Dear Investor

January opened with a notable escalation in geopolitical risk, beginning with the US operation against Venezuela and the capture of Maduro. Pressures intensified as President Trump renewed his focus on Greenland, threatening a 10% tariff on goods from eight European countries aligned with Denmark. At the same time, rising US–Iran tensions weighed on the broader MENA region. Despite this backdrop, EM corporate bonds demonstrated resilience. AI-related volatility affected equity and credit markets, with software-linked credit spreads widening as fears of technological disruption rose. This created pressure on valuations across IG, HY, and loans. Emerging market corporate and sovereign bonds both returned 0.7%. The negative return in US 10-year treasuries resulted in negative returns for EM sovereign investment grade bonds, while EM corporate investment grade - with their shorter duration - ended the month in positive territory. EM corporate high yield continued performing and delivered 1.4% in January helped by 31bp tightening in spreads to 332bp.

The strategy's EUR share class outpaced the benchmark and saw an EUR return of 0.77 % (gross) relative to 0.60 % for its benchmark, while the USD share class returned +0.94% (gross), outperforming its benchmark by 20 bps. Most of the outperformance was due to the higher allocation to high yield - particularly the BB-segment.

Eastern Europe was the best performing region with a 1.2% return supported by a strong Ukraine (+7.2%). Poultry producer MHP was able to issue in the bond market illustrating that the market has reopened for Ukrainian corporates.

Latin American credits were among the top performers in January with a return slightly above 1.0% as the market remained interested in some of the highest yielding credits and jurisdictions. Credits from Colombia gained from this with a return of about 1.5%. These credits had suffered from the overhang of weak sovereign fiscal dynamics but hopes over a potential change of government in the upcoming elections kept sentiment strong. Our underweight in names from Colombia yielded modest negative relative performance since we had presence in Ecopetrol, the state-owned oil company. Elsewhere in the region, Chilean credits did not deliver outstanding returns (about 0.7%) but positive news in the story of Telefonica Chile helped that bond perform well in January. A new bidder, Millicom, entered into negotiations and the market perceived that transaction to be easier to approve by regulators than the previous bid from AMX/Entel. Our exposure to this name generated positive relative performance in Chilean credits despite our overall underweight positioning in names from Chile.

Asian credits delivered 0.6% return in January - lower than other regions due to the high share of investment grade. India continued to contribute to outperformance, as most credits are shorter duration high yield names which see good demand from global investors. New trade deals between India/US and India/EU supports the positive view of the country.

Despite the geopolitical noise and AI related volatility, EM corporate new issuance was the highest in any January at USD 89bn. Asia (USD35bn) and Middle East & Africa (USD31bn - a new record) dominated issuance. Over 70% was investment grade, which is close to historic averages. B and CCC rated issues were only 10% of new issues and we saw some issuers with weak governance pulling their deals due to low investor interest, so we are not concerned about investor discipline. We participated in a few new issues which mostly traded up on the opening.

The portfolio DTS beta is gradually declining as we prefer to stay cautious when adding new bond issues: There is plenty to choose from in the new issue market, but we feel that spreads are at the tighter end of the range and that we prefer to have dry powder in case of market weakness later in the year. While the fundamental outlook for Emerging Market financial markets and commodity prices is strong, there is a risk that large AI related bond supply and disruptions of business models due to AI - like we have recently seen in the software sector - may create better buying opportunities.

02-02-2026	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	*0,60*	*0,60*						
EM Corporate Index	0,74	0,74	5,83	-0,07	-0,07	175	-14	-14
CEMBI Investment grade	0,30	0,30	5,14	0,03	0,03	95	-3	-3
CEMBI High Yield	1,39	1,39	7,22	-0,25	-0,25	332	-31	-31
EMBI	0,68	0,00	6,79	-0,02	-0,02	244	-9	-9
EMBI Investment grade	-0,14	0,00	5,44	0,10	0,10	94	2	2
EMBI High Yield	1,50	0,00	8,44	-0,11	-0,10	422	-17	-17
Developed USD IG (JPM)	0,28	0,00	5,25	0,02	0,02	84	-5	-5
US High Yield Corp (BarCap)	0,51	0,51	6,58	0,05	0,05	265	-1	-1
5Y US Treasury bond	0,01	0,01	3,77	0,06	0,06	n.m.		
10Y US Treasury bond	-0,41	-0,41	4,21	0,07	0,06	n.m.		

Returns in USD except CEMBI EUR hedged.

Kind regards,

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