

FINISTERRE EMERGING MARKETS DEBT TOTAL RETURN STRATEGY

Monthly commentary

APRIL 2025

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April was an extraordinary month for financial markets and for the global economy. The intra month volatility is largely lost however in the relatively benign end of month return figures. At the lows, S&P was down approximately 10% but finished the month only slightly down. Similarly, 10-year United States Treasury (UST) were essentially unchanged on month at 4.20% but traded in a 70 basis points (bps) range along the way. Credit spreads were a similar story. The real movers on the month in terms of sustained price changes were currencies and commodities with the USD continuing its sell off, gold trending higher, and oil moving significantly lower.

A +86 bps return for the blended emerging markets debt (EMD) index hides the underlying dispersion, with local currency debt continuing to outperform up +3.25% in April while hard currency debt registered a small loss. Local debt returns were driven by a broader repricing of the dollar as Eastern European currencies followed the EUR appreciation, while Asian foreign exchange (FX) also outperformed on the month. Local duration was supported by lower core rates as well as expectations of a growth hit from the U.S. trade policy outright and associated uncertainty. While EM hard currency was more resilient than developed markets high (DM) high yield (HY), there was some decompression in spreads as the value at risk (VaR) shock led to a cutting of risk by leveraged accounts mainly.

The Finisterre Emerging Markets Debt Total Return Strategy outperformed relative to the reference index. The strategy finished the month up gross 1.18% (1.11% net), taking the year-to-date (YTD) to gross 4.19% (3.90% net) versus the JEMB equal weight at 3.88%.

Market overview

The April story was all about tariffs with President Donald Trump's Liberation Day announcement far exceeding even the most hawkish expectations regarding breadth and magnitude. Equity markets sold off sharply and VIX spiked to 60, the highest level since the pandemic. Considering the impact that this level of tariffs would have on global growth, the negative reaction of growth sensitive risky assets (equity, credit, and commodities) was not a shock. What was more surprising was the reaction of conventional safe havens, namely the U.S. dollar and U.S. rates. While rates initially traded in line with the script and rallied sharply, there was an abrupt turn that took them sharply higher very quickly. While the price moves themselves were challenging, it was the breakdown in correlations that fuelled a sense of panic.

The market reaction was a real time scorecard but commentators also made clear their views. Trump supporter Ted Cruz opined that these policies "would destroy jobs here at home, and do real damage to the U.S. economy". JP Morgan CEO Jamie Dimon warned that "the recent tariffs

will likely increase inflation and are causing many to consider a greater probability of a recession." Investor Bill Ackman said "business investment will grind to a halt, (and) consumers will close their wallets" if the new levies do indeed come into force.

In response to these criticisms and the market dislocations, President Trump softened the approach, announcing a 90-day pause in the implementation of reciprocal tariffs and the removal of tariffs on a range of electronic products. The tariff pause and positive rhetoric around the potential for trade deals enabled markets to regain their footing and equity and fixed income recovered most of their losses as the month progressed.

We attended the Spring International Monetary Fund (IMF)/World Bank meetings later in the month and, not surprisingly, the word of the week was uncertainty. The inability to adequately forecast outcomes was a feature of almost every presentation. Other than regime representatives, the vast majority of speakers had a negative bias to their outlooks, but everyone acknowledged that the White House can course correct somewhat if Trump wants to.

Coming out of D.C., the base case would seem to be that we will be facing a framework with meaningfully higher tariffs than we had previously but something that is less damaging than full Liberation Day + de facto China/U.S. trade embargo. Nonetheless, average tariffs of 15%-20% are a real headwind. The IMF global outlook is not catastrophic, modelling a significant weakening of global growth in 2025 and 2026 but not a full recession. It is easier to highlight downside risks as opposed to upsides, however. That said, for EM ex-China, the overall expected slowdown seems contained, and mostly centered around South East Asian economies, which no longer represent a major source of performance for an EMD portfolio. For those, a slower growth and deflationary environment can potentially be monetized with interest rate swaps receivers and, possibly, long USD or EUR versus Asia FX forwards.

