

AAM Fund – Emerging Markets Corporate Bond

Monthly reporting – 31st October 2024

Market Comment

Emerging markets corporate bonds slowed down in October, following a rise in the U.S. treasury yields. The J.P. Morgan CEMBI Broad Diversified Index posted a return of -0.86%, mainly driven by the investment grade compartment that dropped by 1.32%, whereas high yield held better and decreased only by 0.19%.

In the U.S., core inflation was 0.1% lower in September (2.4% y/y) but failed to match expectations set at 2.3%. On top of this, the economy showed little intention to slow down, with 3rd quarter growth projected at 2.8%, on track to outperform the initial 2% estimate Fed's estimate for the year. Such data led investors to reprice future rate cuts less aggressively.

The spread-to-worst of the J.P Morgan CEMBI IG Index compressed 12 bps to 118 bps, whereas the J.P Morgan CEMBI HY Index dropped 18 bps to 366 bps from 384 bps.

At the end of October, the yield on 10-year U.S. government bonds was 4.28%, compared to 3.78% the previous month. In the same period, the 10-year Bund yield was 2.39%.

Fund Development

Fund assets currently stand at USD 67 million compared to USD 60 million at the end of September, driven by inflows. The trading activity involved deploying additional capital across the most attractive issuers. For instance, the team invested in Digicel Holding, a Caribbean telecommunications company, and BBVA Mexico, the largest financial institution in the Mexican area.

Performance Analysis

The fund outperformed the benchmark by 57 bps in October. Consumer, Non-cyclical was the best performing corporate sector, whereas the others posted slightly negative returns. To this point, Energy and Consumer, Cyclical were the laggards. From a country perspective, Moldova and Argentina led the table, while Singapore and Marocco were the lowest performers.

Outlook

While growth might moderate in the incoming quarters (The Atlanta Fed foresees 4th growth in the U.S. at 2.3% as of the end of October), the outlook remains stable and fruitful despite the geopolitical uncertainties: appealing yields, relatively sound balance sheets, and compelling business cases make the argument for investing in fixed income. Additionally, market participants witnessed the return to the capital markets of several issuers and newcomers, implying a broader set of opportunities. By leveraging a bottom-up approach targeting names with reliable fundamentals and an attractive risk-reward profile, investors can take advantage of such an environment and build the basis for sizeable long-term returns.

Performance

Rolling Returns	in %
MTD	-0.29
YTD	4.79
Since inception	4.79

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	1.85	-0.29			4.79

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

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