Q4 | 2024

Emerging Markets Debt

RVX ASSET MANAGEMENT LLC

Objective

The Emerging Markets Corporate Fixed Income strategy objective is to outperform the JP Morgan CEMBI Broad Diversified Index over the long term by targeting long-only credit opportunities across global Emerging Market Corporate Bonds, Emerging and Frontier Sovereigns and Provincial Debt Markets. By utilizing an active, top-down, fundamental, relative value approach to evaluate countries, sectors and companies RVX believes it can exploit the opportunities created by the positive fundamental change occurring in emerging markets around the globe.

Investment Team

Raymond Zucaro, CFA
Mauricio Kiblisky

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:

RVX Emerging Markets Debt

Total Return %

as of 12/31/2024	QTD	YTD	1 yr	3 yr*	5 yr*	S.I.*
RVX EM Corp FI (Gross)	0.30%	10.72%	10.72%	2.19%	3.01%	3.01%
RVX EM Corp FI (Net)	0.20%	10.28%	10.28%	1.72%	2.51%	2.51%
JPM CEMBI BD	-0.54%	7.63%	7.63%	0.99%	2.18%	2.18%
Morningstar EM Corp Bond[3]	-1.84%	6.15%	6.15%	-0.96%	0.54%	0.54%

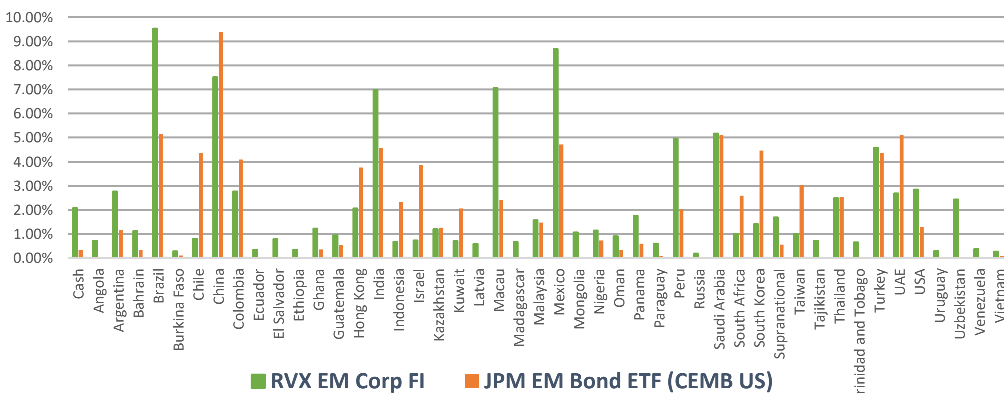
* *Source: RVX Asset Mgmt, JPM CEMBI Br Div Index, and Morningstar EM Corp Bond Index Returns 1+ Years are Annualized, Inception Date: 1/1/2020*
* The performance data quoted represents past performance; Past performance does not guarantee future results
* Specific investments described herein do not represent all investment decisions made by RVX. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. Please see DISCLOSURE at bottom of page 2 for further details.

TOP TEN HOLDINGS:

Security	MV%	Sector	Country	Eff. Dur	YTW	Rating
ARAMCO 2 1/4 11/24/30	4.18%	Energy	Saudi Arabia	5.38	5.18	A+
MEXCAT 5 1/2 07/31/47	3.81%	Industrial	Mexico	11.32	7.28	BBB-
VOLCAN 8 3/4 01/24/30	3.57%	Basic Materials	Peru	3.72	9.83	B-
B 01/09/25	2.83%	Government	USA	0.02	3.32	AAA
MCBRAC 7 1/4 06/30/31	2.41%	Energy	Brazil	4.24	10.96	B+
SAMMIN 9 06/30/31	2.37%	Basic Materials	Brazil	1.39	9.71	B-
ADSEZ 4 3/8 07/03/29	1.87%	Consumer, Non-cyclical	India	3.86	8.18	BBB-
BABA 4 12/06/37	1.70%	Communications	China	9.67	5.58	A+
STCITY 5 01/15/29	1.32%	Consumer, Cyclical	Macau	3.46	7.80	B+
ADSEZ 3.1 02/02/31	1.31%	Consumer, Non-cyclical	India	5.22	8.24	BBB-
	25.39%					

