). The rally in Israeli HY was widespread in terms of sectors and credit ratings. Our underweight in Israeli names produced nearly neutral relative performance owing to our exposure to HY oil names.

LatAm corporates names bounced back after a weaker showing in April with a return of 0.7% (0.1% IG / 1.1% HY). Credits from Colombia were among the strongest with a return of 1.4% (0.4% IG /1.5% HY) as the weakening sovereign story attracted buyers and lifted many of the corporates while, at the same time, some HY bottom-up distressed stories in this jurisdiction had a good showing. Our modest overweight in these names yielded modest negative performance owing to our avoidance of the distressed credits which surged in May as well as our exposure to oil names amid a weaker price environment for the commodity. Chilean credits, on the other hand, were among the weakest in May with a return of only 0.4% (0.2% IG / 1.4% HY). The strength in overall market risk lifted HY stories across sectors albeit MOVCHI, Telefonica's Chilean operation, brought significant volatility after posting weak quarterly results and suddenly receiving fresh support from its parent amid rumors of a tough to complete divestment by said parent. Our exposure to this credit meant our underweight in Chilean credits produced negative relative performance in May.

Rating actions among our holdings were balanced in May with BANGUA upgraded to BB+ from BB by S&P, TAV Havalimanlari upgraded to BB from BB- by S&P, YPF upgraded to CCC+ from CCC by Fitch, and Indofood upgraded to BBB from BBB- by Fitch. On the downgrade side, Codelco's ratings were lowered to Baa2 from Baa1 by Moody's, Energo's ratings were lowered to Aa2 from Aa1 by Moody's, MOVCHI's ratings came down to BB from BB+ by S&P, and Braskem's ratings were lowered to B+/BB from BB-/BB+ by Fitch (subordinated and senior ratings). EM corporate issuance came in at about USD39bn which was an improvement over recent months as the backtracking of market unfriendly rhetoric from President Trump created a window of opportunity for issuers. Asia priced about USD13bn of the total while the Middle East and Africa surged to almost USD16bn of the total. LatAm printed USD6.0bn and the remainder came from Emerging Europe. IG papers accounted for USD25bn of the total priced. Primary activity may remain highly tactical should volatility return to the markets.

03/06/2025	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*0.42*	*1.84*						
EM Corporate Index	0.61	2.54	6.58	-0.03	0.02	228	-29	22
CEMBI Investment grade	0.20	2.63	5.65	0.06	-0.03	124	-19	11
CEMBI High Yield	1.19	2.44	8.29	-0.17	0.12	413	-43	39
EMBI	1.12	3.03	7.84	-0.08	-0.03	332	-34	7
EMBI Investment grade	-0.06	2.69	5.87	0.07	-0.02	120	-18	1
EMBI High Yield	2.27	3.35	10.13	-0.33	-0.01	574	-59	15
Developed USD IG (JPM)	-0.05	2.01	5.60	0.08	0.04	102	-18	10
US High Yield Corp (BarCap)	1.68	2.69	7.50	-0.44	0.01	316	-69	29
5Y US Treasury bond	-0.59	3.22	3.98	0.24	-0.40	n.m.		
10Y US Treasury bond	-1.17	3.31	4.42	0.24	-0.15	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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Last edited 06th June 2025.