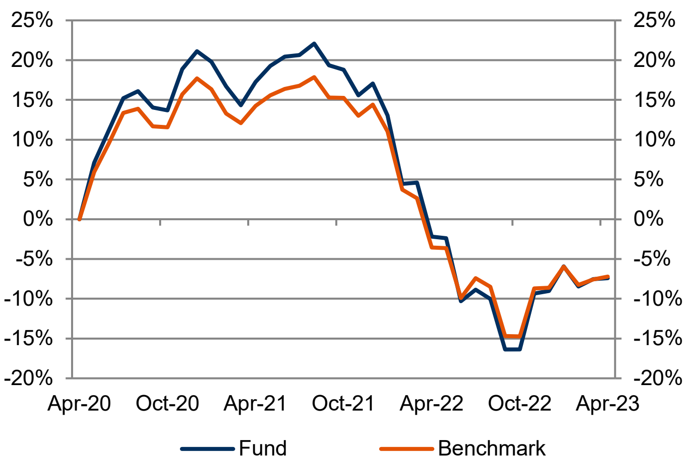
Sydinvest Emerging Markets Bonds I EUR Acc h

Monthly Report - April 2023
8 May 2023

3 yrs. rolling return: Fund vs. JPMorgan EMBI GD (EUR hed.), %



Returns net of fees, end of month

	Mth	YtD	-3 Mth	-6 Mth	-1 Yr
Fund	0.14%	1.77%	-1.58%	10.70%	-5.33%
Benchmark	0.37%	1.54%	-1.35%	8.80%	-3.83%
Performance	-0.24%	0.22%	-0.23%	1.90%	-1.51%

Fund Profile & Objective

The fund aims to deliver long-term excess return to the JP Morgan EMBI Global Diversified benchmark through active management in emerging markets countries and quasi-sovereign corporates. The portfolio construction focus on utilising fundamental changes across social, economic, political, institutional and environmental risk factors that causes valuation inefficiencies in credits within countries and between issuers.

Fund Manager Report

Sydinvest Emerging Markets Bonds generated a return of 0.14% in April, which was 24bp lower than the return of its benchmark.
Performance was affected positively by the asset allocations and the overweights in Poland and Chile, the overweights in Ecuador, the asset allocation in Ukraine as well as the underweight in Kenya.
Conversely the overweights in Argentina, Colombia, Mexico, Senegal, Tunisia and Ivory Coast, the underweight in Oman as well as the zero weights in El Salvador, Uruguay, Qatar and the Philippines detracted from performance.

Portfolio Strategy and Changes

The fund is underweight versus the benchmark in spread duration and roughly neutral in Treasury duration. The fund holds a wide range of bonds issued in EUR while the benchmark is pure USD. The resulting mismatch between Bunds and UST is hedged with futures. The fund's investments are spread across around 40 countries and more than 100 issues.
In April we added in Hungary through a new issue in the state-owned Import-Export bank. We also moved a bit in on the sovereign curve in Hungary. In Panama we moved out to the long end of the curve.

Key Figures

Ratios, end of month	April	Change	March
Fund Yield to maturity *	7.67%	0.00%	7.68%
Benchmark Yield to maturity *	6.86%	-0.09%	6.96%
Fund Duration	6.88	0.14	6.74
Spread Duration	6.51	0.20	6.31
Benchmark Duration	6.89	0.04	6.85
No. of countries	38	0	38
No. of issues	113	-2	115
Gov. bonds, %	81.68%	1.07%	80.61%
Quasi Sov., %	11.86%	1.45%	10.41%
Cash, %	6.37%	-2.49%	8.86%
Total Fund AUM, mn EUR	131.79	-3.23	135.02
NAV	2,129.26	2.95	2,126.31
Avg. rating S&P	BBB-		BBB-
Beta, 3Yr.	1.13	0.01	1.12
Track. Error, 3 yr	2.20%	-0.28%	2.48%
Sharpe Ratio, 3 yr	-0.32	-0.01	-0.31
Info. Ratio, 3 yr	-0.03	0.22	-0.25
Jensen Alpha, 3 yr	0.46%	0.70%	-0.24%
Volatility, 3 yr	12.63%	0.00%	12.63%

*) This is duration weighted yield to maturity and will differ from official numbers by JPMorgan.

