

The Golden Age of Active Emerging Markets Debt Investing

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The Golden Age of Active Emerging Markets Debt Investing

Increasing geopolitical uncertainty and higher interest rates are presenting unique investment opportunities

Capital Starved

- Outflows from emerging markets debt funds
- Market access challenged

Inflationary Pressures

- Differentiation between regions and countries is growing

Diverging Monetary Policy Decisions

- Hungary cut rates
- South Africa and Serbia held rates
- Nigeria hiked rates

Ongoing Wars & Geopolitical Conflict

- Europe
- Middle East
- Cold war between China & US

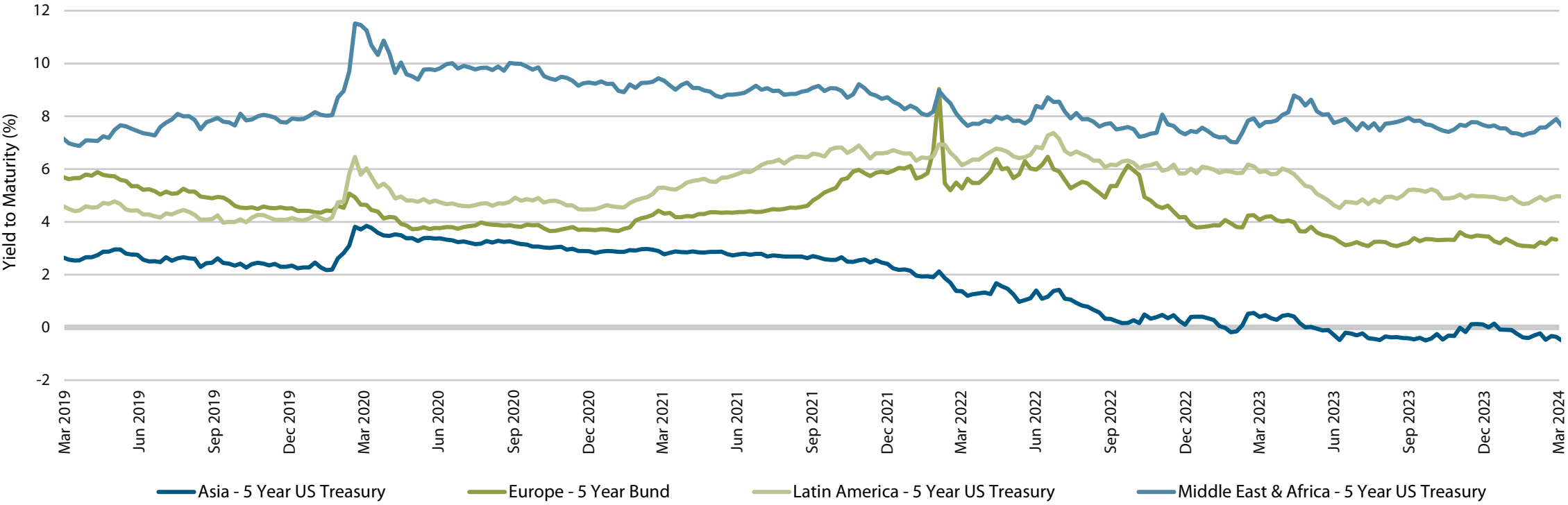
Fiscal Stress & Defaults

- Unsustainable deficits in US and China, among others

Invest in Alpha Not Beta

Regional Differences in Emerging Markets Rates Is Significant

J.P. Morgan GBI-EM Global Diversified Regional Local Yields vs. Relevant Base Rates

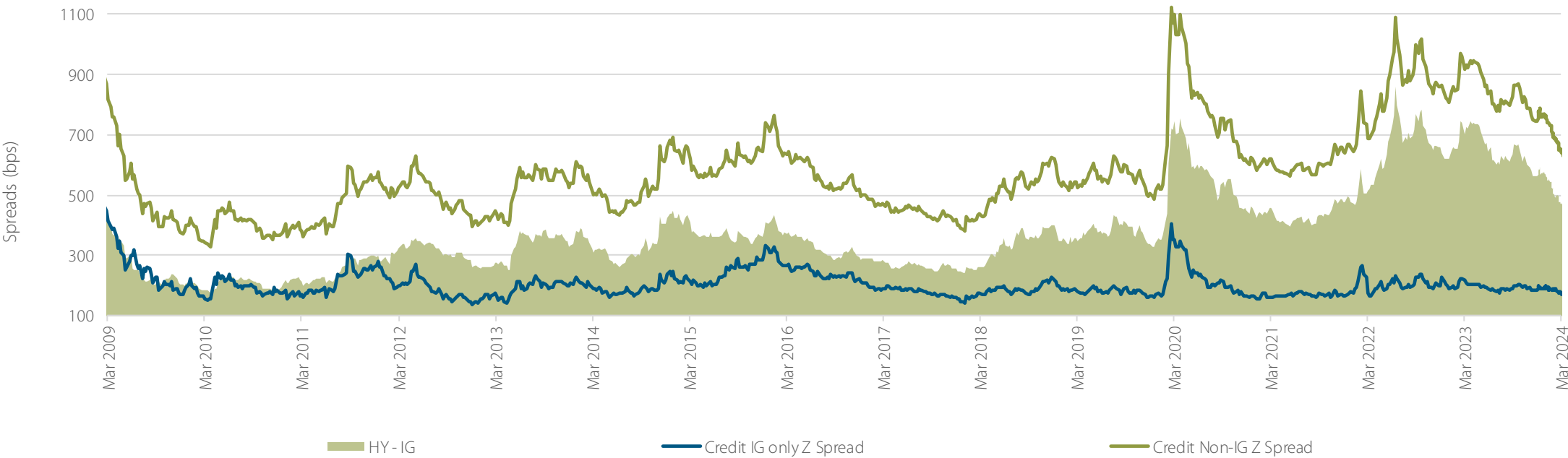


Source: J.P. Morgan. As of 31 Mar 2024. Past performance is not indicative of future results.

