

## Dear Investor

March was dominated by the escalating Iran conflict and its profound impact on emerging market corporate debt. The U.S.-Israel strikes on Iran that began February 28 continued throughout March, effectively closing the Strait of Hormuz and sending oil prices surging above \$110 per barrel. The energy shock triggered the worst monthly decline for EM equities since March 2020, with the MSCI Emerging Markets Index falling over 13% and erasing all year-to-date gains. EM corporate bond issuance dropped to its lowest March level since 2009 as geopolitical uncertainty kept issuers on the sidelines. Despite the turbulence, EM corporate bonds demonstrated relative resilience compared to equities, supported by attractive carry and diversification demand. The strategy's performance reflected this challenging environment, with regional dispersion driven primarily by energy import sensitivity and geopolitical proximity to the conflict. Oil-dependent Asian economies bore the brunt of the selloff, while diversified portfolios in Eastern Europe and selective African exposures provided partial offsets. Overall, the March total return for JP Morgan CEMBI Broad Diversified hedged to EUR was -2.05% in and the EUR share class underperformed marginally with a -2.10% return for the month gross of fees.

Eastern Europe delivered mixed performance in March as geopolitical headlines competed with resilient fundamentals. The region contributed with -0.02% in performance attribution representing modest underperformance amid broader EM weakness. Corporate credits in Czech utilities and Turkish financials provided stability through elevated carry, though widening risk premia in the final week pressured valuations. Despite this backdrop, shorter-duration Turkish exposures in banks and infrastructure maintained positive carry contribution. Czech corporate bonds benefited from the country's relative insulation from energy supply disruptions, though concerns about second-order effects from higher European energy costs limited gains. Conversely, Moldovan agricultural company Transoil saw its spread widening given a rise in leverage and exposure to Middle Eastern clients

Middle East holdings faced unprecedented volatility as the region became the epicenter of the March conflict. The Iran escalation at month-end brought sharp repricing across regional credits, with risk premia rising materially from early-month levels. Despite firm technical demand in higher-quality GCC credits through mid-March, the strikes on energy infrastructure in Qatar and Saudi Arabia late in the month drove widespread selling. Iranian missile attacks on Qatar's Ras Laffan LNG facility inflicted extensive damage, raising acute concerns about global gas supply. Regional corporates with diversified funding sources weathered the storm better than those reliant on local bank lending or a narrower business scope as real estate developers in Dubai. Overall, the Middle Eastern exposures yielded a -0.18% performance attribution for March mainly driven by exposures to issuers from Qatar and United Arab Emirates.

African credits delivered positive attribution of +0.11% in March despite the challenging global conditions. Diversified exposure across frontier and crossover credits in Nigeria, South Africa and Morocco provided resilience with carry profiles cushioning volatility. Ghana's Kosmos Energy performed strongly with the more benign oil price environment which also helped supported bond prices for South African company Sasol. Morocco's OCP Group and Vivo Energy holdings maintained stable valuations despite energy price volatility.

Asia was the weakest performing region in March, contributing -0.29% to in return attribution. The effective closure of the Strait of Hormuz hit Asian economies particularly hard, given the region's reliance on approximately 20% of global oil supplies that flow through this chokepoint. South Korea's equity market plunged 17% for the month amid heavy selling in Samsung Electronics and SK Hynix on AI chip demand concerns. Chinese markets declined 6-7% despite positive manufacturing PMI data, as investors focused on geopolitical risks over domestic improvements. India's markets fell over 9%, reflecting direct vulnerability to Middle East oil disruption. Despite the large declines in equity markets,

the portfolio's defensive positioning and underweights in China and Hong Kong limited losses yet still resulted in negative relative contribution. Technology sector rotation and concerns about AI-driven disruption compounded regional weakness, though longer-term structural trends supporting Asian tech infrastructure remain intact.

Latin America was the best performing region with 0.13% in performance attribution primarily driven by a rebound in the prices of Raizen bonds. The region generally is perceived as slightly more insulated from the first order effects of the war on Iran compared to Asia and Europe. However, some smaller countries are importers of both energy, fertilizer and food products which mean that sustained higher prices given a prolonged disruption in the Strait of Hormuz ultimately will affect such countries too. Two major corporate restructurings dominated headlines: Raizen announced plans to restructure approximately \$12.6 billion of debt, while supermarket chain GPA struck a deal covering \$4.5 billion in obligations. Both companies pursued out-of-court restructurings to avoid lengthier judicial processes, and this caused some relief in the depressed bond prices for Raizen supporting monthly returns.

Rating changes in the portfolio was a bit mixed over the month, though mainly tilted towards upgrades as Nova Ljubljanska Banka had its rating upgraded to A1 from Baa1 by Moody's at the higher end of the rating spectrum whereas Pampa Energia in Argentina and Sammaan Capital in India had their ratings lifted to B from B- and B1 from B2 by Fitch and Moody's respectively. Conversely, Brazilian Raizen had its ratings lowered to Caa3 from Caa1 and C from CCC by Moody's and Fitch respectively on the back of the debt restructuring proposals.

Primary market activity collapsed in March as geopolitical uncertainty kept issuers sidelined. EM bond issuance hit its lowest March level since 2009, a dramatic reversal from February's strength when over \$22 billion was priced. The sharp risk-off sentiment and surging oil prices created prohibitive conditions for new deals, particularly for high-yield issuers. Secondary market trading reflected acute volatility, with EM corporate spreads widening materially in the final week of March as Iran conflict headlines intensified. Investors demanded higher compensation for geopolitical risk, though carry-focused strategies found selective opportunities in oversold credits. Looking ahead, April issuance will likely remain subdued until greater clarity emerges on Middle East tensions and oil price trajectory.

09-03-2026	Return last month (USD)	Acc. Return to last month	Yield to Worst	Last month Δ YTD		OAS Spread	Last month Δ YTD	
CEMBI EUR hedged	0,78	1,37						
EM Corporate Index	0,91	1,64	5,72	-0,10	-0,18	190	15	1
CEMBI Investment grade	0,94	1,23	5,15	-0,15	-0,12	105	10	7
CEMBI High Yield	0,85	2,25	7,24	0,02	-0,23	359	27	-5
EMBI	1,39	0,00	6,66	-0,13	-0,15	258	14	5
EMBI Investment grade	1,87	0,00	5,25	-0,19	-0,09	102	8	10
EMBI High Yield	0,89	0,00	8,37	-0,07	-0,17	443	20	3
Developed USD IG (JPM)	1,35	1,62	5,13	-0,13	-0,10	98	14	9
US High Yield Corp (BarCap)	0,19	0,69	6,71	0,13	0,18	291	26	25
5Y US Treasury bond	1,24	1,25	3,50	-0,29	-0,22	n.m.		
10Y US Treasury bond	2,50	2,05	3,94	-0,30	-0,23	n.m.		

Returns in USD except CEMBI EUR hedged.

*Kind regards,*

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