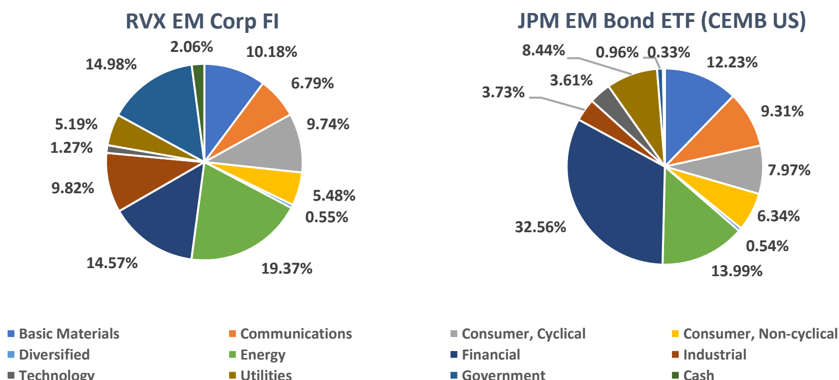
The Top Ten Holdings were selected based on objective, nonperformance-based criteria and the criteria used is applied consistently from period to period. Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell a security. Source: RVX Asset Management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

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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	*5.83%*
Yield to Maturity	*7.78%*
Yield to Worst	*7.71%*
Avg. Maturity	*9.83*
Effective Duration	*3.80*
Average Quality	*BB*
Number of Holdings	*181*
Number of Issuers	*155*

Portfolio Turnover (TTM)	*13.01%*

COMMENTARY:

During the month of December 2024, the RVX Fixed Income Long Only Strategy **outperformed** the JPM CEMBI index by **33 bps** for a monthly gross return of **-0.21%**.

For the fourth quarter of 2024 the RVX Fixed Income Long Only Strategy **outperformed** the JPM CEMBI index by **110 bps** for a quarterly gross return of **0.30%.**

For the year 2024, the RVX Fixed Income Long Only Strategy **outperformed** the JPM CEMBI index by **309 bps** for a one-year gross return of **10.72%.**

For the 3-year-period ending 2024, the RVX Fixed Income Long Only Strategy **outperformed** the JPM CEMBI index by **371 bps** for a three-year gross return of **6.72%.**

And finally, since the 12/31/2019 inception date, the RVX Fixed Income Long Only Strategy **outperformed** the JPM CEMBI index by **460 bps** for a since-inception gross return of **15.97%.**

During the month the AGG ETF, which is a proxy for the US Aggregate bond index, and the HYG ETF, which is a proxy for the iBoxx High Yield Corporate Index, returned **-1.69%** and **-0.77%** respectively. For the fourth quarter they returned **-3.10%** and **-0.11%** respectively and finally their Year-to-date performances to **1.31%** and **7.97%** respectively[1].

December 2024 marks the conclusion of what has been a highly eventful year. The U.S. presidential elections were undoubtedly the dominant theme of the final quarter, with implications that could shape the global economy for years to come.

We believe it is important to share our perspective. While many predict that the incoming Trump administration will negatively impact Emerging Markets—particularly China—and other markets such as Mexico, we do not share this view.

Global trade will certainly evolve under the new administration, but these changes will not occur overnight. The idea that the U.S. is the center of the global economy is reminiscent of the famous *New Yorker* cover, *View of the World from 9th Avenue*.[2] While the U.S. remains influential, the global economic landscape has shifted significantly. According to the IMF[3], half of the top 10 economies, based on purchasing power parity, are now Emerging Markets, with China leading the pack.

The debate over tariffs and reshoring manufacturing to the U.S. is a complex one. While these policies may reduce trade with China over time, they cannot instantly reverse China's global manufacturing dominance. For instance, Chinese auto production has surpassed U.S. output globally[4], reflecting China's successful climb up the value chain.

We believe the global economy is increasingly splitting into distinct blocs: the "old" economies and the BRICS nations. Key factors including population growth, lower structural debt-to-GDP ratios, and the accelerating trend of de-dollarization, driven in part by the use of economic sanctions, suggest that BRICS economies will continue to rise in prominence. As fiduciaries, it is imperative to evaluate global investment opportunities with objectivity, prioritizing economic realities rather than ideological biases.

Contrary to prevailing concerns, we believe Emerging Markets could perform well during the upcoming Trump administration. Historically, U.S. foreign policy has been assertive from a military perspective. However, we expect the Trump administration to adopt a more business-focused assertiveness. This shift, in our view, introduces new opportunities and challenges for global markets. Many are dismissing President-elect Trump's recent geopolitical comments, but we take a different perspective. We believe the post-1990 American hegemony period has ended, envisioning a return to global spheres of influence.

