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 steepening of the US yield curve carried on from the previous month as the markets continued to ponder over term premia, fiscal discipline, and US sovereign issuance dynamics in a "higher for longer" context. Emerging market credit was not immune to these moves albeit without significant volatility. The USD remained rangebound against most peers albeit with some weakness toward the end of the month. The armed conflict between Hamas and Israel did not trigger widespread volatility for emerging markets. Weak Chinese growth dynamics continued to make headlines (alongside the country's embattled real estate sector) and most commodities, now also including oil, lacked upwards momentum in their prices. CEMBI delivered a return of -0.8% in USD (-1.0% in EUR). Our institutional mandate in EUR was about 30bps behind its benchmark and our USD share class was similarly close to 30bps behind its benchmark in October.

Asian credits continued on weak footing with a return of -0.8% (-0.9% IG / 0.5% HY). IG weakness reflected the usual interest rate sensitivity as well as the effects of the protracted downturn in Chinese real estate which is also hitting IG rated names. Chinese credits returned -1.6% (-0.7% IG / 0.4% HY) in October amid much debate over the need to redefine China's growth model. Our underweight exposure to Chinese credits yielded small negative relative performance owing to our holdings of some IG rated real estate names. Indian credits had a much more calm month with a return of -0.4% (-1.1% IG / 1.0% HY). The Adani related credits were weak on account of renewed suspicion over their dealings whereas financials and utilities performed well. Our overweight in Indian credits produced modest negative relative performance with weakness in petrochemical names, a sector which has been under pressure throughout 2023.

Credits from CEEMEA were, again, the best performers with a return of -0.1% (-1.1% IG / 0.4% HY). Israeli credits were among the weakest with a return of -4.4% (-4.8% IG / -4.2% HY) on the back of the surprise attack from Hamas. International commentators have explained that the Western powers are interested in containing the conflict, particularly owing to the preponderance of oil producers in this region, hence Israel's official response to the attack has been slower than expected. The situation remains fluid and it is yet to be seen if the conflict will accelerate its pace and how allies on each side react. Our overweight in Israeli credits yielded negative relative performance. This was particularly relevant for oil name Energean whose main asset is an offshore gas field in Israel. Our exposure to the Energean complex contributed negatively to performance.

LatAm credits underperformed with a return of -1.4% (-2.1% IG / -1.3% HY). Credits from Guatemala continued to be weak, posting a return of -3.8%, on the back of prolonged political noise and a lag in marking to market of many bonds which are relatively illiquid. Our overweight in these bonds produced neutral relative performance owing to our exposure to CAMEBO which held in better than the rest. Credits from IG heavy countries like Chile, Panama, and Mexico underperformed (all averaging returns close to -2.0%) owing to their interest rate sensitivity. Our aggregate overweight exposure in these names yielded modest negative relative performance with our Mexican exposure outperforming the others owing to our preference for shorter tenors. Lastly Colombian credits posted a return of -1.3% (-1.4% IG / -1.3%) with select IG and HY names trading weaker on an idiosyncratic basis. Our underweight in Colombian corporates produced negative relative performance owing to our exposure in COLTEL which was weak during the month despite lacking relevant newsflow.

EM corporate issuance remained modest in October with USD21bn printed. Asia issued slightly over USD10bn while LatAm and Emerging Europe issued about USD3.0bn and USD2.0bn respectively. The remainder came from the Middle East and Africa. IG dominated activity with USD18bn of the total. Escalating rate volatility likely deterred further issuances. Primary activity might be challenged by the ongoing market uncertainty albeit any sign of stabilization might prompt issuers to seize the moment.

02/11/2023	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*-0.95*	*0.49*						
EM Corporate Index	-0.78	2.37	8.08	0.35	0.80	323	-5	1
CEMBI Investment grade	-1.18	0.93	6.71	0.36	0.96	185	-6	15
CEMBI High Yield	-0.20	4.36	10.43	0.30	0.90	561	-7	16
EMBI	-2.60	0.84	9.30	0.53	0.74	442	9	-10
EMBI Investment grade	-3.44	-2.76	6.36	0.49	0.94	140	3	5
EMBI High Yield	-1.74	4.70	12.77	0.51	0.51	794	9	-29
Developed USD IG (JPM)	-2.53	-0.63	6.31	0.44	0.77	141	-1	-10
US High Yield Corp (BarCa	-1.18	5.04	9.37	0.47	0.41	438	22	-31
5Y US Treasury bond	-0.79	0.80	4.59	0.35	0.59	n.m.		
10Y US Treasury bond	-3.10	-3.67	4.64	0.46	0.76	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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

BI Asset Management Fondsmæglerselskab A/S "BankInvest"

Last edited 10th November 2023.