Invest in Alpha Not Beta

Wide Valuation Gap Between Sovereign High Yield And Investment Grade Spreads

J.P. Morgan EMBI Global Diversified Investment Grade and High Yield Spreads

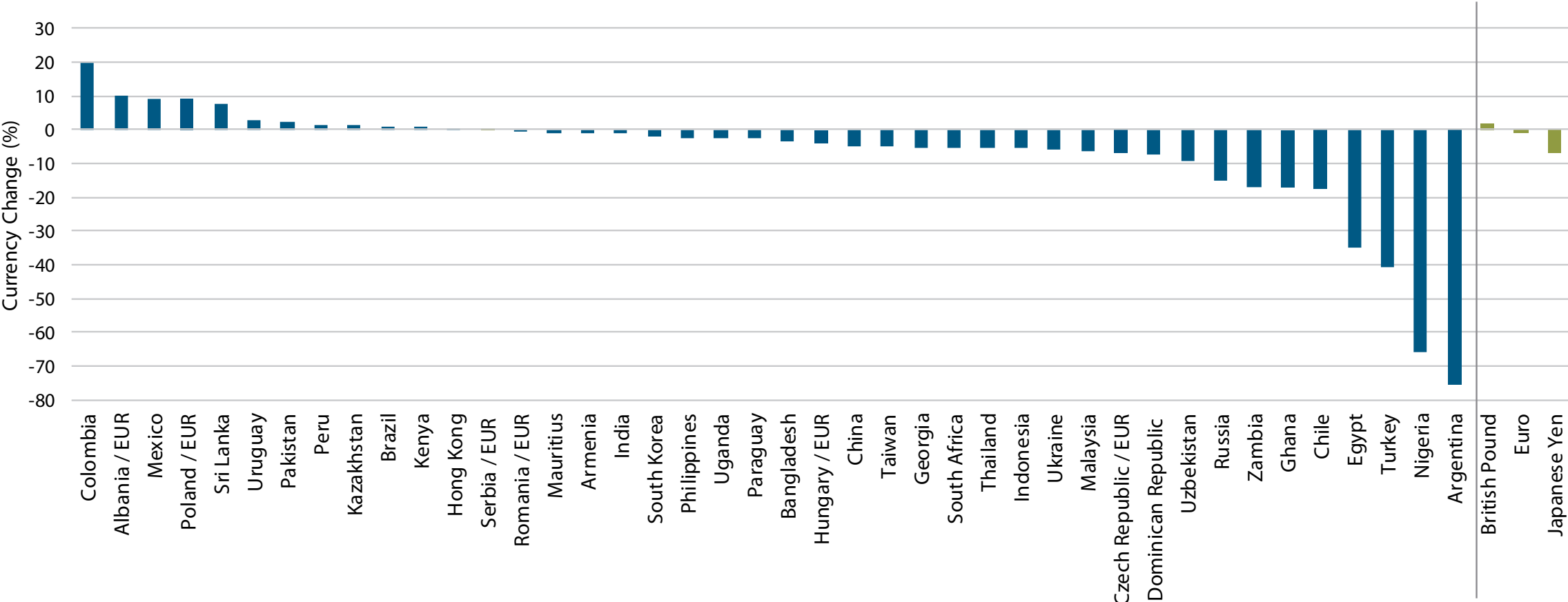


Source: J.P. Morgan. As of 31 Mar 2024. Past performance is not indicative of future results.

Invest in Alpha Not Beta

Wide Range in FX Performance

1-Year Spot Change



Source: Bloomberg. As of 31 Mar 2024. Past performance is not indicative of future results.