Trump's recent comments about the Panama Canal, Greenland, and even Canada suggest what we interpret as a modern-day return to the core of the U.S. psyche—a contemporary Monroe Doctrine. Before World War II, the U.S. was reluctant to engage in foreign interventions, as reflected in famous quotes such as John Quincy Adams': "America does not go abroad in search of monsters to destroy,"[5] or George Washington's: "It is our true policy to steer clear of permanent alliances with any portion of the foreign world."[6] Perhaps most pertinent to what we perceive as Trump's vision is Thomas Jefferson's statement: "Peace, commerce, and honest friendship with all nations—entangling alliances with none."[7]

We foresee the world separating into spheres of influence. The United States may reassert its Monroe Doctrine oversight of the Western Hemisphere. Europe could see a reshuffle in posture as a revitalized Russia seeks to protect its western frontiers. In Asia, China is likely to dominate its immediate region, encompassing the Yellow Sea, East China Sea, and South China Sea. Meanwhile, a rising India could exert influence over the Indian Ocean region.

This evolving global landscape will pose challenges for certain countries and regions. Europe appears particularly vulnerable. Once-mighty economic powers like Germany now face the consequences of severing ties to cheap, reliable energy sources and adopting antagonistic approaches toward their natural trade partners, especially China and Russia. Traditional export markets for German goods have diminished. Anecdotally, we've been informed by close contacts and industry sources[8] that Chinese cars are now appearing on Moscow's streets at a rapid and abundant pace.

This potentially changing landscape and shifts in realpolitik require investment managers who can anticipate these changes and position themselves and their investors to benefit. We believe Emerging Market managers possess a unique skill set for navigating these evolving times. They have always needed to understand how macro-level shifts impact countries and individual positions at a micro level, a skill set that will become increasingly vital as these shifts accelerate.

While current global geopolitical tensions have made it nearly impossible to determine appropriate discount rates due to the uncertainty of war, we find that tariffs and trade restrictions represent quantifiable risks. These factors can be incorporated into financial models, unlike the unpredictable and incalculable consequences of war. In this context, we see potential for Emerging Markets to adapt and thrive, even amid evolving global trade policies.

When dissecting performance from a country perspective, the largest contributors for the quarter were Argentina, Peru and Brazil. Well once again Argentina is at the top of the list of out-performers, interestingly, Argentina was the best performer on a monthly basis, for the quarter and for the entire year of 2024. We see the changes that have taken place in Argentina and we make the analogy of an citizens lead leveraged-buy-out (LBO) for Argentina, a drastic change in management has put the county on a much different fiscal path. That said, we have started to trim our holdings or our largest position of sovereign debt. Milei has scored victory after victory that we see the upside/downside balance becoming more even. The performance of Peru was driven by our holdings of Volcan Mining. We like the story of Volcan because it helps show our bottom-up credit skills. We first screened this base metal mining company which was miss-priced, mainly due to the term structure of their debt. As expected, the company did a very market friendly job of extending their maturities, added collateral and even increased the interest rate! The bonds are up nearly $20 dollar-points since we added the credit, and we still see several more points higher before reaching fair value. Finally, the third best performing county was Brazil. Performance in Brazil again was driven by our bottom-up credit selection, specifically in the mining sector. That said we are becoming more sanguine on the Brazilian outlook here. Lula has once again returned to his habits of large fiscal spending, and we wonder how relations with the US will be with the incoming Trump administration as there was not doubt key support for Lula's electoral return came from the outgoing Biden-Harris administration. For now, we are watching closely but have not made any meaningful portfolio changes.

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COMMENTARY:

The largest detractors to performance for the quarter were India, Mexico and China. India's performance was negatively impacted by concerns surrounding the Adani group. Specifically, the U.S. Department of Justice accused management within a sister company of Adani Ports of bribing government officials, that sister company being Adani Green. Importantly, there is no legal cross-liability between the two entities. We have never been particularly optimistic about Adani Green, as we remain skeptical about its long-term viability without significant government subsidies. On the other hand, we maintain confidence in Adani Ports due to its highly regulated nature. Port operations involve strict oversight by multiple government agencies, including customs, taxation, and duties, making financial manipulation challenging. The concessions model also provides a stable foundation for long-term operations, further supporting our investment thesis. After India, Mexico was impacted by a combination of duration impact from the UST 10 year move from 3.782% to year-end 4.572%, Mexico is home to some of our longer duration positions and of course Trump's tariff related threats specially caused Mexican spreads to widen. The final underperformer for the quarter was China. China experienced declines primarily due to U.S. election-related headline risks and duration impact from the UST 10 year move from 3.782% to year-end 4.572%. As mentioned earlier in this write-up, we remain positive on China given the extremely attractive valuations currently present in the market.

