Q3 | 2022

# Emerging Markets Debt

***Objective***

*The investment objective of the Emerging Markets Corporate Fixed Income strategy is to achieve 1.5 to 2% over the JP Morgan CEMBI Broad Diversified Index over a market cycle by targeting long-only credit opportunities across global Emerging Market Corporate Bonds, Emerging and Frontier Sovereigns and Provincial Debt Markets.*

*"RVX believes emerging markets are experiencing positive fundamental change and present attractive investment opportunities for investors.*

*RVX believes these opportunities are created by misunderstood and mispriced risks that lead to inefficiencies and anomalies that can be exploited.*

*RVX believes an active, top-down, fundamental, relative value approach to evaluate countries, sectors and companies is the best way to exploit these inefficiencies.*


***Investment Team***

*Raymond Zucaro, CFA*

*Mauricio Kiblisky*

***Economist/Strategist***

*Santiago Cuneo, CFA*

***Director of Fixed Income Operations***

*Felix Wong*


***Composite Inception Date***

*January 1, 2020*

***Strategy Profile***

*Benchmark.......... JPM CEMBI Brd Div Index*

*Style....................................... Relative Value*

*Credit Quality.................... Ba2/BB min. avg.*

*Duration........................ 85 to 115% of index*

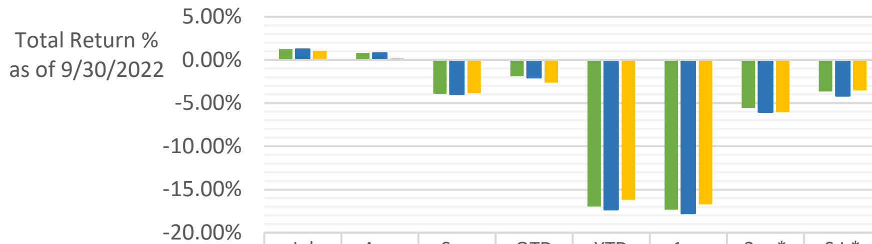
*Security............................................ 5% max*

*Country........................................... 25% max*

*Industry.......................................... 30% max*

*Currency......................................... USD only*

## PERFORMANCE:




| | Jul | Aug | Sep | QTD | YTD | 1 yr | 2 yr* | S.I.* |
|---|---|---|---|---|---|---|---|---|
| RVX EM Corp FI (Gross)1 | 1.27% | 0.81% | -3.91% | -1.89% | -16.98% | -17.34% | -5.56% | -3.68% |
| RVX EM Corp FI (Net)2 | 1.23% | 0.77% | -3.95% | -2.02% | -17.30% | -17.75% | -6.03% | -4.16% |
| JPM CEMBI BD | 1.05% | 0.18% | -3.83% | -2.64% | -16.21% | -16.72% | -6.03% | -3.53% |

*Source: RVX Asset Management and JPM CEMBI Br Div Index*
**Returns 1+ Years are Annualized*

* The performance data quoted represents past performance; Past performance does not guarantee future results
Please see DISCLOSURE at bottom of page 2 for further details.

## COMMENTARY:

During the third quarter of 2022, the RVX EM Corp Fixed Income strategy outperformed the JPM CEMBI index by 75 bps for a monthly aggregate return of -1.89% (-2.02% net). The major themes for the quarter continued to be global inflation concerns, global recession fears, rallying DXY, and the continuous escalation in geopolitical tensions between the U.S. and Russia on the back of Russia's invasion of Ukraine. Investors remain on edge expecting tighter monetary policy from global central banks. The U.S. FED continues to reaffirm their commitment to battling inflation, signaling there will be more pain to come before the situation gets better. Aggressive interest rate hikes coupled with quantitative tightening by the FED, continue to keep markets on edge. Additionally, given the FED has been the most aggressive central bank in the push to combat inflation, the interest rate differential from the FED's strong interest rate increases has pushed global investors to increase their holdings of US dollars, further exacerbating a rallying DXY which has hit one of the highest levels in history. This month has been particularly eventful in Europe, with countries like the U.K. having to step-in to the Gilt market to backstop pension funds due to fears of a collapse in pensioner savings rates and the Swiss financial institution, Credit Suisse has raised major red flags due to their falling equity value and massive widening of their CDSs, signaling potential trouble for the bank.

When disaggregating performance from a country perspective, the largest detractors to performance for the quarter were Brazil, Jamaica, and Mexico. Brazil's underperformance comes as the country's first round of presidential elections took place with leftist candidate Luiz Inácio Lula da Silva taking a narrow victory over current president Jair Bolsonaro. For this quarter, Brazil's underperformance can largely be attributed to the political noise coupled with a soaring USD. Jamaica's underperformance can be attributed to the underperformance of our only holding in the country that faced headwinds this quarter on the back of a soaring DXY and the potential impact on the weaker currencies in which the company operates. Mexico's underperformance comes from non-bank lending sector as interest rates move higher, DXY continues to rally, and global economic deterioration fears continue to loom over the country.