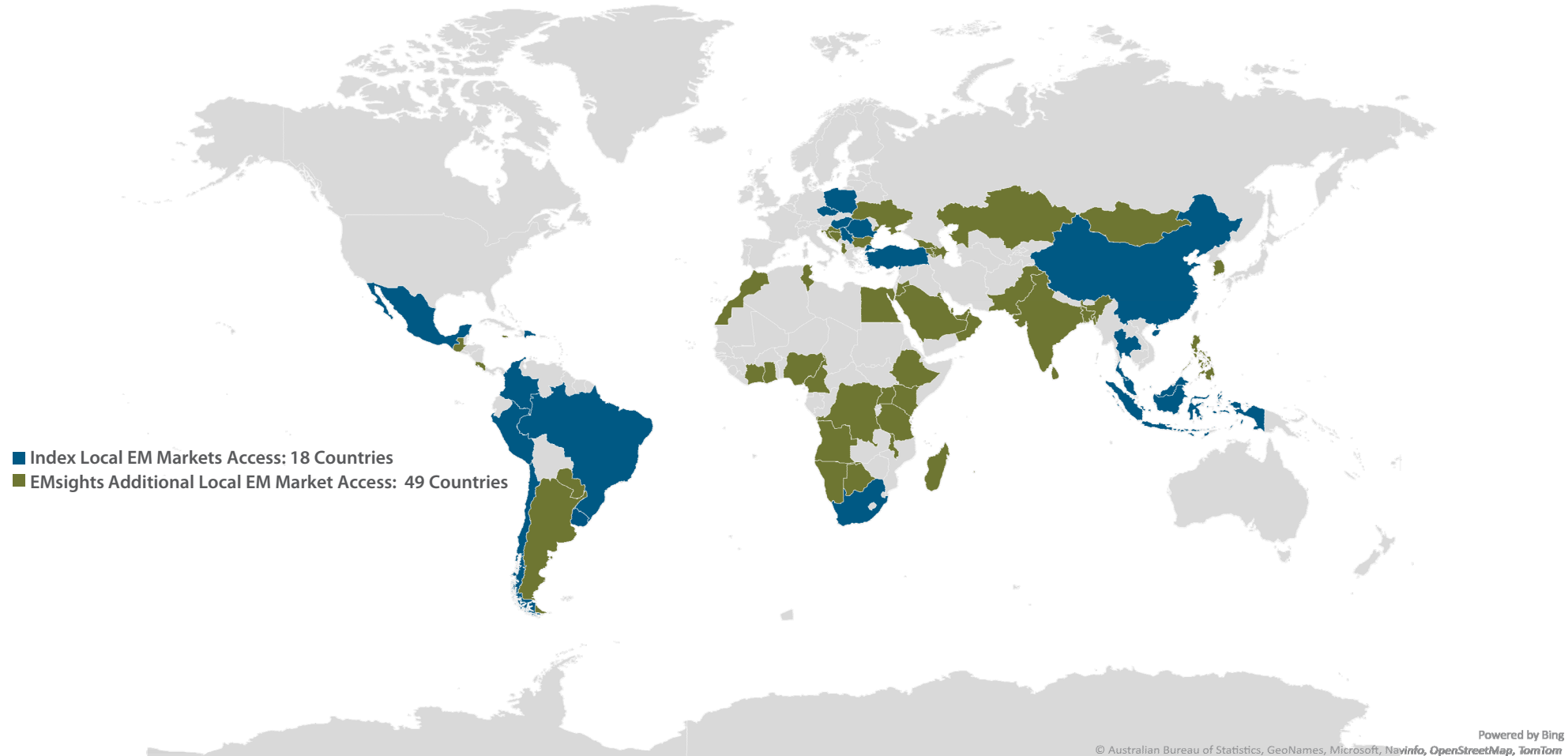
The Benchmark Is Not Your Friend

Investing beyond the benchmarks will hold a competitive edge

1. Excluded Countries, Excluded Opportunities
2. Market Capitalization Weighting
3. Diversification Illusion
4. More Coverage, More Efficient
5. Non-EM Risk Is An Ever-Present Danger
6. Low Spread Securities
7. Defaulted Countries Remain In The Benchmark

1. Excluded Countries, Excluded Opportunities

31 Countries Missing From The Benchmark



Source: Artisan Partners/J.P. Morgan. As of 31 Mar 2024. "Index" is based off of the JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD). Colored countries represent a portion of the trading markets accessible by the EMSights Capital Group.

1. Excluded Countries, Excluded Opportunities

Arbitrary rules for benchmark inclusion excludes investable, attractive bonds

	J.P. Morgan Emerging Markets Bond Index Global Diversified	J.P. Morgan Government Bond Index- Emerging Markets Global Diversified
Currency	Only USD denominated bonds	Local currency denominated bonds
Instrument Type	Fixed, floaters, amortizers, capitalizers and loans	Fixed coupon and Zero coupon
Minimum Face Amount	US \$500M	US \$1B for local onshore bonds US \$500M (global bonds)
Maturity Requirement	At least 2.5 years until maturity	At least 2.5 years until maturity

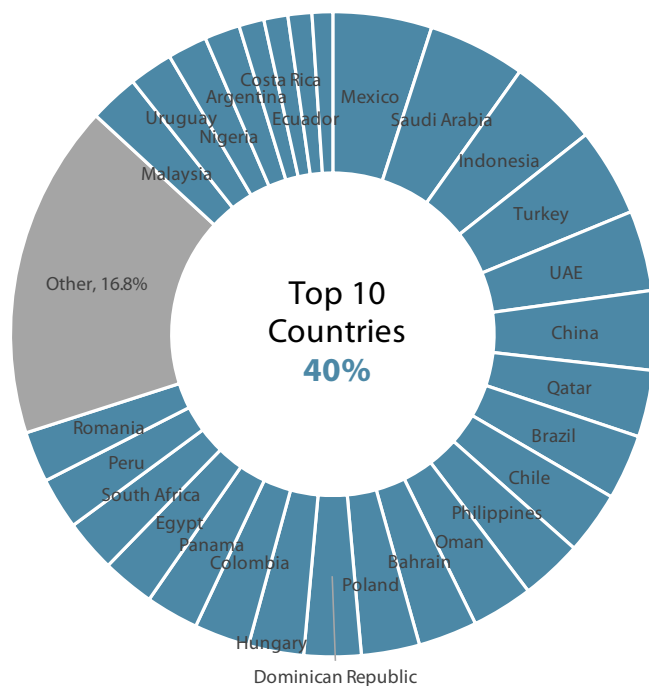
2. Market Capitalization Weighting

The more indebted a country is, the larger its weight in the benchmark

J.P. Morgan EMBI Global Diversified Index

69 Countries in the Index

25 Countries Have Less than 0.50% Weight



Countries with < 25 bps Weight (bps)

Iraq	0.19
Honduras	0.18
Bolivia	0.16
Armenia	0.15
Vietnam	0.15
Lebanon	0.14
Tunisia	0.14
Georgia	0.13
Mozambique	0.12
Namibia	0.11
Benin	0.11
Ethiopia	0.11
Suriname	0.09
Rwanda	0.07
Barbados	0.07
Papua New Guinea	0.07
Tajikistan	0.06
Maldives	0.07
Total	2.12

Countries Not In The Benchmark

Albania
Bahamas
Bulgaria
Cameroon
Czechia
Estonia
Latvia
Lithuania
Republic of North Macedonia

Instruments Not In the Benchmark

Macro linked Bonds
Ukraine GDP Warrants
Suriname Oil Warrants

3. Diversification Illusion

Pairwise Currency Correlations: In EM Local Benchmark vs. Out of Benchmark

J.P. Morgan GBI-EM Global Diversified Index Currencies (>3% Weight)¹

	Brazilian Real	Czech Koruna	Chinese Renminbi	Indonesian Rupiah	Mexican Peso	Malaysian Ringgit	Polish Zloty	Thai Baht	South African Rand	Hungarian Forint	Colombian Peso
Brazilian Real	1.00										
Czech Koruna	0.48	1.00									
Chinese Renminbi	0.21	0.67	1.00								
Indonesian Rupiah	0.34	0.55	0.59	1.00							
Mexican Peso	0.50	0.53	0.15	0.33	1.00						
Malaysian Ringgit	0.31	0.67	0.81	0.56	0.36	1.00					
Polish Zloty	0.52	0.86	0.51	0.44	0.50	0.58	1.00				
Thai Baht	0.36	0.64	0.68	0.52	0.35	0.86	0.68	1.00			
South African Rand	0.57	0.64	0.57	0.22	0.40	0.62	0.59	0.53	1.00		
Hungarian Forint	0.38	0.82	0.53	0.45	0.33	0.46	0.79	0.56	0.49	1.00	
Colombian Peso	0.56	0.38	0.36	0.38	0.51	0.50	0.46	0.49	0.59	0.23	1.00

