

# PETERCAM L BONDS EMERGING MARKETS SUSTAINABLE - A

## Monthly Institutional Factsheet | April 30, 2016

Morningstar ★★★★★ (\*)

### MANAGER COMMENT

#### Market comment

Market sentiment remained upbeat in April, supported by low volatility across most risk assets and crossover investors' hunt for yield.

In April, emerging market (EM) local government debt was up 1.39% in local currency terms (as measured by the JPMorgan GBI-EM Global Diversified Index), while EM sovereign debt denominated in USD rose 1.77% in USD terms (as measured by the JPMorgan EMBI Global Diversified Index).

EM currencies gained 1.16% against the USD and 0.65% versus the EUR (as implied by the unhedged total returns of JPMorgan GBI-EM Global Diversified indices).

The global backdrop was relatively friendly, as the usual 'fear factors' failed to gain traction:

- Core yields moved higher but in an orderly manner, except for the UK gilt, which is impacted by Brexit fears and somewhat disappointing economic data. Economic data out of the Eurozone pleasantly surprised however.
- Economic data out of the US did not alter the general perception that the economy is doing well but is not strong enough to warrant a faster pace of monetary policy normalization.
- In that respect, the April 27 FOMC statement failed again to show any willingness to aggressively rush things up, although its wording sounded a little bit more hawkish than the previous ones. To be continued...
- The ECB announced details of its Corporate Sector Purchase Program.
- On April 28, the Bank of Japan threw a glass of cold water on hopes of additional monetary stimulus. It will be interesting to see how this might affect global liquidity in the coming weeks (and hence the appetite for risk assets). Indeed, the aggressive easing package the Bank had delivered at the end of January did a lot to help commodities and EM currencies later on in February.
- China is still off bears' radar screen with economic data confirming that the 'great economic model shift' is still on course, with contained damage on commodity import demand and manufacturing.
- Economic data continued to surprise to the upside in emerging economies which, if history is a guide, is a very good omen for prospective EM currency returns.

#### Rating changes

- Upgrades: Argentina from Caa1 to B3 (Moody's), from SD to B- (S&P's) and from RD to B (Fitch), Mozambique from SD to B- (S&P's).
- Downgrades: Barbados from B3 to Caa1 (Moody's), Gabon from Ba3 to B1 (Moody's) and from B to NR (S&P's), Mozambique from B3 to Caa1 (Moody's), from CC to SD (S&P's) and from B to CCC (Fitch), Saudi Arabia from AA to AA- (Fitch), Trinidad & Tobago from Baa2 to Baa3 (Moody's) and from A to A- (S&P's), Zambia from B2 to B3 (Moody's), Kazakhstan from Baa2 to Baa3 (Moody's) and from BBB+ to BBB (Fitch), Angola from Ba2 to B1 (Moody's), Nigeria from Ba3 to B1 (Moody's), Republic of Congo from B1 to B2 (Moody's).

#### Main central bank actions

- Rate cuts: India by 25 basis points (bp) to 6.50%, Hungary by 15 bp to 1.05%, Uganda by 100 bp to 16.00%, Ukraine by 300 bp to 19.00%, Albania by 25 bp to 1.50%, Georgia by 50 bp to 7.50%.
- Rate hikes: Colombia by 50 bp to 7.00%, Mozambique by 200 bp to 12.75%, Namibia by 25 bp to 7.00%.

#### Performance

The Net Asset Value of the F share class was up 2.29% in April and is up 6.51% year-to-date.

#### Last month's strategy

In Central and Eastern Europe, we reduced duration in local Romania and marginally increased exposure to local Hungary and Poland.

In Asia, we increased exposure to local Indonesia, India and Korea and exited external Iraq.

In Africa, we increased positioning in local South Africa.

In Latin America, we increased exposure to local Mexico and Uruguay, reduced duration in local Brazil and sold external Brazil.

