

# A RELATIVELY GOOD MONTH FOR EM

## Negative returns across the risk spectra

**Markets.** December ended with a zero return for Emerging Markets government bonds. 10Y American interest rates increased by 27 bps but the credit spread also decreased by 16 bps from 468 bps to 452. The effects from interest rates and credit spread basically offset each other and we ended the month with a return of zero.

The negative sentiment returned in the financial markets in December. The development led to relatively large and broad-based losses on both risky and risk-free assets. Credit performed relatively well as credit spreads were close to unchanged for the month.

Confidence indicators across the OECD area gave a mixed picture in December. Within the manufacturing industry, business confidence fell further in the U.S. and Japan, while it rose from low levels in Europe. At an aggregated level, the trend is still one of declining business confidence.

In country specific news, the authorities in China have finally decisively broken with their approach to corona going from one extreme to another. China shifted directly from a 'zero tolerance approach' to an approach that has lifted virtually all social restrictions regardless of developments in corona. Such a radical change means extraordinary uncertainty in a period - when it seems most likely that economic activity in certain areas has fallen further because of cautious

behavior on the part of the Chinese population. The information value of the Chinese key figures will be low in the coming period.

Tunisia held parliamentary elections with a historical low voter turnout at 8.8% – highlighting the apathy towards the political system in the country. The focus of the population is the increasing inflation deteriorating living standards as well as the scarcity of food, fuel and medicine. The president of the country therefore has a big task in 2023 to improve these conditions.

## Return better than the benchmark – good year!

**The Portfolio** had a return of 0.1% in August, which was 0.1% better than the benchmark before costs. The return for the year ended at minus 18.2%, which was 1.94 better than the index before costs. All in all a good year for the strategy.

The largest positive contributions to the absolute fund return came from our positions in Colombia, Mongolia and the United Arab Emirates. At the opposite end, Ukraine, Tunisia and Angola that made the largest negative contributions. The relative return was positively affected by and overweights in Mexico, Mongolia and Georgia. Underweights in Uruguay, Indonesia and Saudi Arabia pulled in a negative direction.

In October, we reduced our Egyptian exposure. We added in China corporate, Ecuador, Ivory Coast and Mexico.

[See performance and fund data](#)

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## Strategy

Value Bonds - Emerging Market Corporates primarily invests in Emerging Markets corporate bonds, cf. the fund's prospectus. Bond selection is based on the value approach, meaning that the team focuses on bonds issued by companies with healthy long-term earnings power and strong balance sheets as well as an expected ability to service outstanding debt. The portfolio is diversified across sectors, regions and credit ratings. The investment universe includes Investment Grade bonds, High Yield bonds and to a limited extent non-rated corporate bonds.

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