Avg: 0.5

Non-J.P. Morgan GBI-EM Global Diversified Index Currencies

	GBI-EM GD Index	Czech Koruna/EUR	Hungarian Forint/EUR	Polish Zloty/EUR	Indian Rupee	Kenyan Shilling	Kazakhstani Tenge	Costa Rican Colon	Ugandan Shilling	Uzbekistani Som	Ghanaian Cedi	Pakistani Rupee	Nigerian Naira	Zambian Kwacha
GBI-EM GD Index	1.00													
Czech Koruna/EUR	-0.35	1.00												
Hungarian Forint/EUR	-0.24	0.52	1.00											
Polish Zloty/EUR	-0.56	0.32	0.43	1.00										
Indian Rupee	-0.54	0.22	0.32	0.35	1.00									
Kenyan Shilling	-0.10	0.05	-0.08	0.11	-0.01	1.00								
Kazakhstani Tenge	-0.17	0.42	0.20	0.55	0.05	0.24	1.00							
Costa Rican Colon	-0.05	-0.04	0.04	-0.19	0.11	0.01	-0.11	1.00						
Ugandan Shilling	-0.25	0.24	0.38	0.16	0.23	-0.03	0.00	0.11	1.00					
Uzbekistani Som	-0.03	-0.08	-0.14	0.08	-0.07	-0.12	-0.06	-0.18	0.02	1.00				
Ghanaian Cedi	-0.10	-0.05	0.00	-0.11	-0.08	-0.08	-0.01	-0.11	-0.05	0.12	1.00			
Pakistani Rupee	0.10	-0.20	0.14	0.20	-0.01	0.11	0.10	-0.31	0.34	0.01	-0.04	1.00		
Nigerian Naira	0.08	0.30	0.15	-0.11	-0.19	-0.21	0.06	0.10	0.02	-0.02	-0.04	-0.09	1.00	
Zambian Kwacha	0.08	-0.11	-0.10	0.04	0.29	0.14	-0.05	-0.25	0.07	0.19	-0.13	0.05	-0.39	1.00

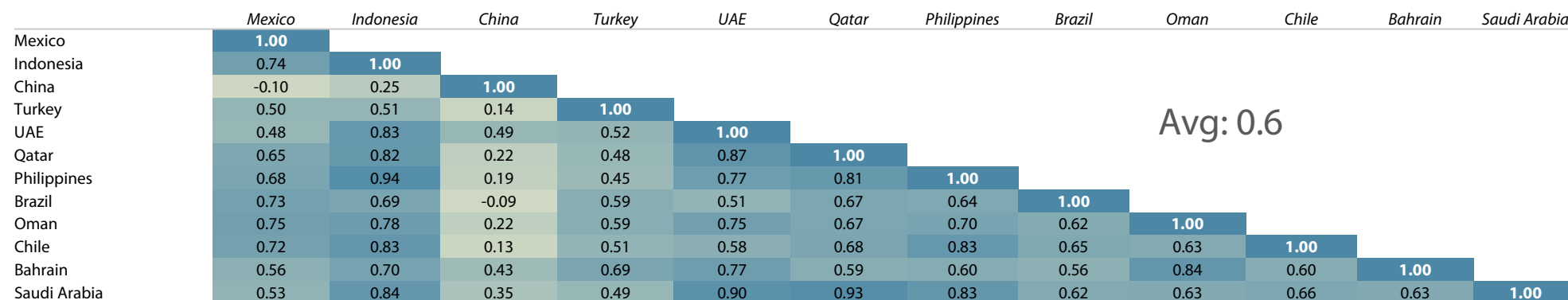
Avg: 0.0

Source: Bloomberg. Correlations shown based on monthly spot rates from 31 March 2021 to 31 March 2024. Illustrates the change of each currency's relative exchange rate to USD (except those noted as compared to EUR). The JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD) is an index of local-currency bonds with maturities of more than one year issued by EM government.

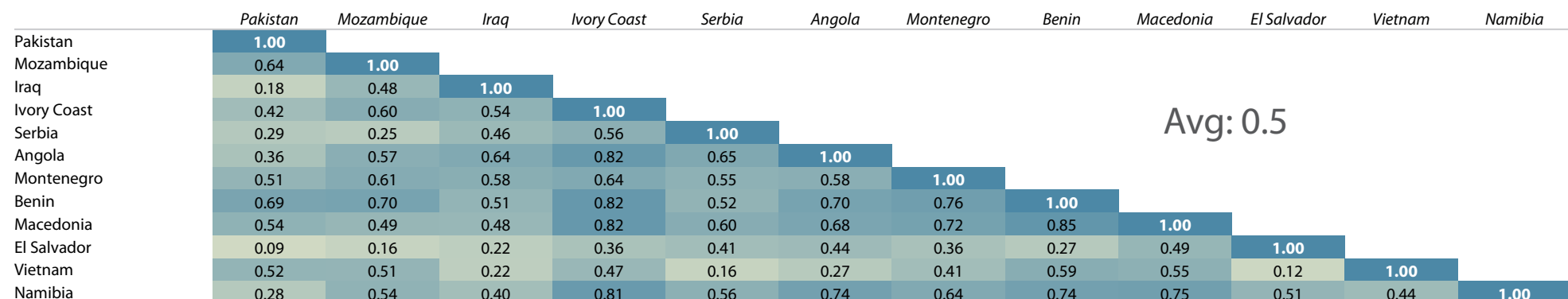
3. Diversification Illusion

EM Sovereign Spread Correlation: Higher Weighted Countries vs. Lower Weighted Countries

J.P. Morgan EMBI Global Diversified Index Countries (>3% Weight)