The largest contributors to performance for the quarter were Russia, Belarus, and Macau. Russia's and Belarus's outperformance can be attributed to their off-index nature. Additionally, the aggressive policies adopted by the Russian government to backstop the Ruble, coupled with increasing oil prices, has helped illiquid Russian securities. Macau's outperformance for the quarter comes despite China's strict zero-COVID policy. However, the gaming sector had been so decimated during the COVID pandemic that a recovery in asset prices was expected.

We now expect the benchmark 10-year to remain in a 3-3.5% range while the push in shorter rates will adjust higher. Portfolio quality is at BB+, versus the benchmark's BBB-. While portfolio duration is at 3.81 versus the benchmark's 4.49. We continue to monitor ongoing global events, especially the Eurozone. With a stronger dollar and soaring commodity prices we worry about the impact these variables will have on the European financial system.

## *Investment Process*

***Macro View***

- *The team begins with an analysis of the global macroeconomic environment, the corresponding impact on Emerging Markets, and the market's overall risk appetite.*

***Sovereign View***

- *The team's objective is to analyze credit opportunities in countries benefitting from the global macroeconomic environment, identified as those exhibiting positive rates of change in their economic, political, and social outlook.*

***Industry & Company View***

- *The team reviews an assortment of measurements to assess the credit worthiness of particular issuers within the framework of the team's sovereign perspectives and also, the issuers industry outlook.*
- *Each potential security is analyzed through a variety of credit and valuation metrics.*

***Portfolio Construction & Risk Management***

- *The team seeks to identify potential mispricing and alpha opportunities.*
- *Broad Diversification across countries, sectors, and credits.*
- *Risk management is integrated throughout the team's investment process. A designated Chief Risk Officer monitors portfolio adherence to guidelines, overall risk levels, and portfolio composition.*

## *Portfolio Characteristics*

*Average Coupon................................ 5.02%*
*Yield to Maturity................................ 12.82%*
*Yield to Worst.................................... 12.84%*
*Avg. Maturity........................................ 9.41*
*Effective Duration................................. 3.81*
*Average Quality..................................... BB+*
*Number of Holdings.............................. 224*
*Number of Issuers.................................. 201*
*Portfolio Turnover (TTM)................. 30.02%*

## *Contact Information*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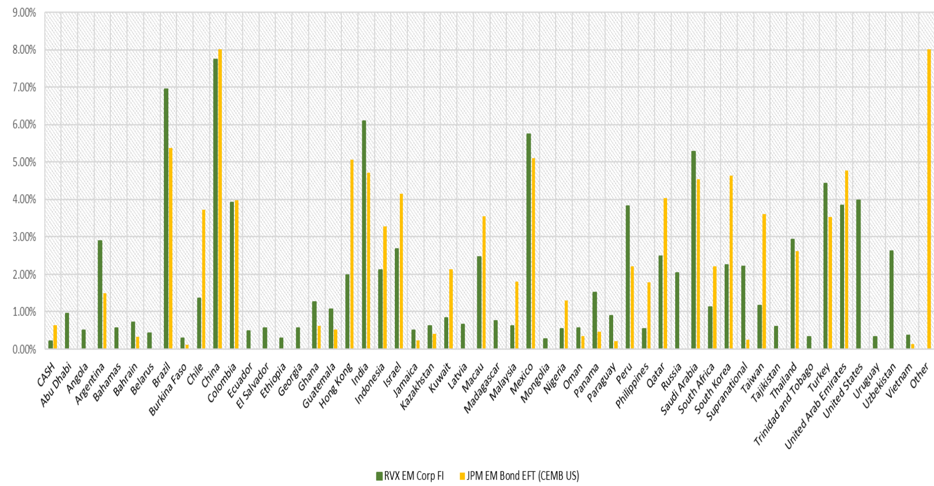
*The Top Ten Holdings were selected based on objective, nonperformance-based criteria and the criteria used is applied consistently from period to period. Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell a security*

