

AAM Fund – Emerging Markets Corporate Bond

Monthly reporting – 30th September 2024

Market Comment

Emerging markets corporate bonds' rally persisted in September, with the J.P. Morgan CEMBI Broad Diversified Index clinching a positive return of 1.23%. The high-yield sub-index once again outperformed the investment grade one, with a performance of +1.31% against the +1.17% gained by the latter.

Major central banks have initiated the long-awaited easing cycle, with the Fed cutting by 50 bps and the ECB lowering the deposit facility rate by 25 bps. Shrinking inflation and the willingness to shield the economy from the risk of an excessively restrictive monetary policy drove policymakers' decisions. In China, investors cheered for the dovish moves of the PBOC: lower rates, a reduction in the reserve requirement ratio for banks, and other measures to revamp the property and equity markets were introduced to defend the growth targeted by the country.

The spread-to-worst of the J.P Morgan CEMBI IG Index was almost unchanged at 127 bps, whereas the J.P Morgan CEMBI HY Index dropped six bps to 371 bps from 377 bps.

The yield on 10-year U.S. government bonds was 3.78% at the end of September, compared to 3.90% in the previous month. In the same period, the 10-year Bund yield was 2.12%.

Fund Development

Fund assets currently stand at USD 60 million compared to USD 52 million at the end of August, driven by performance and inflows. The trading activity focused on capital deployment over existing names and new issuers like Silknet, a leading Georgian telecommunications group, and Oceanica Engenharia, a provider of Inspection, Repair, and Maintenance services for offshore oil assets in Brazil.

Performance Analysis

The fund outperformed the benchmark by 62 bps in September. All sectors contributed positively to the performance. On a country basis, Georgia and Ghana were the only negative contributors.

Outlook

Investors should consider whether it is the time to enter bond markets or expand the allocation: good fundamentals, appealing yields, and the prospect of more accessible refinancing due to the easing cycle might support returns for the asset class. As always, it is advisable to approach fixed income actively, relying on the expertise of seasoned managers with a strong track record. It is crucial to screen the markets for the best risk-adjusted opportunities and diligently analyze an issuer's creditworthiness. By doing so, investors can unlock value and achieve sizeable returns in the long run.

Performance

Rolling Returns	in %
MTD	1.85
YTD	5.10
Since inception	5.10

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				5.10

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

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