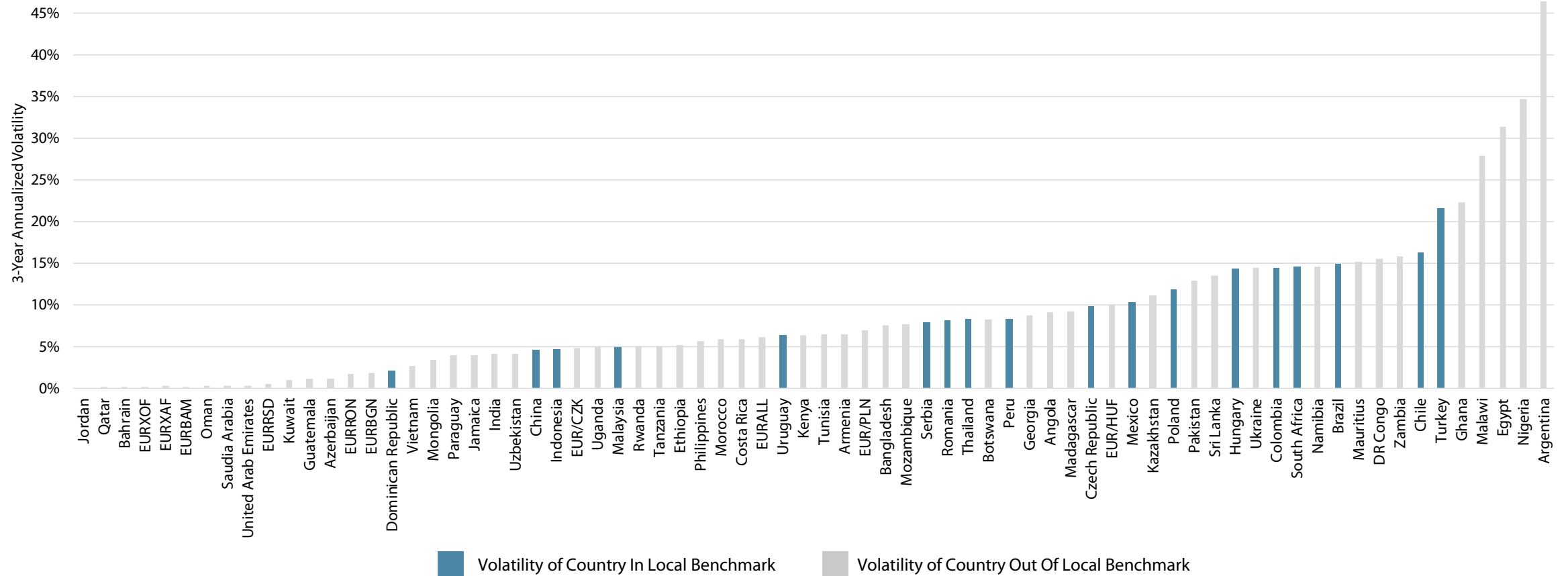
J.P. Morgan EMBI Global Diversified Index Countries with <1% Weight or Countries Not in Index



Source: Bloomberg. Correlations shown based on monthly spreads from 31 March 2021 through 31 March 2024. Illustrates the change of each country's sovereign credit spread. The J.P. Morgan Emerging Markets Bond Index-Global Diversified (EMBIGD) is an index of USD-denominated bonds with maturities of more than one year issued by EM governments

3. Diversification Illusion

Bigger Countries, Bigger Swings: Larger Benchmark Countries Experience Higher Currency Volatility