Some specific emerging market highlights for the month were:

Argentina: April was a good month for Argentine assets. The government announced a new 20bn USD IMF programme, with frontloaded disbursements (60%). Also, Secretary Bessent visited Buenos Aires and made it clear that the U.S. is willing to offer Argentina access to a credit line (Exchange Stabilization Fund) if needed. Finally, the government announced that it was immediately eliminating the most relevant aspects of its FX controls, moving to a currency band regime (USDZAR between 1000-1400 +/- 1% per month). We increased our position in global bonds and initiated a smaller position in local currency bonds also, with a view that the ARS will trade towards the strong end of the FX band. The key risk in our view remains that the government

Portfolio statistics

Strategy AUM USD mn (month-end) 4,563

Current yield⁽¹⁾ 6.79%

YTW⁽¹⁾ 8.58%

YTM⁽¹⁾ 8.68%

Duration (cash adjusted) 5.58

Rating BB

Cash & equivalents 17.66%

Net EM exposure 64.44%

Gross EM exposure 152.82%

Long 108.63%

Short -44.19%

Active EM exposures	Net	Gross
Hard Currency Bonds	58.6%	58.6%
Local Currency Bonds	22.2%	22.2%
EM FX Total	-3.0%	31.78%
CDS	-23.4%	23.38%
IRS	7.41%	14.24%

Cash / hedge exposures	Net	Gross
DM Rates	11.5%	11.5%
DM FX Total	2.3%	2.3%
US Treasury Notes	-	-
US T-bills	-	-
Free Cash	17.7%	17.7%

Top 5 sovereign / quasi exposures	NAV
COTE D IVOIRE (REPUBLIC OF)	2.16
PETROLEOS MEXICANOS	1.73
ECUADOR REPUBLIC OF (GOVERNMENT)	1.60
SENEGAL (REPUBLIC OF)	1.57
ISRAEL (STATE OFF)	1.54
Total top 5	8.62

Top 5 corporate exposures	NAV
IVANHOE MINES LTD	1.07
AZULE ENERGY FINANCE PLC	1.07
BBVA MEXICO SA INSTITUCION DE BANCA MULTIPLE GRUPO	0.99
SAAVI ENERGIA LUXEMBOURG SARL	0.97
ORLEN SA	0.92
Total top 5	5.02

Source: Principal Finisterre. As of 30 April 2025. Information shown above is from the representative portfolio of the Finisterre Emerging Markets Debt Total Return Strategy. NAV is defined as the sum of absolute market value adjusted for derivatives and hedges.

⁽¹⁾ Yields and yield related characteristics shown are only one component of performance or expected performance and are not and should not be viewed as a statement of the current or future performance of the strategy. See the gross and net performance of the strategy.

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appears reluctant to purchasing much needed FX reserves within the band, signalling instead a preference to keep FX strong and inflation contained. It has instead floated the idea of bringing more “mattress dollars” into the real economy, much as it did last year with the tax amnesty. We will reassess our view if we see that in coming weeks there is no meaningful gain in FX reserves.

Turkey: An increasingly complex political backdrop—including the arrest of Istanbul’s opposition mayor Ekrem Imamoglu in late March—soured appetite for Turkish assets. This forced the central bank (CBT) to tighten monetary conditions by raising the policy rate from 42.5% to 46% and lift reserve requirements on FX deposits and reserve remuneration on TRY deposits. Also, the CBT intervened in the FX market to prevent a larger slide in TRY. The central bank’s net FX reserve position deteriorated by approximately 50 billion USD between mid-March and late April. We would note however that there are signs that outflows have abated and local dollarisation pressures seemed to have abated. In addition, FX deposits have remained in the system, which is an important sign of confidence in local banks. Finally, the CBT’s net reserve position has indeed worsened, but remains significantly healthier than it was in first quarter 2024 (+7 billion USD at end-April versus -70 billion USD in March 2024), and local deposit rates are much higher. Although we are mindful of the worsened political backdrop, we still see value in TRY carry, and we note that the positioning is significantly cleaner today.

Ecuador: Investors had seesawed from euphoria ahead of the Ecuador first round of the presidential election to despair ahead of the second round, as polls proved wrong on both rounds. President Daniel Noboa ultimately cruised to reelection by 11 points, marking a third straight loss for the Correistas (supporters of leftist ex-president Correa). Certainly, Noboa’s reelection doesn’t instantly solve all of Ecuador’s problems, but we do expect a continued orthodox path on fiscal, strong financing support from the multilaterals, and for the country to broadly be on the right side of the Trump administration. We expect Noboa to build a majority coalition in the Assembly, something he very much didn’t have in his first (short) “term”, and we remain bullish even as bonds have rallied well off the lows with yields still well back of other performing CCCs.