Key Fund Information

Name of SICAV/FCP and Fund	"Sydinvest HojrenteLande Akkumulerende Akk"
Share Class	" I EUR Acc h" (Institutional / EUR / hedged)
Benchmark	JP Morgan EMBI Global Diversified hedged to EUR
Security Guidelines	Sovereign & quasi sovereign only
Duration Limits	Benchmark +/- 2 years
FX Exposure and Hedging	USD exposure hedged to EUR
Issuer limit/Unlisted Bond	10% /Maximum 10%
Financial Derivative Instruments Allowed	Eurobonds, CDS, FX Forwards, NDFs, Deposits, Credit-Linked Notes, Treasury Futures.
Return Profile	Accumulation
ISIN CODE	DK0060646396
Country of domicile	Denmark
Bloomberg ticker / Reuters	NA
Initiation date	30.09.2002
Dealing day/NAV date	Daily
UCITS	UCITS IV
Total Expense Ratio	0.59 % p.a
Investment Advisor Fee	0.45% p.a.
Investment Management Comp.	Syd Fund Management A/S, Denmark
Portfolio Advisor	Sydbank A/S, Denmark
Financial Regulator	FSA, Denmark (Finanstilsynet)

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Hard Currency Emerging Market bond market – April

Compared to the UST rate rollercoaster in March, April was a very quiet month but that would not be fair as the movements during April could still give one motion sickness. However overall US and European rates ended the month close to where they started. For EM bonds on index level this also meant almost unchanged yields.

The benchmark credit spread tightened by 1bp to 483bp. The tightening came in the IG part while HY spreads widened. The roughly unchanged spread and UST rates resulted in a almost unchanged benchmark yield to maturity falling only by 4bp to 8.46%. In April the return of the benchmark was 0.37% hedged to EUR; the IG return was positive while the HY return was negative.Tunisia, Egypt and Argentina were the hardest hit in April whereas Ecuador, El Salvador and Bolivia did well.

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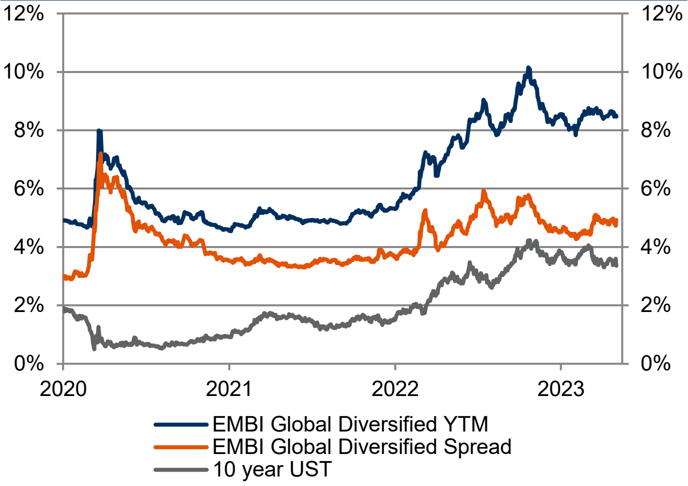
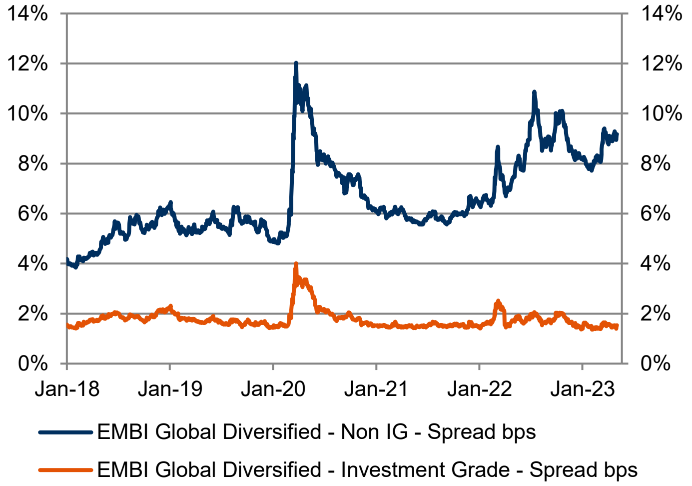


High Yield spreads widened in both April and Ytd, wheras Investment Grade spread tightened in April and only are a bit wider Ytd.



Asset Class Outlook

The broad instability in the financial system in the US and Switzerland calmed down in May as weaker banks were taken under the wing of the biggest banks and the panic desisted. This together with some persistence of inflationary pressures in the US brings the emphasis back on completing the interest rate hiking cycle. We expect therefore that the US Federal Reserve will raise interest rates by another 25 basis points to a range of 5%-5.25% in May. Financial markets are currently pricing this to be the last hike of the cycle and interest rate cuts to start in September. By end January the market is pricing 80 basis points of rate cuts. We think that this expectation is overdone. We in fact would not rule out further rate hikes if inflation does not come down fast enough or even re-emerges.