#### Outlook & strategy going forward

Our opinion is that EM debt has been attempting to form an intermediate bottom since the end of last summer, when the market was rattled by fears of the Fed's rate lift-off, freefalling commodity prices, massive outflows from Chinese capital accounts and a major credit crisis looming in EM corporations' balance sheets.

All these fear factors seem to have been either overestimated or integrated in asset valuations, so that the value that has been created/recreated in EM debt over the past three years is now being unlocked.

We find the best opportunities in local currency government debt when/where we find a decent combination of attractive yield premium over developed market debt, market-adjusted levels of Real Effective Exchange Rates and positive dynamics in terms of structural reforms aimed at improving productivity, as currently seen in India, Indonesia, Mexico and Central Europe and also probably soon across Latin America as well.

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## OVERVIEW

Asset Class	Bonds
Category	Emerging Markets
Strategy	Active Strategy
Fund Of	Petercam L Fund
Legal Structure	SICAV
Domicile	Luxembourg
Reference Currency	EUR
Liquidity	Daily
Sub-fund launch	18.03.2013
First NAV date	18.03.2013
Countries notified for public sale	AT, BE, CH, DE, ES, FR, IT, LU, NL
ISIN	LU0907927171
Telekurs	020939385
WKN	A1T68G
Entry Fee	Maximum 3 %
Exit Fee	0.00%
Management Fee	1.00%
TER (31.12.2015)	1.32%
Minimum investment	0.001 share
NAV (Distribution)	97.95
Last gross dividend (18.04.2016)	EUR 6.00
Assets (all classes)	mn EUR 208.61
Number of positions	45

## PERFORMANCES (%)

1 month	2.25
YTD	6.31
1 year	-2.72
3 years annualised	2.74
5 years annualised	-
10 years annualised	-

## PORTFOLIO CHARACTERISTICS

Maturity (Years)	11.61
Duration (Years)	6.71
Modified Duration (%)	6.29
Yield to Worst (%)	6.59
Number of Issuers	31

## INVESTMENT UNIVERSE

The fund principally invests in bonds and/or other debt securities, including but not limited to, perpetual bonds, inflation-linked bonds, zero coupon bonds and structured products, such as for example, credit linked notes, with a fixed or floating rate, denominated in any currency, issued (or guaranteed) by emerging countries, including its regional public authorities and public (or equivalent) bodies or by international public bodies, such as World Bank or the European Bank for Reconstruction and Development and selected on the basis of sustainable development criteria, such as, for example, social equity, environmental awareness and socially equitable political and economic governance.

## BREAKDOWNS (%)

Countries		Currencies after hedging	
Mexico	9.1	US Dollar	10.6
Brazil	8.9	Brazilian real	8.9
Romania	8.7	Romanian leu	8.7
South Africa	8.6	Mexican peso	8.7
Supranational	8.5	South African rand	8.6
South Korea	4.9	Korean won	4.9
Chile	4.7	Indonesian rupiah	4.8
Malaysia	4.2	Chilean peso	4.7
Serbia	4.2	Malaysian ringgit	4.2
Colombia	3.3	Colombian Peso	3.4
Turkey	1.8	Euro	3.0
Other	29.6	Turkish lira	2.5
Cash	3.5	Serbia dinar	1.8
		Other	25.1

Credit Ratings (Scale S&P)		Modified Durations	
AAA	8.5	< 3%	10.4
AA	11.4	3 - 5%	17.4
A	18.3	5 - 7%	20.4
BBB	30.0	7 - 10%	35.5
BB	18.2	10 - 15%	10.6
B	10.0	> 15%	2.2
Cash	3.5	Cash	3.5

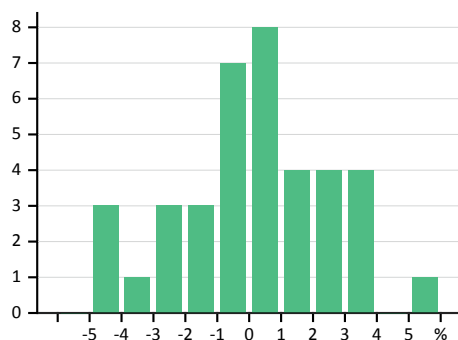
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Reference Currency EUR | Since Inception (18.03.2013)