Pakistan bonds experienced significant volatility in April driven by Liberation Day and then rising tensions with India. Pakistan was disproportionately hit by the tariff announcement (29% rate for Pakistan) initially sending bonds down sharply by 8-12 points, followed by a quick recovery of short dates mainly. Pakistan’s export exposure to the U.S. is minimal while Pakistan is a key beneficiary of lower energy prices, as weaker oil prices can more than

offset any negative impact of tariffs on Pakistan’s domestically driven economy. Pakistan maintains the external liquidity backstop and policy anchor of an IMF programme and does not need access to international capital markets this year. Towards the end of the month, bonds were hit again amidst escalating tension with India after terrorist attacks in Indian-administered Kashmir which resulted in retaliatory military action. Our baseline view is for de-escalation over the medium term, backed by international pressure for restraint. Meanwhile, Pakistan’s improving macroeconomic story remains intact, supporting our preference for high carry short-dated PKSTAN USD bonds, which we added to in weakness.

Lastly, oil markets reversed their March recovery on the back of the tariff driven growth concerns and a somewhat surprising decision by OPEC+ to increase production by 411 thousand barrels a day. We remain cautious on the barrel here and although we have not taken out all of oil related exposures, we have significantly adjusted our positioning.

Performance and portfolio positioning

The Finisterre Emerging Markets Debt Total Return strategy returned 1.18% gross (1.11% net) for the month of April, outperforming the JPM blended index by 32 bps gross (25 bps net). Gains were led by our position in Ecuador with bonds recovering all post first round losses and more as Noboa was re-elected outperforming polls, our received swap positions in Brazil and Czech, as well as our duration overlays in U.S. and Bund futures as we maintain a higher duration stance. We also benefitted from running a long EUR position, both outright and via Central and Eastern Europe (CEE). We also made gains on our tactical positions in long CDS index positions as a liquid method to hedge some credit spread risk before and during the initial trade announcements. We took some losses in our highest beta hard currency positions as the market decompressed and the lower rated PDVSA, Zambia, and Ukraine underperformed.

Outlook and portfolio strategy

We remain of the view that extreme tariffs levels are not here to stay, yet scars will remain in terms of how policy uncertainty, residual tariffs, shifting perceptions about the reliability of U.S. institutional credibility mix with stretched positioning in U.S. assets at fairly demanding valuation levels to start with. The difficulty for the Federal Reserve (Fed) to decide on future policy, as inflation risks conflict with worsening growth expectation, imply that any monetary support will have to be late. Finally, we assume that global investors will shift to hedging at least part of their USD exposure to U.S. assets and possibly reduce them over the next few months from historically high levels (\$20 trillion of foreign holdings

of U.S. assets).

