

Quasar Emerging Markets Bond Fund

Monthly Manager Commentaries – August 2022



Dear Investors and Interested Parties,

With increased volatility in the month, markets ended August in negative territory for most asset classes, with investors worried about a more hawkish FED after Jerome Powell's Jackson Hole speech. In addition, the US job openings increased in July and data for the prior month was revised sharply higher, pointing to a persistently strong demand for the labor market that is giving support to the FED to continue its aggressive interest rate hike. The S&P fell 4.24% and the 10-year treasury rose by roughly 54 basis points to 3.19%. Therefore, Emerging Markets High Yield (EM-HY) suffered from increasing rates and weakening market sentiment ending the month a 1.88% negative in this benchmark. The fund outperformed the EM-HY index by 3.72% and closed the month with a positive performance of 1.84%.

We took advantage of higher volatile conditions to continue improving our portfolio's average credit rating with better quality companies and decreased our cash position considerably. Country-wise, the main rebalancing changes were:

- ❖ **India:** Increased the fund's exposure to 11.6% from 9.8%;
- ❖ **Colombia:** Reduced the fund's exposure to 9.9% from 11.0%;
- ❖ **Dominican Republic:** Increased the fund's exposure to 4.6% from 3.7%;
- ❖ **Tanzania:** Increased the fund's exposure to 2.2% from 1.6%;

On the portfolio construction, we decided to increase our exposure to Dominican Republic sovereign bonds, it stands apart as one of the countries in the region with the strongest growth momentum, according to the most recent forecast by the Economic Commission for Latin America and the Caribbean, Dominican Republic's economy will grow 5.3% this year. The strong economy was mainly driven by a stable management of the Luis Abinader administration, which has attracted foreign investment to the country and was successful in combating the Covid-19 pandemic, which resulted in a full tourism recovery making a new high on tourist arrivals in July.

On August Gustavo Petro took office as Colombia's President and already presented a tax reform bill to Congress, seeking to raise about 5.7 billion dollars in 2023. The bill proposes to increase taxes on wealthier individuals, as well as on exports of coal, oil, and gold to fund social program agenda. Bonds of Colombian oil and gas producers have sold off in anticipation of Gustavo Petro's presidency, after the President mentioned new exploration licenses would no longer be issued, we are closely monitoring the sector.

The fund currently has a yield to worst of 10.9%, a duration of 4.15 years and a rating of BB-.

According to the EPFR, Hard Currency EM Funds reached inflows of \$1.87bn in August and a \$21.14bn outflow year to date.

Kind Regards,

Quasar International