Dear Investor

December was relatively uneventful in the financial markets as interest rate moves remained rangebound across most large economies, the USD did not register sharp moves against other currencies, and commodities also were stable with small exceptions in tight markets like copper. The AI driven rally in the stock market recovered some momentum after moments of doubt in November when investors questions many of the assumptions surrounding the trade. Brent remained closer to the low levels of the year and emerging markets continued on relatively solid footing with decent headroom in monetary and fiscal policy relative to developed markets. Geopolitical tensions remained relevant with escalating rhetoric between the US and Venezuela. Overall, EM hard-currency corporates again saw another positive month in terms of total returns on the back of spreads tightening by 14 basis points and coupons. High yield credits outperformed investment grade credits as the former had a USD total return of 0.87 % compared to 0.21% for the latter. All regions within EM saw spread tightening with Eastern Europe outperforming by 24 bp tightening and Middle East tightening the least by only 3 bp. The strategy's EUR share outpaced the benchmark and saw an EUR return of 0.44 % (gross) relative to 0.30 % for its benchmark, while the USD share class returned +0.63% (gross), outperforming its benchmark by 15 bps.

Within CEEMEA, credits in Eastern Europe performed strongly and added 1 % to total returns trailed by African credits posting 0.6 % returns and lastly investment grade heavy Middle Eastern credits only delivering 0.2 % total returns over the month. It was mainly Ukrainian credits that performed strongly on hopes of ceasefire agreements driving up returns as they almost saw 2.6% returns over the month, narrowly followed by Moldovan and Georgian credits also delivering north of 1.5% returns over the month. While the fund remains without exposure to Ukrainian credits, this was more than offset by the overweights in Georgia and Moldova in relative performance terms. The biggest performance stemmed from the zero exposure to Israeli mobile company Altice whose bond prices collapsed as a restructuring of the bonds increasingly seem inevitable. Conversely, our exposure to Kosmos Energy again led to minor performance detraction as the company's bonds continued to be dragged down by oil price declines although its nearest bond maturities appear manageable. Overall, the CEEMEA region saw a flat contribution to relative performance for the month.

Asian credits trailed the overall market slightly by returning 0.3 % in December given the region's tilt towards investment grade. Strong selection within the region notably in India and Hong Kong was the main contribution to relative outperformance. The exposure to the Vedanta complex and to Standard Bank were the main contributors over the month. At the same time avoiding exposure to Chinese real estate company New World Development post the company's exchange of old bonds into new bonds as part of a restructuring effort. Overall, Asian credits led to a positive contribution of 12 bps to relative performance mainly due to strong selection.

Latin America continued outperformed the rest of the market with a 0.7 % total return in December. Much of the regions returns were helped by high yielding credits in frontier countries like Argentina, Dominican Republic, Ecuador and Jamaica - all of which saw total returns north of 1 % over the month. Our underweight to these countries modestly detracted from the relative returns for the region, but were more than offset by selection in Mexico. The good selection was based on exposure to mining giant Minera Mexico and Fibra Uno whose bonds performed strongly post a corporate re-organisation into two new corporate entities. Moreover, expsoure to Brazilian refinery Acelen also supported performance after speculation that Petrobras might take over the company propelled bond prices higher. At the other end of the spectrum, bond prices of Brazilian ethanol producer Raizen and Telefonica Moviles saw their bond prices fade a bit given lack of investor appetite to add risk in these volatile

credits during the last month of the year. Overall, Latin American credits added 4 bps of relative performance primarily on the strong selection among Mexican credits.

Rating actions in December were slightly skewed to the upside as credit ratings on tier 2 paper issued by Saudi banks Al Rajhi and Saudi National Bank were upgraded by Fitch to BBB+ from BBB. Moreover, Omani Bank Muscat returned to investment grade at Fitch with a BBB- rating from BB+. In Asia, Korean SK Hynix was upgraded to Baa1 from Baa2 just as Hong Kong insurance company AIA Group was upgraded to AA- from A+ by S&P. Lastly, Uzbek gold miner Navoi was upgraded to BB from BB- by S&P post the sovereign upgrade. from energy companies Canacol and Kosmos Energy were downgraded from Ca to C and Caa1 to Caa3 respectively. Conversely, Latin America saw downgrades for Braskem to CC from CCC- pending the company's potential restructuring and for Ecopetrol to BB from BB+. Lastly, Turkish soda ash producer WeSoda saw a downgrade to B+ from BB- by Fitch.

Primary market settled down given the seasonally quiet December month with only USD 6 billion priced in the market. This was even a bit on the low side compared to the past 5 year average of USD 7 billion and in stark contrast to a very active November month. Asia contributed half of this primarily from Chinese sovereign related issuers while Middle Eastern issuers were rather quiet with less than USD 1 billion of issuance over the month. The remainder was fairly evenly split between Eastern Europe and Latin America. It is worth noting that 25 % of the gross issuance in December was non-USD issuance and that non-USD issuance for 2025 beat the previous record by more than 10 % for the year as a whole. Altogether full year supply came in at almost USD 475 billion which was the highest since 2021. We anticipate 2026 will be relatively similar to 2025 in terms of gross issuance and that January will be a busy month for primary markets. As commented in the past, we would also expect that the technical tail wind from negative net new issuance will be smaller in 2026 compared to the past years.

08-01-2026	Return last month (USD)	Return last year	Yield to Worst	*Last month*	*Δ Last year*	OAS Spread	*Last month*	*Δ Last year*
CEMBI EUR hedged	*0.30*	*6.52*						
EM Corporate Index	0.48	8.72	5.87	-0.03	-0.66	186	-14	-17
CEMBI Investment grade	0.21	8.46	5.10	0.01	-0.57	99	-10	-14
CEMBI High Yield	0.87	9.13	7.41	-0.12	-0.70	359	-21	-11
EMBI	0.72	14.30	6.77	-0.03	-1.06	251	-16	-72
EMBI Investment grade	-0.01	10.38	5.37	0.06	-0.56	97	-8	-28
EMBI High Yield	1.45	18.28	8.40	-0.14	-1.60	426	-27	-119
Developed USD IG (JPM)	-0.24	7.76	5.21	0.10	-0.33	88	-3	-3
US High Yield Corp (BarCap)	0.57	8.66	6.47	-0.04	-0.96	261	-3	-21
5Y US Treasury bond	0.07	6.87	3.71	0.13	-0.66	n.m.		
10Y US Treasury bond	-0.57	8.40	4.16	0.15	-0.40	n.m.		

Returns in USD except CEMBI EUR hedged.

Kind regards,

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