

AAM Fund – Emerging Markets Corporate Bond

Monthly reporting – 31st August 2024

Market Comment

Emerging markets corporate bonds were again positive in August, with the J.P Morgan CEMBI Index rising 1.69%. From a rating perspective, the IG subindex (J.P Morgan CEMBI IG Index) increased by 1.67%, slightly underperforming the HY equivalent (J.P Morgan CEMBI HY Index), which rose 1.70%.

Economic data depicted a mildly positive picture: in the U.S., CPI for July inched lower to 2.9% y/y. Also, the 2nd quarter's GDP was revised upwards to 3.0% (annualized) versus the prior reading of 2.8% on the back of strong consumer spending. Meanwhile, the market is now fully pricing a 25-bps cut in the meeting of September, substantiated by Fed President Powell's speech at the Jackson Hole symposium.

The spread-to-worst of the J.P Morgan CEMBI IG Index compressed from 137 bps to 131 bps. Similarly, the J.P Morgan CEMBI HY Index dropped 14 bps to 413 bps from 427 bps.

The yield on 10-year U.S. government bonds was 3.90% at the end of August, compared to 4.03% in the previous month. In the same period, the 10-year Bund yield was 2.30%.

Fund Development

Fund assets currently stand at USD 52 million compared to USD 45 million at the end of July, driven by performance and inflows. Trading activity involved deploying the new capital across names already held and new issuers like Yinson Boronia, a FPSO vessel that operates in the Marlim Field (Campos Basin) off Brazil, and Green Saif Pipelines, the pipeline network of Saudi Arabia used by Aramco.

Performance Analysis

All the sectors contributed positively to the performance in August. On a geographic basis, all the countries except for China achieved gains.

Outlook

So far, the second half of 2024 has delivered enjoyable returns to investors in fixed income, especially the higher-yielding corners of the market. As evidenced in the latest quarter's earnings releases, leverage and profitability levels remained steady and showed no signs of cracks overall. This argument, coupled with the increased dovishness of central banks, might further support the resiliency of balance sheets and bond returns. Of course, firm-specific risks cannot be neglected, and investors must avoid poorly managed companies and unsustainable government deficits. For these reasons, it is crucial to rely on actively managed solutions, putting the quality of the issuer at the center of the analysis and providing capital solely to those opportunities where fundamentals and remuneration for risk form a compelling investment case.

Performance

Rolling Returns	in %
MTD	1.78
YTD	3.19
Since inception	3.19

Inception Date	24.06.2024
Share Class	USD
ISIN:	LU2734732899

in %	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2024						0.25	1.14	1.78					3.19

Past performance is not a reliable indicator of current or future performance.

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