We attended the IMF spring meetings in Washington in April, discussing with multilateral institutions and sovereign country representatives the outlook for global and emerging markets. The IMF's own outlook points to a fall in global economic growth from 3.4% in 2022 to 2.8% in 2023. There is however a large dichotomy in outlooks for advanced economies versus emerging market and developing economies. The former are expected to grow by only 1.4% in 2023 compared to 2.7% last year whilst the latter are expected to put in a much better relative performance, growing by 3.9% in 2023 compared to 4% last year. Therefore, from a growth perspective, advanced economies are struggling more than emerging market and developing economies. Much of this comes from the very strong recovery in China, which is expected to grow by 5.2% in 2023 compared to just 3% last year, whilst Eastern Europe also sees an improving growth picture in 2023. This was one of the bright spots from a conference which brought plenty of negativity as the cost and supply of financing continues to become higher and less readily available for especially frontier emerging markets.

One of the main themes of our Washington discussions was the role of China in official sector debt restructurings as it has so far caused delays to private sector bond restructurings. This discussion is wrapped up in the continued disappointment with the G20's Common Framework for debt restructuring. The IMF attempted to tackle this with a more coordinated approach but there is so far some pushback from China, which prefers to go it alone. In cases such as Zambia, where China is a major creditor, there has been little progress and currently loan disbursements from the IMF are delayed given the protracted debt talks.

Ghana was due to pay USD 53m in interest on 14 April on a Eurobond partially guaranteed by the World Bank. As Ghana has already declared a debt moratorium on its external debt and is in discussions with all its creditors to restructure this debt, the outcome of this payment was a real test of the sanctity of guarantees provided by multilateral institutions such as the World Bank. It was therefore a clear positive that the World Bank honoured this guarantee when Ghana failed to pay. The next payment is in October and the government as well as the World Bank want the debt restructuring to have been resolved by then. Given the delays to other G20 Common Framework sovereign debt restructurings, especially in Zambia, we think that this is an optimistic target.

Ecuador has offered to buy back up to USD 800m worth of government bonds from investors. It expects to get the financing via a new bond issuance at very favourable interest rates similar to bonds issued by Belize in 2021 where The Nature Conservancy stepped in to provide funds for the buyback. The transaction could allow the country to reduce its Eurobond debt stock by around $2 billion. This is a clear positive signal from the current government about its willingness to pay off its debts. These so-called blue bonds are not of interest to us as investors but we are very supportive of such structures if they allow the government access to funds it might not otherwise be able to have. If at the same time the savings they are making by repurchasing bonds at distressed levels allows them to make environmentally beneficial expenditures, it is clearly positive. The only area of the transaction where we would like greater clarity is on the fees that the country is paying to access such a structure.

Colombia's President Petro failed to get enough support for his planned health reform in Congress as he lost his majority coalition. He was then forced to reshuffle his cabinet. In doing so he ousted his finance minister. This was not a move that the market was appreciative of and the sovereign's US dollar bonds sold off in response. While the move points to a desired looser fiscal stance from Petro and more unorthodox policies, we are a little less concerned however as the breakup of Petro's coalition means that it will be difficult to push such policies through.

Sydinvest EM Bonds I EUR Acc h: Monthly performance attribution – April 2023

Performance - April

	Fund	Benchmark	Performance
Current month	0.14%	0.37%	-0.24%
Year to date	1.77%	1.54%	0.22%

Performance Attribution - April

Country	Asset	Interaction	Residual	Cost	Total
-0.41%	0.01%	0.17%	0.03%	-0.04%	-0.24%

Investment	Cash	Cost	Total
-0.15%	-0.05%	-0.04%	-0.24%

Top & Bottom Attribution Contributors

		Average OW/UW	Country	Asset	Interac-tion	Total
Top 5 Contributors	Poland	7.17%	0.02%	0.01%	0.09%	0.12%
	Ecuador	0.85%	0.08%	-0.01%	-0.01%	0.07%
	Kenya	-0.94%	0.07%	0.00%	0.00%	0.07%
	Ukraine	0.26%	-0.02%	0.05%	0.02%	0.06%
	Chile	1.61%	0.01%	0.03%	0.01%	0.05%
Bottom 5 Contributors	Oman	-2.85%	-0.03%	-0.02%	0.02%	-0.04%
	Ivory Coast	2.67%	-0.05%	0.00%	0.00%	-0.04%
	El Salvador	-0.49%	-0.04%	0.00%	0.00%	-0.04%
	Colombia	2.01%	-0.07%	0.00%	0.00%	-0.07%
	Argentina	0.93%	-0.13%	0.01%	0.01%	-0.12%