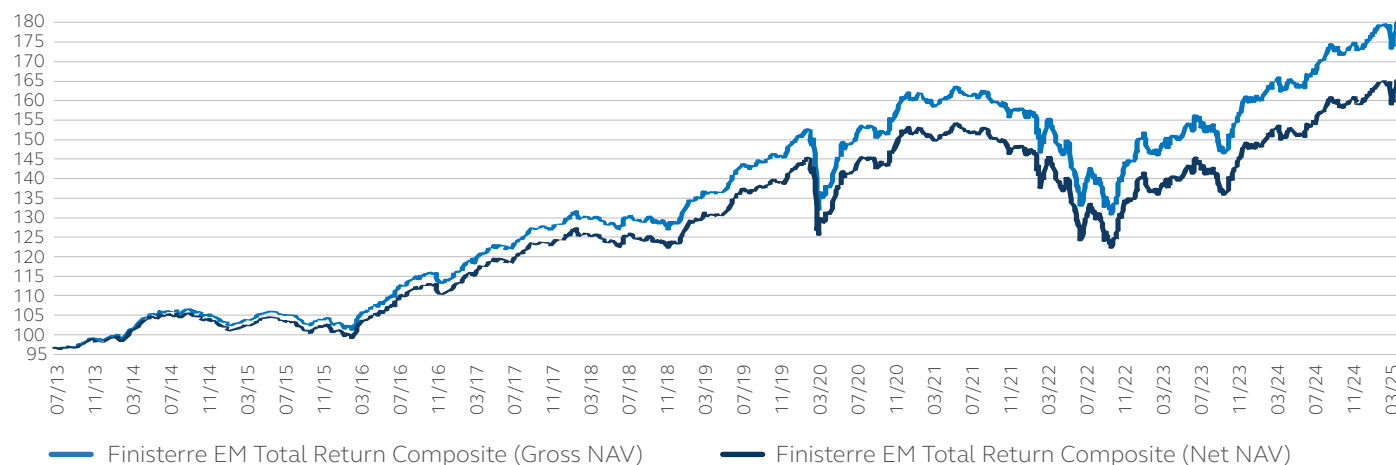
- Growth challenge and asset prices. It is possible that the White House rolls back its tariff plans completely. This seems highly unlikely however and as noted above, the go forward assumption has to be that there will be significantly higher tariffs in effect. Working with an effective blended level of 15%-20% will serve as a challenge to growth and profit margins. Equity markets and credit spreads have recovered from the April weakness. This seems somewhat premature in light of the still complex outlook.
- U.S. exceptionalism and U.S. over allocation. One of the overarching themes from conversations with clients and strategists over the last month has been the extent to which investors are questioning their U.S. asset concentration. Both U.S. and global investors have built up U.S. exposures in recent years and international investors in particular did so on a largely FX unhedged basis. While it may be too early to call an end to U.S. exceptionalism, even a small reduction in U.S. positioning/an increase in hedge ratios will have a profound impact on prices in both absolute and relative terms.
- Divergence in monetary policy. The new American trade policy is a negative impetus for growth and will also push inflation higher in the U.S. (at least in the short term) but is deeply disinflationary for the rest of the world. The Fed is in no rush to move on rates, pending confirmation of the growth inflation trade-off through hard data. But we assume that come late summer, they will need to cut rates faster than most expect. For other central banks, weaker growth and lower inflation makes monetary policy easing much more straightforward. Although this tendency is already priced in a number of markets, we think there is scope for more.

That said, when analyzing the EMD space in detail, while there are points of vulnerabilities (Mexico, South East Asia, Oil producers with high breakeven prices), we also see significant opportunities for a deeply under-owned asset class which could disproportionately benefit from even small asset reallocations. The broader picture sees EM ex-Asia growth relatively resilient, not so dependent on U.S. trade, with a lot of flexibility to lower interest rates to cushion the blow. A weaker USD environment which we assume to last for some time, as U.S. assets exposures are revised, also helps EM economies in terms of debt servicing and access to funding.

Eventually we forecast continuing positive returns for our asset class and strategies, led by income, but also, increasingly Beta support from duration and FX versus USD.

Growth of \$100

Composite performance (cumulative since inception)



Source: Principal Finisterre, As of 30 April 2025.

Finisterre EM Total Return Composite inception date 31 May 2013.

Past performance does not guarantee future return.

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	Returns (%)		Annualised returns (%)					Volatility (%)					Sharpe ratio				
	MTD	YTD	1-year	3-year	5-year	10-year	ITD	1-year	3-year	5-year	10-year	ITD	1-year	3-year	5-year	ITD	10-year
Finisterre EMTR Composite (gross)	1.18	4.19	10.61	6.56	5.44	5.50	5.07	3.71	5.34	4.99	4.39	4.15	2.72	1.19	1.06	1.19	1.22
Finisterre EMTR Composite (net)	1.11	3.90	9.76	5.81	4.69	4.75	4.31	3.71	5.34	4.99	4.39	4.15	2.51	1.06	0.92	1.02	1.06
EMBI Global Diversified	-0.22	2.02	8.77	5.32	2.99	2.97	3.21	4.39	6.24	6.11	6.22	6.08	1.92	0.83	0.48	0.52	0.47
CEMBI Broad Diversified	-0.43	1.98	8.23	5.56	3.96	3.82	3.89	2.34	3.05	2.97	3.14	3.12	3.38	1.77	1.31	1.22	1.19
GBI-EM Global Diversified	3.25	7.70	9.75	5.97	2.16	1.30	-0.03	6.09	7.53	7.97	8.88	8.95	1.53	0.77	0.27	-0.00	0.15
JPM EM Equal Weight Total Return	0.86	3.88	8.97	5.67	3.08	2.75	2.41	3.70	5.05	5.11	5.49	5.47	2.32	1.09	0.59	0.44	0.49