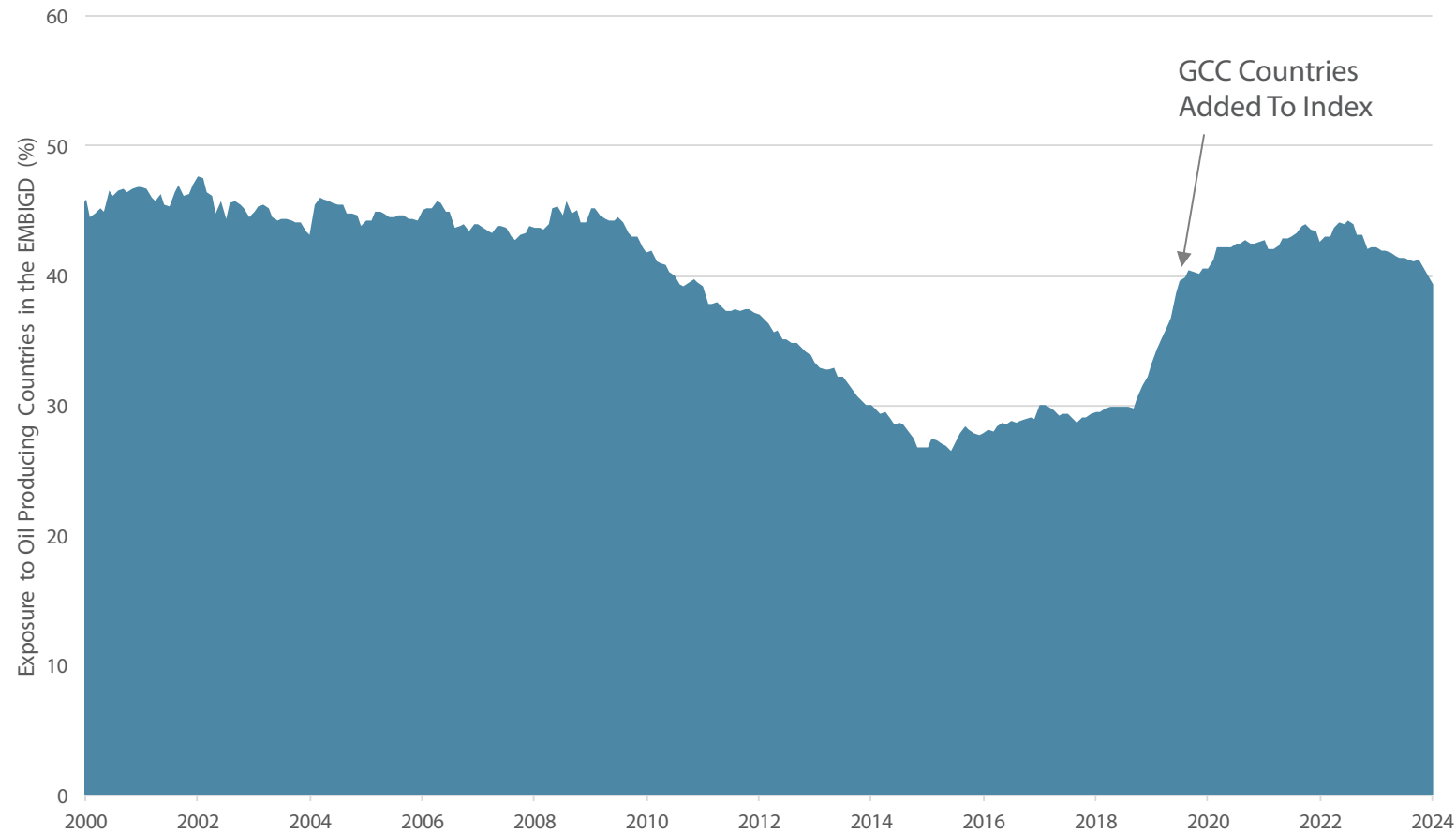


Source: JP Morgan. As of 31 Mar 2024. The JPM Government Bond Index-Emerging Market Global Diversified is an index of local-currency bonds with maturities of more than one year issued by EM governments. Includes current and prior countries within the J.P. Morgan Government Bond Index-Emerging Market Global Diversified Index

3. Diversification Illusion

Overlapping exposure to oil

Total Exposure to Oil Producing Countries in the J.P. Morgan EMBI Global Diversified



Source: JPMorgan. Total Exposure to Oil Producing Countries in the EMBIGD is calculated as the sum of Algeria, Angola, Azerbaijan, Bahrain, Brazil, Gabon, Indonesia, Iraq, Kazakhstan, Kuwait, Malaysia, Mexico, Nigeria, Oman, Qatar, Russia Saudi Arabia, UAE, and Venezuela country weights. As of 31 Mar 2024.

4. More Coverage, More Efficient

Sell-side research coverage is higher for larger countries in the EM debt benchmarks vs. smaller countries

Local Currency

Countries in Local Currency Index

	Sell-Side Research Firms							
	1	2	3	4	5	6	7	8
Brazil	Green	Green	Green	Green	Green	Green	Green	Green
Czech Republic	Green	Green	Green	Green	Green	Red	Green	Green
China	Green	Green	Green	Green	Green	Green	Green	Green
Indonesia	Green	Green	Green	Green	Green	Green	Green	Green
Mexico	Green	Green	Green	Green	Green	Green	Green	Green
Malaysia	Green	Green	Green	Green	Green	Green	Green	Green
Poland	Green	Green	Green	Green	Green	Green	Green	Green
Thailand	Green	Green	Green	Green	Green	Green	Green	Green
South Africa	Green	Green	Green	Green	Green	Green	Green	Green

Countries Out of Local Currency Index

	Sell-Side Research Firms							
	1	2	3	4	5	6	7	8
Kenya	Green	Green	Red	Green	Green	Red	Red	Green
Kazakhstan	Green	Green	Red	Green	Red	Red	Red	Green
Costa Rica	Green	Red	Red	Red	Red	Green	Red	Red
Uganda	Red	Red	Red	Green	Red	Red	Red	Red
Ghana	Green	Green	Red	Red	Red	Red	Red	Green
Pakistan	Green	Red	Red	Green	Red	Green	Red	Red
Nigeria	Green	Green	Red	Green	Red	Green	Red	Green
Zambia	Green	Red	Red	Red	Red	Red	Red	Red

Hard Currency

Countries in Hard Currency Index

	Sell-Side Research Firms							
	1	2	3	4	5	6	7	8
Mexico	Green	Green	Green	Green	Green	Green	Green	Green
Turkey	Green	Green	Green	Green	Green	Green	Green	Green
UAE	Green	Green	Red	Red	Green	Green	Green	Red
Qatar	Green	Green	Red	Red	Green	Green	Red	Red
Philippines	Green	Green	Green	Green	Green	Green	Green	Green
Oman	Green	Red	Red	Red	Green	Red	Green	Red
Chile	Green	Green	Green	Green	Green	Green	Green	Green
Bahrain	Green	Green	Red	Red	Green	Red	Green	Red
Saudi Arabia	Green	Green	Green	Red	Green	Green	Green	Green
Dominican Republic	Green	Green	Red	Red	Red	Red	Red	Red