Fund’s historical performance

Year	Fund	Benchmark	Performance	Acc. perf.
2023 YTD	1.77%	1.54%	0.22%	47.40%
2022	-22.28%	-20.14%	-2.14%	45.94%
2021	-3.36%	-2.82%	-0.54%	69.04%
2020	4.52%	3.50%	1.02%	73.52%
2019	11.64%	11.66%	-0.03%	66.84%
2018	-8.83%	-7.04%	-1.79%	59.94%
2017	9.17%	8.21%	0.96%	72.53%
2016	9.84%	8.32%	1.52%	63.62%
2015	-2.13%	0.74%	-2.87%	53.87%
2014	4.37%	7.09%	-2.73%	63.62%
2013	-5.26%	-5.58%	0.32%	68.08%

Attribution from Top OW/UW

		Average OW/UW	Country	Asset	Interac-tion	Total
5 Largest Overweights	Poland	7.17%	0.02%	0.01%	0.09%	0.12%
	Mexico	3.44%	-0.03%	0.00%	0.00%	-0.03%
	Ivory Coast	2.67%	-0.05%	0.00%	0.00%	-0.04%
	Senegal	2.04%	-0.04%	0.00%	0.00%	-0.03%
	Colombia	2.01%	-0.07%	0.00%	0.00%	-0.07%
5 Largest Underweights	Bahrain	-3.09%	0.00%	0.00%	0.00%	0.00%
	Philippines	-3.50%	-0.03%	0.00%	0.00%	-0.03%
	Qatar	-3.85%	-0.03%	0.00%	0.00%	-0.03%
	Turkey	-4.48%	0.02%	0.00%	0.00%	0.02%
	China	-4.61%	0.00%	0.00%	0.00%	0.00%

Portfolio Summary – As at 28 April 2023

Ten largest over- and under weights in the portfolio

	Country	Weight, PF	Weight, BM	Over/underweight	Duration, PF	Duration, BM	Rel. Duration Cont.
10 Largest Overweights	Poland	8.52%	1.93%	6.59%	9.37	6.89	0.67
	Mexico	9.05%	5.23%	3.82%	7.94	8.01	0.30
	Hungary	5.05%	2.21%	2.84%	4.93	7.87	0.08
	Ivory Coast	3.05%	0.29%	2.75%	7.31	5.15	0.21
	Senegal	2.35%	0.25%	2.10%	4.13	7.51	0.08
	Colombia	4.84%	2.75%	2.08%	9.59	7.72	0.25
	Vietnam	2.01%	0.16%	1.86%	3.78	1.43	0.07
	Chile	5.00%	3.26%	1.74%	9.50	10.30	0.14
	Romania	3.90%	2.25%	1.65%	6.86	7.77	0.09
	United Arab Emirates	5.75%	4.44%	1.31%	11.72	8.07	0.32
10 Largest Underweights	Brazil	1.41%	3.37%	-1.97%	1.84	6.43	-0.19
	Uruguay	0.00%	2.50%	-2.50%	-	10.07	-0.25
	Malaysia	0.00%	2.55%	-2.55%	-	9.70	-0.25
	Saudi Arabia	2.08%	4.73%	-2.65%	7.92	8.36	-0.23
	Oman	0.48%	3.29%	-2.81%	1.64	5.49	-0.17
	Bahrain	0.00%	3.13%	-3.13%	-	4.84	-0.15
	Philippines	0.00%	3.47%	-3.47%	-	7.96	-0.28
	Qatar	0.00%	3.80%	-3.80%	-	9.60	-0.37
	Turkey	0.00%	4.50%	-4.50%	-	4.45	-0.20
	China	0.00%	4.54%	-4.54%	-	5.14	-0.23

Rating distribution

Composite Rating	
AAA	0.00%
AA	7.05%
A	22.30%
BBB	29.65%
BB	23.19%
B	11.37%
CCC and below	5.28%
Not rated	0.00%
Default	1.16%

Concentration risk

Country	Weight
Mexico	9.05%
Poland	8.52%
United Arab Emirates	5.75%
Indonesia	5.15%
Hungary	5.05%
Chile	5.00%
Colombia	4.84%
Peru	4.04%
Romania	3.90%
South Africa	3.81%

Duration distribution

Dur. Years	Weight	Avg. Dur.
0-2	13.68%	0.55
2-5	23.72%	3.92
5-10	43.83%	7.41
10-15	16.34%	12.30
15+	2.43%	15.55
Total	100.00%	6.64