Gross returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013						-3.37	0.10	0.19	0.68	1.73	-0.47	0.76	-0.47
2014	-0.75	2.37	1.95	1.55	0.72	0.53	0.18	0.18	-0.53	-0.62	-0.36	-1.34	3.86
2015	-0.54	0.64	0.45	1.53	0.36	-0.53	-0.36	-0.89	-1.80	1.28	0.63	-1.08	-0.36
2016	-0.64	0.92	2.81	1.59	0.52	1.99	1.61	1.76	0.74	0.49	-2.09	1.07	11.21
2017	1.63	2.10	1.33	1.47	0.38	-0.32	1.45	1.73	0.88	0.21	0.44	0.57	12.51
2018	1.93	-0.85	-0.27	-0.58	-0.46	-0.44	2.12	-1.08	0.75	-1.52	-0.03	0.36	-0.14
2019	4.24	0.99	0.34	0.55	0.39	2.87	1.85	-0.37	0.75	1.28	-0.33	2.51	16.04
2020	0.94	-1.50	-8.54	1.85	5.14	2.20	2.59	0.29	-1.64	0.50	3.63	3.09	8.15
2021	-0.58	-0.23	-0.97	1.02	1.32	-0.10	-0.63	0.74	-1.61	-0.42	-2.16	1.44	-2.24
2022	-0.94	-3.18	2.16	-3.72	0.57	-7.83	0.53	0.48	-4.68	0.25	6.83	1.36	-8.60
2023	3.91	-2.09	1.19	1.25	-0.05	2.34	1.28	-1.54	-2.35	-1.42	5.21	3.56	11.52
2024	-0.32	0.86	2.04	-1.28	0.84	-0.38	2.00	1.99	2.42	-1.35	1.05	-0.51	7.46
2025	2.08	1.51	-0.62	1.18									4.19

Net returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013						-3.44	0.03	0.12	0.61	1.66	-0.54	0.69	-0.94
2014	-0.82	2.30	1.88	1.48	0.65	0.47	0.11	0.12	-0.58	-0.68	-0.41	-1.40	3.10
2015	-0.60	0.58	0.40	1.48	0.30	-0.59	-0.41	-0.95	-1.86	1.23	0.58	-1.14	-1.05
2016	-0.70	0.86	2.75	1.53	0.46	1.93	1.55	1.70	0.68	0.43	-2.15	1.01	10.43
2017	1.57	2.05	1.27	1.42	0.32	-0.37	1.39	1.67	0.82	0.15	0.38	0.51	11.73
2018	1.86	-0.90	-0.33	-0.64	-0.53	-0.50	2.06	-1.15	0.69	-1.59	-0.10	0.30	-0.90
2019	4.18	0.93	0.27	0.49	0.33	2.81	1.79	-0.43	0.69	1.21	-0.39	2.45	15.20
2020	0.88	-1.56	-8.60	1.79	5.08	2.13	2.52	0.23	-1.70	0.44	3.56	3.02	7.34
2021	-0.64	-0.29	-1.04	0.96	1.26	-0.16	-0.69	0.68	-1.67	-0.48	-2.22	1.38	-2.94
2022	-1.00	-3.23	2.10	-3.77	0.51	-7.89	0.47	0.42	-4.74	0.20	6.76	1.31	-9.23
2023	3.85	-2.14	1.13	1.20	-0.11	2.29	1.22	-1.60	-2.40	-1.48	5.16	3.50	10.79
2024	-0.38	0.80	1.99	-1.34	0.78	-0.43	1.94	1.93	2.36	-1.42	0.98	-0.58	6.70
2025	2.01	1.44	-0.69	1.11									3.90

12-month net rolling return (%)

	May 2020-Apr 2021	May 2021-Apr 2022	May 2022-Apr 2023	May 2023-Apr 2024	May 2024-Apr 2025
Net	14.99	-7.70	0.30	7.63	9.76

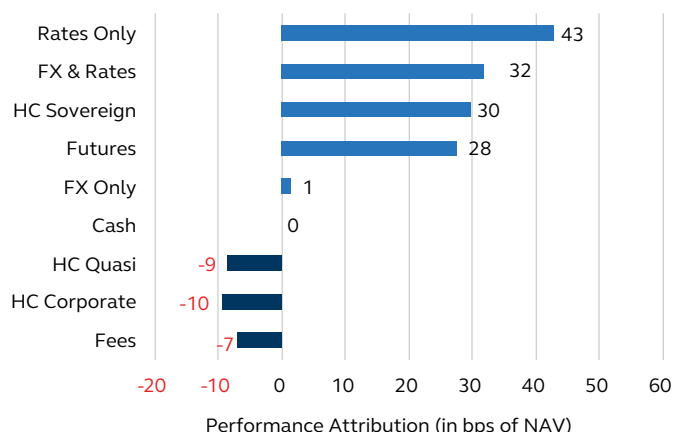
Source: Principal Finisterre, As of 30 April 2025.