For the year-to-date contributors and detractors. Argentina, Peru and Macau stand out in the clear winner's circle. We have described Argentina and Peru contributions earlier in this write up but Macau's performance came earlier in the year. Our positioning in Macau entirely consists of names in the gaming (Casino) sector. Some household names like Wynn or Sands but also includes Asian owned Melco and their specific gaming resort Studio City. Our call in late 2023 and 2024 was that once China reopened after their extreme Covid-19 lockdown phase that these fallen Angles would (eventually) return to their pre-Covid Investment grade ratings. Our thesis has thus far been correct as some but not all have returned to investment grade and in Asia we still feel that Macau offers a strong risk reward balance.

Year-to-date detractors represent areas where we are struggling to find the correct risk-reward balance. Singapore, Zambia, and Chile were the top detractors for 2024. For both Singapore and Zambia, we do not have any holdings. In Singapore's case, there are many investment-grade (IG) issuers, but we have found better IG opportunities elsewhere. Regarding Zambia, performance was driven by the restructuring of a copper company. While we did evaluate this opportunity, we found the local legal jurisdiction challenging and chose to sit that one out. Finally, in Chile, we do have some exposure but remain significantly underweight relative to the benchmark. Once again, we are seeing better risk-reward opportunities in many of Chile's neighbors, such as Argentina and Peru.

Our outlook on base rates at this time is admittedly murky. Just before the beginning of the quarter, the Fed began lowering rates by a hefty (by their historical standards) 50 basis points in mid-September, yet yields on 10-year U.S. Treasuries rose by the same amount during October! Frankly, the sharp steepening of the yield curve caught us by surprise. As noted in our previous commentaries, we have been in the camp that, with core inflation still running above target and a hard-to-gauge jobs report, if we were Fed chairperson (who would want that grief?!), we would have left rates unchanged.

So, what are the real implications of this move? For those who expected U.S. mortgage rates to fall, disappointment is inevitable, while overall discount rates have adjusted higher. It appears the market is signaling skepticism toward the Fed's intentions. (As a half-joking aside, one has to wonder if raising rates by 50 bps instead might have achieved the desired effect of lowering longer-term rates.)

We believe the market's reaction has more to do with the structure of U.S. indebtedness. Treasury Secretary Yellen has been relying (too) heavily on short-term borrowing. As Fed funds rates impact the short end of the curve, the market has seemingly adjusted future rate expectations. The growing stock and cost of U.S. debt are increasing at an unsustainable pace. Furthermore, the crowding out in short-term borrowings suggests that the U.S. will need to extend its borrowing further out on the curve to meet its debt requirements.

Uncertainty will likely accelerate with the competing forces of the incoming Trump administration, as he has clearly and repeatedly stated that *rates are too high*. We see the competitive forces of an antagonistic yet pro-business government and the potential impacts of slower spending (less Ukraine and conflict spending**)** and potential, yet uncertain, Department of Government Efficiency (DOGE) spending cut recommendations.

Currently, portfolio quality is at BB, versus the benchmark BBB-. Portfolio duration is at 3.80 versus the benchmark's 4.45. We have been accumulating cash into year-end as we are expecting a robust new issue market in January.

Footnotes:

1. Performance from Bloomberg, data drawn on January 11th, 2025.
2. View of the World from 9th Avenue – Wikipedia
3. Report for Selected Countries and Subjects
4. Chinese automakers overtake U.S. rivals in sales for the first time
5. July 4, 1821: Speech to the U.S. House of Representatives on Foreign Policy | Miller Center
6. Avalon Project - Washington's Farewell Address 1796
7. The Avalon Project : Jefferson's First Inaugural Address
8. Sales of Chinese Cars Surge in Russia - Lubes'N'Greases

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 2023. 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 Morningstar Emerging Markets Composite Bond index measures the performance of USD denominated, fixed-rate, investment-grade and high-yield sovereign and corporate bonds issued by emerging market entities. It is market-capitalization weighted with capping constraints.
4. 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 aspirational target 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. There is no guarantee such investment will be achieved.
5. The composite was created in January 2022, and the inception date is 1 January 2020.
6. 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) is used as a proxy for comparaison purposes due to relative availability of data.*
7. Returns presented are time-weighted returns. Valuations are computed and performance is reported in U.S. dollars.
8. 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: 0.40% on the first $50 million; 0.30% on the subsequent $50 million; 0.25% thereafter.