Countries with <1% Weight or Countries Not in Hard Currency Index

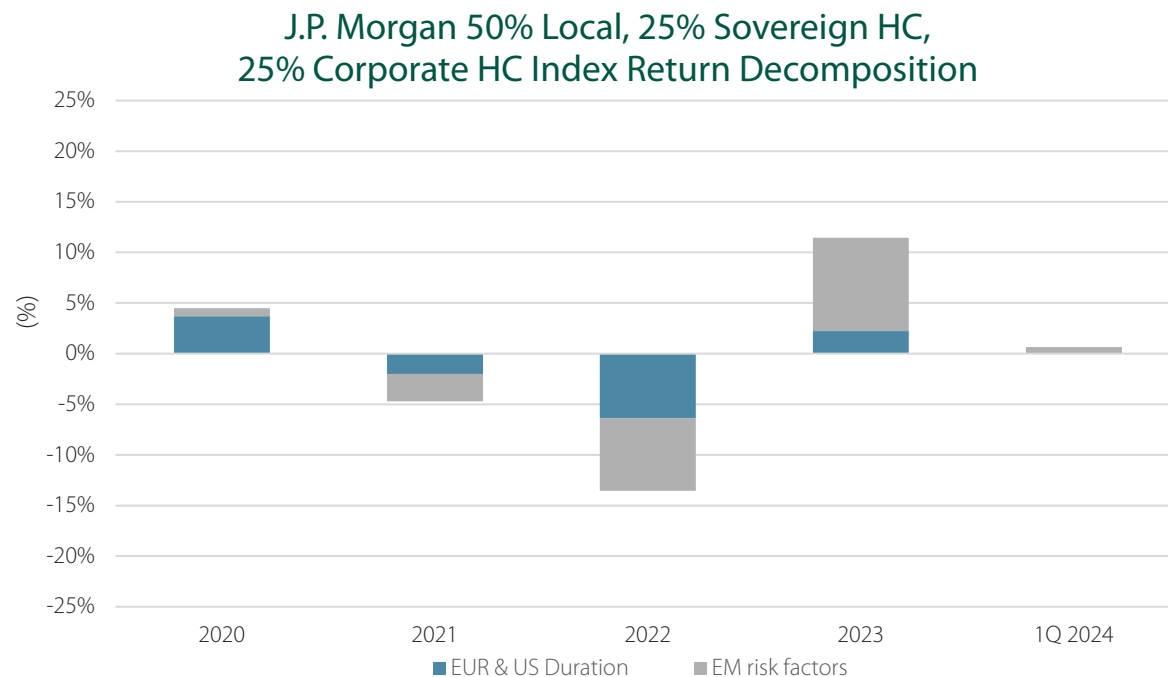
	Sell-Side Research Firms							
	1	2	3	4	5	6	7	8
Mozambique	Red	Red	Red	Red	Red	Red	Red	Red
Iraq	Red	Red	Red	Red	Red	Green	Red	Red
Ivory Coast	Red	Red	Red	Red	Red	Red	Red	Red
Serbia	Green	Red	Red	Green	Red	Red	Red	Red
Angola	Green	Red	Red	Red	Red	Red	Red	Red
Montenegro	Red	Red	Red	Red	Red	Red	Red	Red
Macedonia	Red	Red	Red	Red	Red	Red	Red	Red
El Salvador	Green	Red	Red	Red	Red	Red	Red	Red
Vietnam	Green	Green	Red	Green	Green	Red	Red	Red
Namibia	Red	Red	Red	Red	Red	Red	Red	Red
Croatia	Green	Red	Red	Red	Red	Red	Red	Red

Green Coverage
Red No Coverage

Source: Artisan Partners. Assessment of sell-side research country coverage varies by firm and is based on number of reports published on a country within the past two years, analyst assignments, or forecasts available.

5. Non-EM Risk Is An Ever-Present Danger

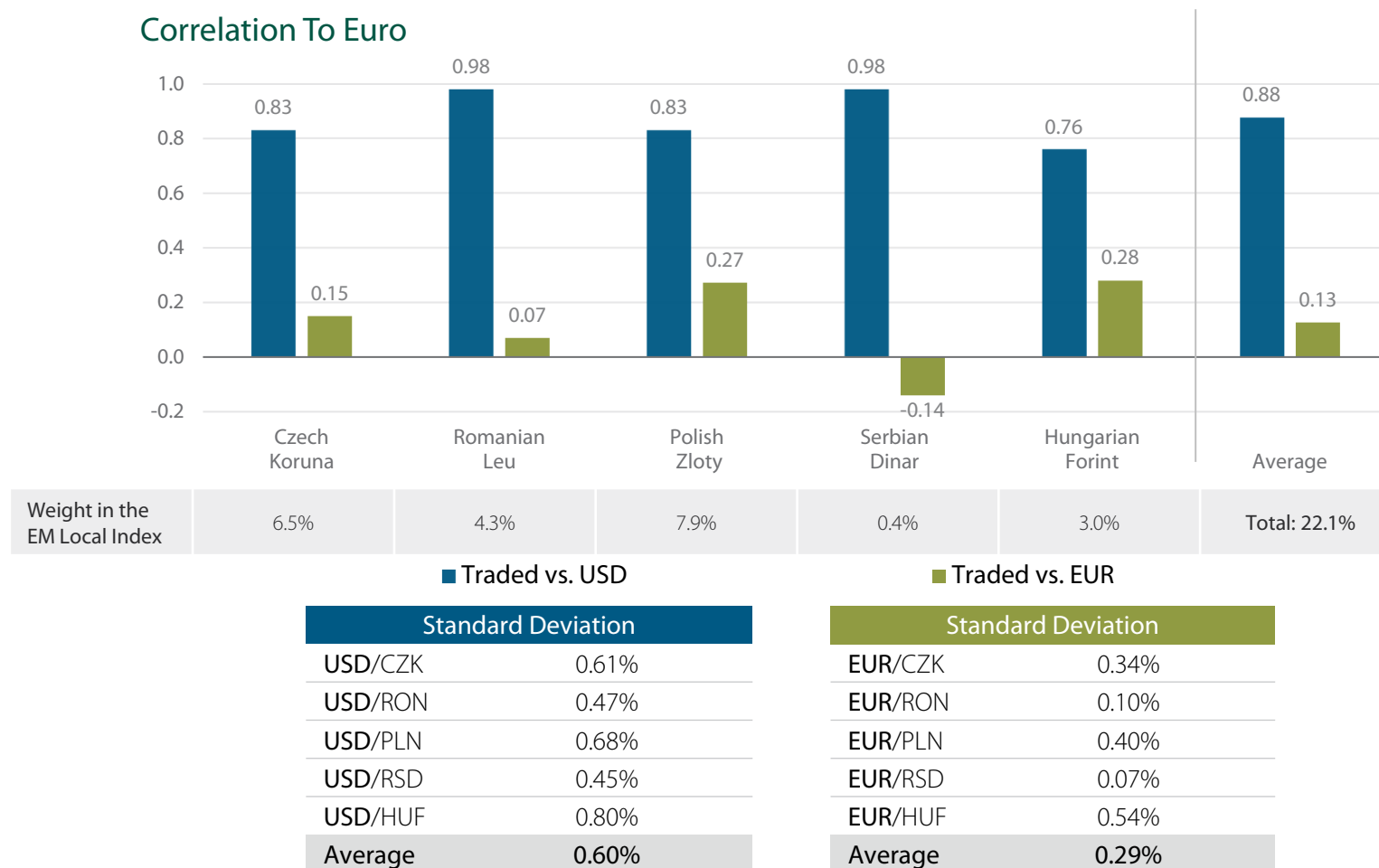
US Duration Risk In The J.P. Morgan Blended Benchmark