Finisterre EM Total Return composite inception date: 31 May 2013.

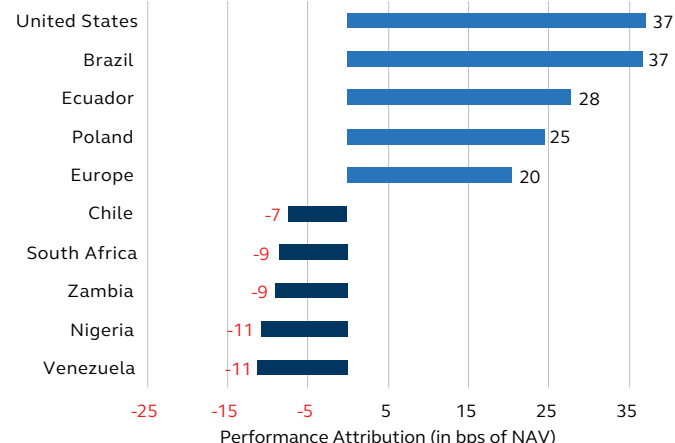
Past performance is not indicative of future performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees, accrued daily YTD figures are compounded monthly. Additional information on calculation of composite performance data is available on request. Actual investment advisory fees charged to clients may vary. Portfolio performance, characteristics and volatility may differ from the benchmark shown.

Monthly composite attribution

Performance attribution by sector (bps)

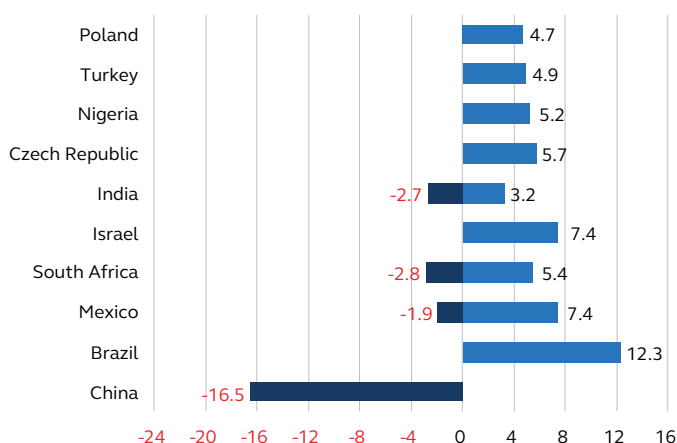


By country (top 5 contributors and detractors, bps)

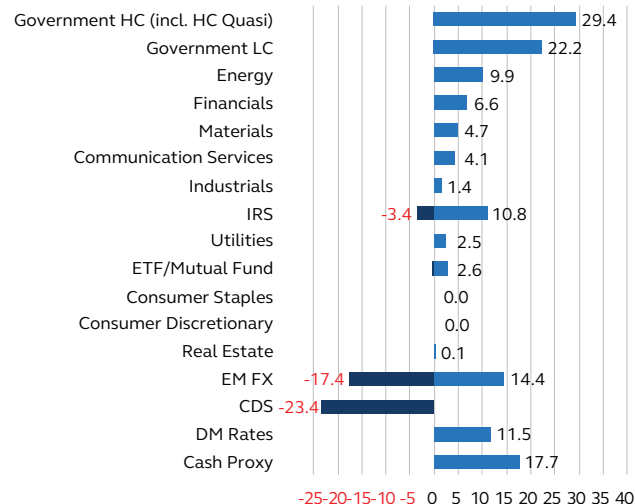


Month-end representative portfolio exposures

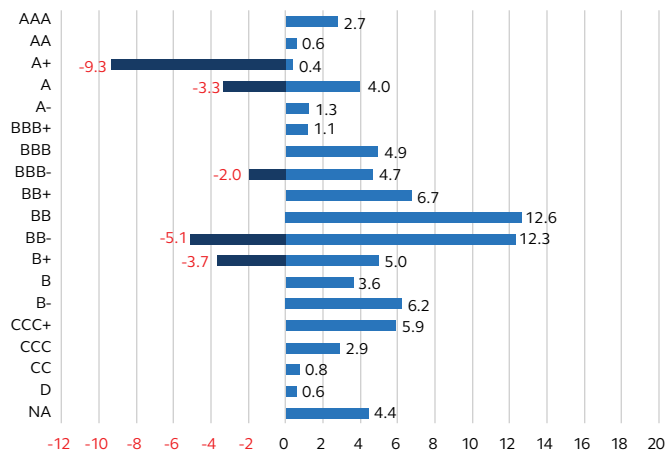
Top 10 country gross exposure (% NAV)