Fund

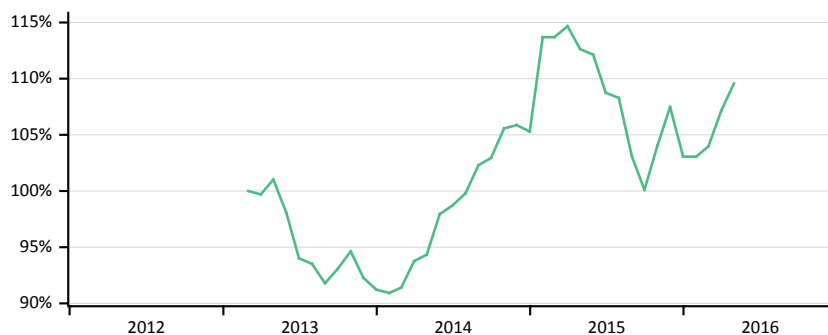
## DISTRIBUTION OF MONTHLY RETURNS



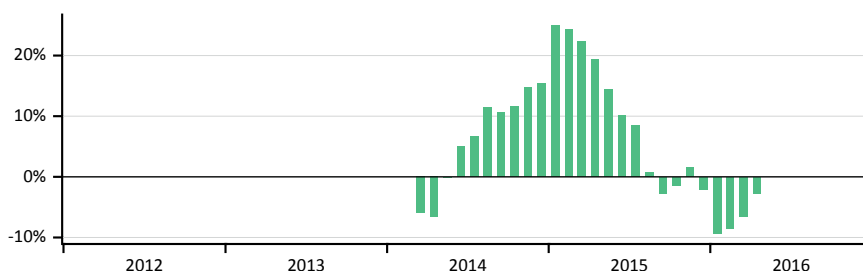
## STATISTICS

Volatility	%	8.91
Sharpe Ratio		0.33
Downside Deviation	%	5.57
Sortino Ratio		0.53
Positive Months	%	55.26
Maximum Drawdown	%	-12.70
Risk-Free Rate <b>0.03%</b>		

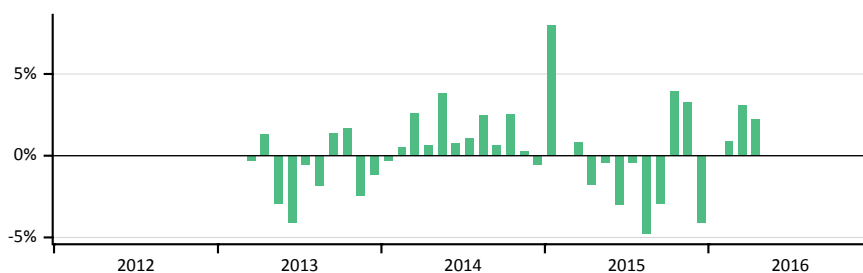
## CUMULATIVE PERFORMANCE



## 12-MONTH ROLLING RETURNS



## MONTHLY RETURNS



## MONTHLY RETURNS IN %

	2012	2013	2014	2015	2016
	Fund	Fund	Fund	Fund	Fund
January			-0.32	7.98	-0.01
February			0.52	0.01	0.88
March		-0.30	2.58	0.85	3.07
April		1.33	0.62	-1.77	2.25
May		-2.96	3.83	-0.45	
June		-4.11	0.78	-3.02	
July		-0.53	1.09	-0.43	
August		-1.84	2.51	-4.78	
September		1.39	0.65	-2.91	
October		1.68	2.54	3.94	
November		-2.47	0.28	3.30	
December		-1.16	-0.55	-4.11	
<b>Year</b>		<b>-8.78</b>	<b>15.42</b>	<b>-2.11</b>	<b>6.31</b>

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