## 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.*

May was a volatile month for risks assets as increasingly hawkish views with regards to the tightening of financial conditions began to increase the sense of recessionary risks. Hopes of a pause in the US Federal Reserve's rate rises in September and still strong underlying fundamentals in the economy gave way to a small recovery rally by the end of the month. Nominal UST yields ended slightly lower over the month with the 2 yr tenor 15bps lower when compared to April. The 10 yr nominal tenor was 10bps lower and the 30 yr was only 4bps higher. Real rates had a more clear upward trend with tenors from 10 yr and onward ending in positive territory. Inflation breakevens ended up mostly lower except for the longest tenors in the curve. CEMBI returned -0.6% in May (USD) with IG down by -0.2% and HY down by -1.1%. The pace of decline was much more moderate compared to recent months and the recessionary fears clearly affected HY credit more relative to IG. The fund's EUR hedged institutional share class returned -1.0% in May (gross) and was ~30bps behind its benchmark while the USD share class returned -0.8% and was similarly behind its benchmark.

Asian credits performed marginally better than the other regions with a return of -0.6% (-0.03% IG / -1.8% HY) as its IG component closed the month with relative outperformance. Weakness in Chinese HY was, again, concentrated in its real estate sector as recent lockdowns in Shanghai and the expectation of a negative feedback loop to growth from the already weak homebuilding activity raised concerns for investors in this space. The concerns over Chinese growth have even extended somewhat into the commodity space as investors anticipate lower demand for commodities albeit the tight physical supply/demand dynamic across commodities has capped the downside especially for base metals. Our underweight positioning in Chinese credits yielded negative relative performance owing to our small but still present exposure to the Chinese HY homebuilders which have extremely large moves both up and down in their valuation. Elsewhere in Asia, IG stalwarts Korea and Taiwan delivered positive returns of +0.3% and +0.8% respectively. Our long standing underweights in both delivered neutral relative performance owing to our recently developed yet still modest exposure to South Korean credits.

CEEMEA delivered returns in line with Asia coming in at -0.6% (-0.4% IG / -0.7% HY). It is worth noting CEEMEA no longer includes Russian credits in its benchmark. Turkish credits were some of the weakest in the month with a return of -2.7%. The country continues to opt for heterodox monetary policies which are, once again, fueling inflation and are rapidly eroding the value of the country's currency. The lack of central bank independence and the overarching influence of President Erdogan, particularly now as presidential elections are approaching, pose a serious limitation for investors. His administrations obstruction of the inclusion of Sweden and Finland in NATO did not earn the government more trust with the international community. Our underweight in Turkish credits generated negative relative performance owing to our small but still present exposure to some of the blue chip Turkish industrials. Elsewhere in the regional block, Ukrainian credits were outliers with a return of +10.3% albeit coming from a very low base. Our modest overweight in these credits contributed positively to performance. The war in Ukraine has continued and the Russian administration has not given signs of stepping back.

LatAm credits performed in line as well with a return of -0.6% (+0.2% IG / -1.3% HY). It was the only region with a positive return in the IG space owing to the preponderance of IG rated long dated paper issued by credits from Mexico, Panama, and Chile. Nevertheless, it was Brazilian credits which outperformed with a return of +0.4% (+1.8% IG / -0.04% HY) largely owing to the commodity driven nature of its HY credits. Our overweight in Brazilian credits delivered negative relative performance owing to our scant footprint in the country's IG space as well as our preference for lower beta financial names which had outperformed in recent months and caught up with general market weakness in May. Elsewhere in the region, Chilean credits returned -1.1% (-0.6% IG / -3.3% HY) with weakness in Chilean HY concentrated in unconventional utility credits and the TMT space particularly owing to weakness in VTR's fundamentals. The legacy broadband player has struggled to turnaround even after Liberty's takeover. Our overweight in Chilean credits delivered positive relative performance particularly owing to our exposure to the country's copper sector which found relief after the proposed changes to the constitution are likely going to be less punitive than expected for the sector. In fact, a significant segment of the population has lost interest in the new constitution and it remains to be seen how the current administration will provide an outlet for the frustrations of many voters.

EM corporate issuance remained understandably depressed with USD15.4bn priced in May. Around USD12bn were IG rated and Asia contributed with USD13bn of the total issued. LatAm issued USD1bn and CEEMEA issued the remaining USD1bn. Sentiment will remain cautious when it comes to emerging markets in the near term albeit names benefitting from trends like higher commodity prices or reduced geopolitical risk exposure could try to issue.

| 07/06/2022 | Return last month (USD) | Return YTD | Yield to Worst | *Last month* | *Δ YTD* | OAS Spread | *Last month* | *Δ YTD* |
|---|---|---|---|---|---|---|---|---|
| *CEMBI EUR hedged* | *-0,70* | *-11,93* | | | | | | |
| EM Corporate Index | -0,59 | -11,34 | 6,23 | 0,20 | 2,12 | 317 | 26 | 45 |
| CEMBI Investment grade | -0,17 | -12,42 | 4,91 | 0,09 | 1,92 | 182 | 13 | 31 |
| CEMBI High Yield | -1,13 | -10,00 | 8,34 | 0,36 | 2,26 | 533 | 44 | 49 |
| EMBI | 0,03 | -15,59 | 7,58 | 0,07 | 2,29 | 443 | 9 | 76 |
| EMBI Investment grade | 0,68 | -17,62 | 4,80 | -0,03 | 1,59 | 155 | -5 | 12 |
| EMBI High Yield | -0,62 | -13,43 | 10,79 | 0,26 | 2,90 | 771 | 31 | 132 |
| Developed USD IG (JPM) | 0,80 | -12,55 | 4,65 | -0,06 | 1,85 | 147 | -9 | 33 |
| US High Yield Corp (BarCa | 0,25 | -8,58 | 7,28 | 0,11 | 3,07 | 406 | 27 | 123 |
| 5Y US Treasury bond | 0,77 | -6,06 | 3,01 | -0,14 | 1,75 | n.m. | | |
| 10Y US Treasury bond | 0,70 | -11,14 | 3,02 | -0,09 | 1,51 | n.m. | | |

Returns in USD except CEMBI EUR hedged

*Kind regards,*

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*Last edited 08th June 2022.*