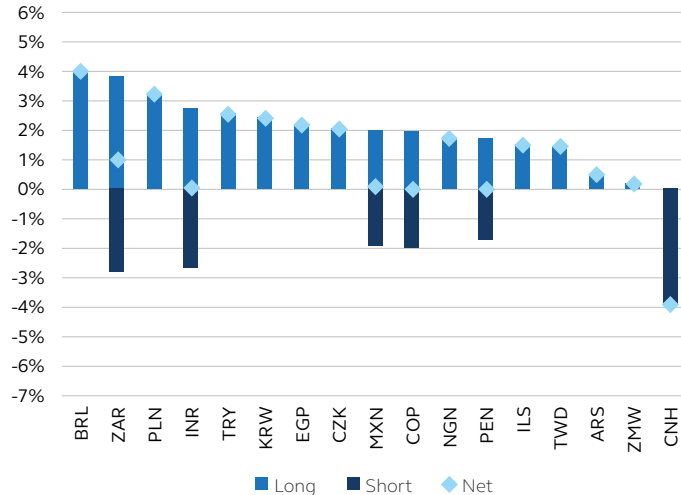
Sector allocation (% NAV)



Credit allocation (% NAV)



Local currency exposure (% NAV)



Investment objective

The Finisterre Emerging Markets Debt Total Return Strategy is an active, unconstrained, adaptive, long-biased, benchmark-agnostic multi-EMD fixed income strategy. The strategy seeks to earn a high yield utilizing an unconstrained, holistic approach to the entire EM fixed income universe and associated derivative instruments.

Investment team

DAMIEN BUCHET, CFA - Chief Investment Officer, Principal Finisterre

CHRISTOPHER WATSON, CFA - Senior Portfolio Manager

About Principal Finisterre

Our vision remains today what it was at our launch: to remain an investment manager with an unrelenting focus on active investing in Emerging Market Debt.

We are a solutions-driven organization and aim to deliver the investment knowledge and experience that our clients need, combined with striving to consistently provide competitive investment performance and outstanding service.

JP Morgan EM Equal Weight Index: An equal-weighted blend of CEMBI Broad Diversified, EMBI Global Diversified, and GBI-EM Global Diversified, gross of withholdings taxes, rebalanced monthly.

CEMBI Broad Diversified: Corporate Emerging Markets Bond Index – Broad Diversified is a market capitalization weighted index consisting of USD denominated emerging market corporate bonds with a broad distribution of country weights.

EMBI Global Diversified: Emerging Markets Bond Index – Global Diversified is liquid US dollar emerging markets debt benchmark that tracks total returns for actively traded external debt instruments in emerging markets.

GBI-EM Global Diversified: Government Bond Index-Emerging Markets Global Diversified is a comprehensive Emerging Markets debt index that tracks local currency bonds issued by Emerging Market governments that do not have explicit capital controls.

MOVE Index: The Move Index is a measure of price volatility in government bonds

Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

Composite Performance results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance results reflect a reduction for investment advisory fees based on the firm's applicable asset management fee schedule. Additional information on calculation of composite performance data is available on request. Actual investment advisory fees charged to clients may vary.

Each portfolio included in the composite is managed according to its own individual investment restrictions and limitations and therefore their characteristics may vary from those of the Representative Portfolio shown.

Risk Considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Derivatives are volatile and carry a high degree of risk, including liquidity risk. Leverage can magnify losses as well as gains. Investment in foreign currency can result in losses and values may fluctuate based on foreign exchange rates, exchange restrictions, or other actions of governments or central banks. Currency hedging may reduce but will not remove risk. Hedging will incur more transaction costs and fees which will affect overall return. International and global investing involves greater risks such as currency fluctuations, political/social instability, and differing accounting standards. Risk is magnified in emerging markets, which may lack established legal, political, business, or social structures to support securities markets. Emerging market debt may be subject to heightened default and liquidity risk.

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