

# AAM Fund – Emerging Markets Corporate Bond

Monthly reporting – 30<sup>th</sup> November 2024

## Market Comment

The bond rally resumed in November after a setback in the previous month: the J.P. Morgan CEMBI Index gained 0.60%. Interestingly, both the IG and HY sub-components of the index achieved the same performance of +0.60%.

In the U.S., elections ended with a republican sweep welcomed with a mildly positive response by the market. To this point, Trump nominated Scott Bessent, a former partner of Soros Fund Management, for the role of Secretary of Treasury. Additionally, Fed Chair Powell is set to continue with his mandate that expires in 2026. The latter also announced a widely anticipated 25 bps cut, taking the Fed Funds Target Rate to 4.75%, a move in line with the progress on the inflation front (October U.S: CPI at 2.6% y/y).

Spreads slightly expanded, with the J.P. Morgan CEMBI IG spread-to-worst rising from 118 bps to 122 bps, while the High Yield equivalent widened 14 bps from 381 bps to 395 bps.

At the end of November, the yield on 10-year U.S. government bonds was 4.17%, compared to 4.28% the previous month. In the same period, the 10-year Bund yield was 2.09%.

## Fund Development

Fund assets remained steady at USD 67 Mio. The trading activity involved the disposal of bonds with limited upside, like the 2028 note of Synthos, a position that rose notably since its inception, and reinvestment of the proceeds into more attractive ones like Georgia Railways, the monopolist in the Georgian railways industry.

## Performance Analysis

The fund outperformed the benchmark by 43 bps in November. Consumer Non-cyclical and Basic Materials were the best performing sectors, whereas Consumer Cyclical and Communications were the laggards. From a country perspective, Indonesia and Brazil led the table, while Jamaica and Slovenia were the lowest performers.

## Outlook

As this year ends, investors should start to think about the one that will begin soon. Looking at the EMs corporate bond market, the dislocations caused by the hiking cycle have not disappeared yet. EMs Investment Grade (proxied using the J.P. Morgan CEMBI IG Index) has not yet recovered from the drawdown of 2022, implying there might still be relevant value plays in such space. As for High Yield (J.P. Morgan CEMBI HY Index), the best-performing segment so far, the average annualized return of 4.13% for the period between November 2021 and November 2024 was sensibly lower than the 8.52% (annualized) achieved in the previous 20 years. Hence, investors should not be worried about frothiness due to the recent positive results and focus on the longer-term opportunity opened by the post-pandemics volatility. As always, we recommend trusting active management based on bottom-up selection and aiming to seize the best opportunities with the most attractive risk-reward profiles.

## Performance

Rolling Returns	in %
MTD	1.03
YTD	6.01
Since inception	6.01

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	1.03		6.01

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

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