	2020	2021	2022	2023	1Q 2024
Blended Index Return	4.49%	-4.65%	-13.34%	11.43%	0.02%
EUR & US Duration	3.69%	-1.95%	-6.21%	2.23%	-0.63%
% of Return from Developed Market Risk Factors	82%	42%	47%	20%	

5. Non-EM Risk Is An Ever-Present Danger

Euro Exposure: Eastern European countries exhibit 0.9 correlation to the euro



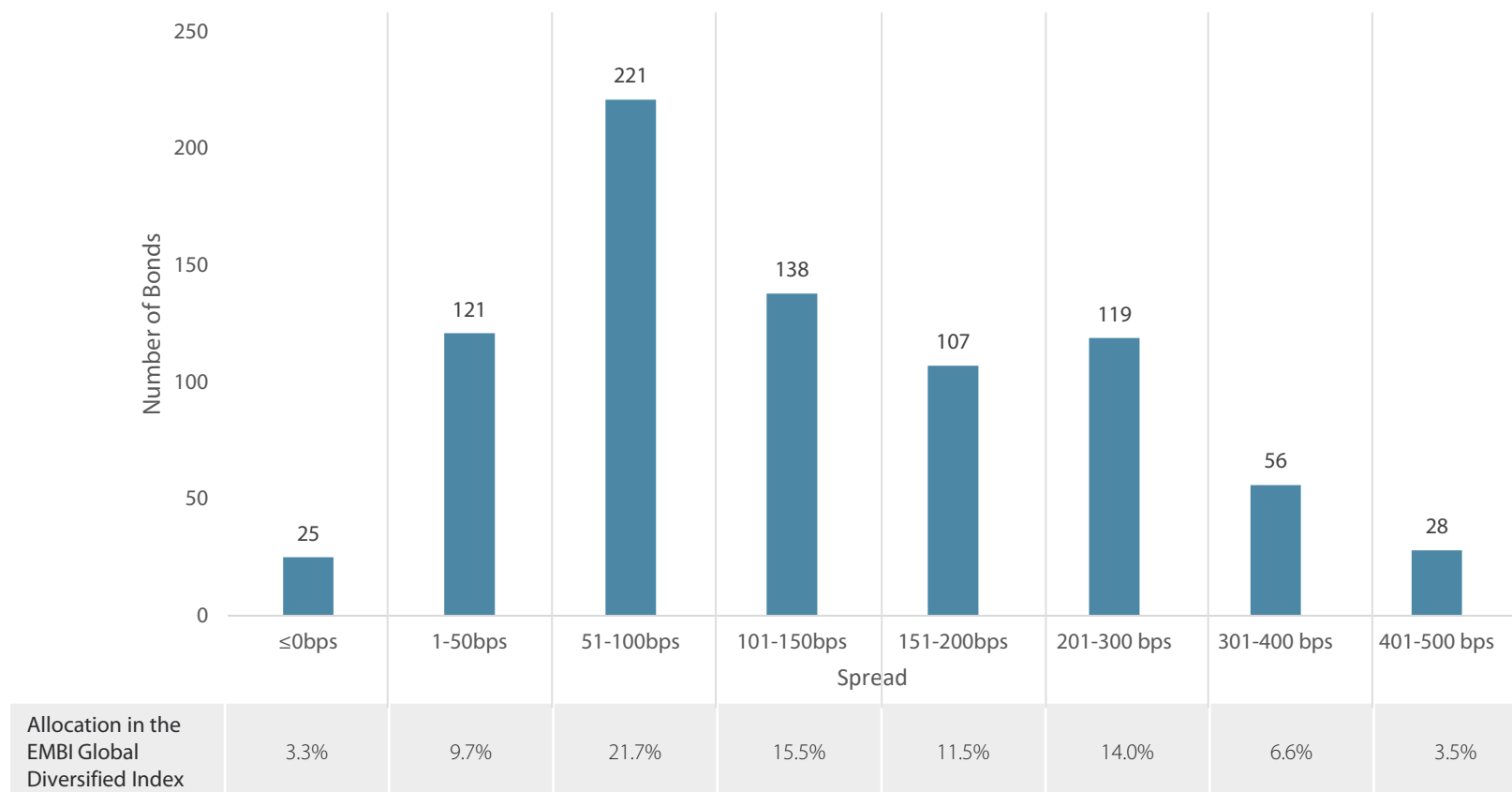
Source: Artisan Partners/Bloomberg. As of 31 Mar 2024. Correlations and standard deviation shown based on monthly spot rates from 31 Mar 2019 to 31 Mar 2024

6. Low Spread Securities

50% of the J.P. Morgan EMBI GD market value consists of bonds with spreads tighter than 150 bps

Composition of J.P. Morgan EMBI Global Diversified Index

971 Bonds In Index



Source: JPMorgan. As of 31 Mar 2024. Spread represents government spread.

7. Defaulted Countries Remain In The Benchmark

Non-performing bonds remain in the benchmark and weigh on performance

Defaulted Countries—Weight in the J.P. Morgan EMBI Global Diversified Index (%)	30 April 2024
Sri Lanka	0.95
Ghana	0.93
Ukraine	0.82
Venezuela	0.47
Zambia	0.31
Lebanon	0.14
Ethiopia	0.10
Total	3.72

Total Estimated Cost of Benchmark Challenges

~ 100 bps

EM DEBT ROULETTE





Questions?

Notes and Disclosures

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The J.P. Morgan (JPM) EMB Hard Currency/Local Currency 50-50 is an unmanaged, blended index consisting of 50% JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD), an index of local-currency bonds with maturities of more than one year issued by EM governments; 25% JPM Emerging Markets Bond Index-Global Diversified (EMBIGD), an index of USD-denominated bonds with maturities of more than one year issued by EM governments; and 25% JPM Corporate Emerging Market Bond Index-Broad Diversified (CEMBIBD), an index of USD-denominated EM corporate bonds. The ICE BofA 3-Month US Treasury Bill Index is an unmanaged index that comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month. The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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