## TOP TEN HOLDINGS:

| Security | MV% | Sector | Country | Eff. Duration | YTW | Rating |
|---|---|---|---|---|---|---|
| ARAMCO 2 1/4 11/24/30 | 2.96% | Energy | Saudi Arabia | 8.00 | 5.19 | A |
| T 2 7/8 05/15/32 | 2.72% | Government | United States of America | 8.30 | 3.82 | AAA |
| BABA 3.6 11/28/24 | 2.14% | Communications | China | 1.99 | 5.10 | B |
| PEMEX 6.35 02/12/48 | 1.27% | Energy | Mexico | 9.00 | 12.35 | B+ |
| B 03/23/23 | 1.25% | Government | United States of America | 0.47 | 3.71 | AAA |
| SDBC 0 5/8 09/09/24 | 1.19% | Financial | China | 2.00 | 4.23 | A+ |
| TENCNT 3.28 04/11/24 | 1.17% | Communications | China | 1.50 | 5.02 | A+ |
| SANLTD 3 1/4 08/08/31 | 1.05% | Consumer, Cyclical | Turkey | 7.00 | 8.33 | BB+ |
| SWIRE 2 7/8 01/30/30 | 0.95% | Diversified | Hong Kong | 6.50 | 5.09 | A- |
| ALKHAL 4 3/4 10/09/23 | 0.93% | Financial | Qatar | 0.96 | 5.12 | A+ |

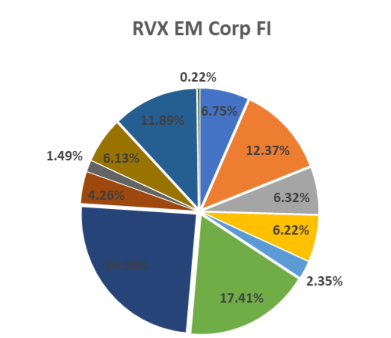
*Source: RVX Asset Management Representative Account*

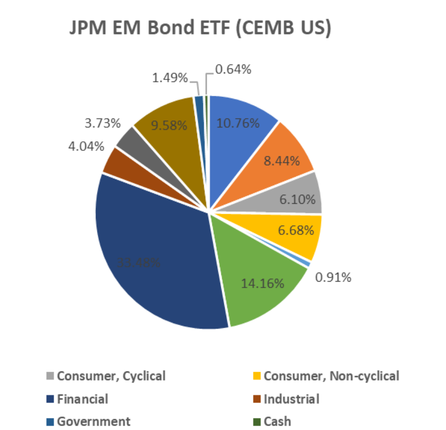
## COUNTRY WEIGHTINGS:




**Source: RVX Asset Management Representative Account and *JPM EM Bond ETF (CEMB US) used as a proxy for the JPM CEMBI Brd Div*

## SECTOR WEIGHTINGS:




**Source: RVX Asset Management Representative Account and *JPM EM Bond ETF (CEMB US) used as a proxy for the JPM CEMBI Brd Div*

***DISCLOSURES:***

1. RVX Asset Management, LLC ("RVX" or the "Firm") claims compliance with the Global Investment Performance Standards ("GIPS"®), and has prepared and presented this report in compliance with the GIPS standards. RVX has been independently verified for the periods 1 November 2018 to 31 December 2021. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.
2. RVX is an investment advisor registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940. The Firm was founded in 2015, and initially registered with the SEC in 2016. RVX provides asset management services to institutions and other investment advisors (excluding pooled funds as a distinct business). The Firm invests client assets ("Accounts") primarily in emerging and frontier market equities, government and corporate debt, and currencies which are allocated among asset classes based on the client's risk and return requirements. RVX is an independent investment management firm that is not affiliated with any parent organization.
3. The RVX Emerging Markets Corporate Debt Composite ("EMCorp Composite") consists of fully discretionary Accounts invested in its related investment strategy ("Strategy"). Accounts consist primarily of emerging market corporate bonds across a variety of durations and credit qualities. The investment objective of the Strategy is to outperform the index 1.5 to 2% annualized over a market cycle by targeting credit opportunities across global emerging market corporate bonds, and emerging and frontier sovereign and provincial debt markets. Key material risks include the risks that bond prices will decline, foreign currency prices will decline, available liquidity will decline, rule of law will decline, and the composite will underperform its benchmark.
4. The composite was created in January 2022, and the inception date is 1 January 2020.
5. The benchmark is the J.P. Morgan CEMBI (Corporate Emerging Markets Bond Index) Broad Diversified Index, which tracks the performance of U.S. dollar-denominated bonds issued by emerging market corporate entities. *JPM EM Bond ETF (CEMB US) used as a proxy for comparaison purposes due to relative availabliity of data.*
6. Returns presented are time-weighted returns. Valuations are computed and performance is reported in U.S. dollars.
7. Gross-of-fee returns are presented before management and custodial fees, but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fee returns are calculated by deducting a monthly model management fee of 0.0417%, 1/12th of the highest annual management fee of 0.50%, from the monthly gross-of-fee composite return. The management fee schedule for Accounts is as follows: 0.50% on the first $50 million; 0.40% on the subsequent $50 million; 0.25% thereafter
8. The representative account was selected based on objective criteria including but not limited to, the nature of the client, the client's benchmark, and the ability for the mandate to be implemented without material restrictions or limitations