

EMERGING MARKET DEBT

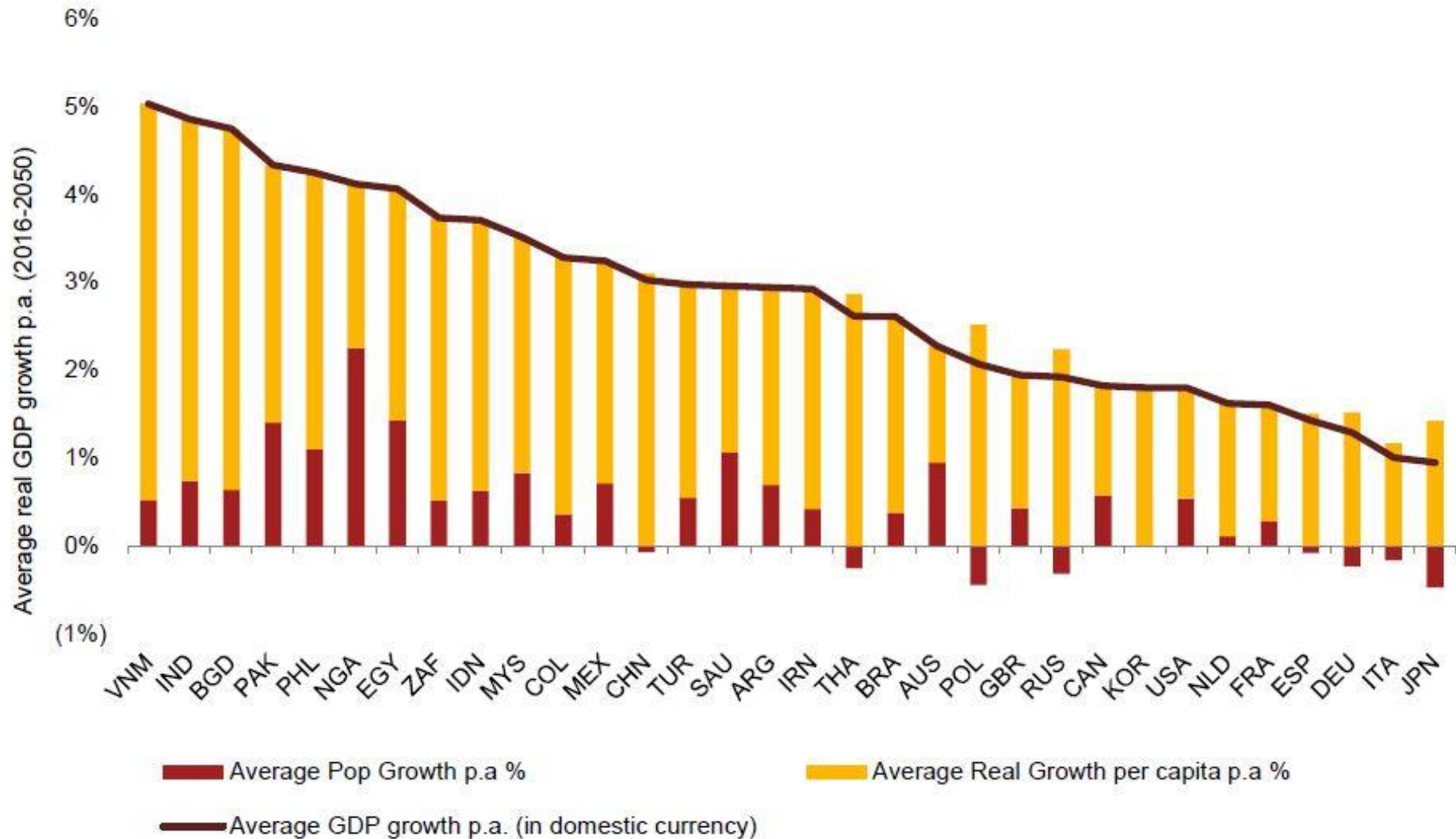
October 2018

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Head of Emerging Market Debt



A GROWTH STORY

PROJECTED REAL GDP GROWTH 2016-2050



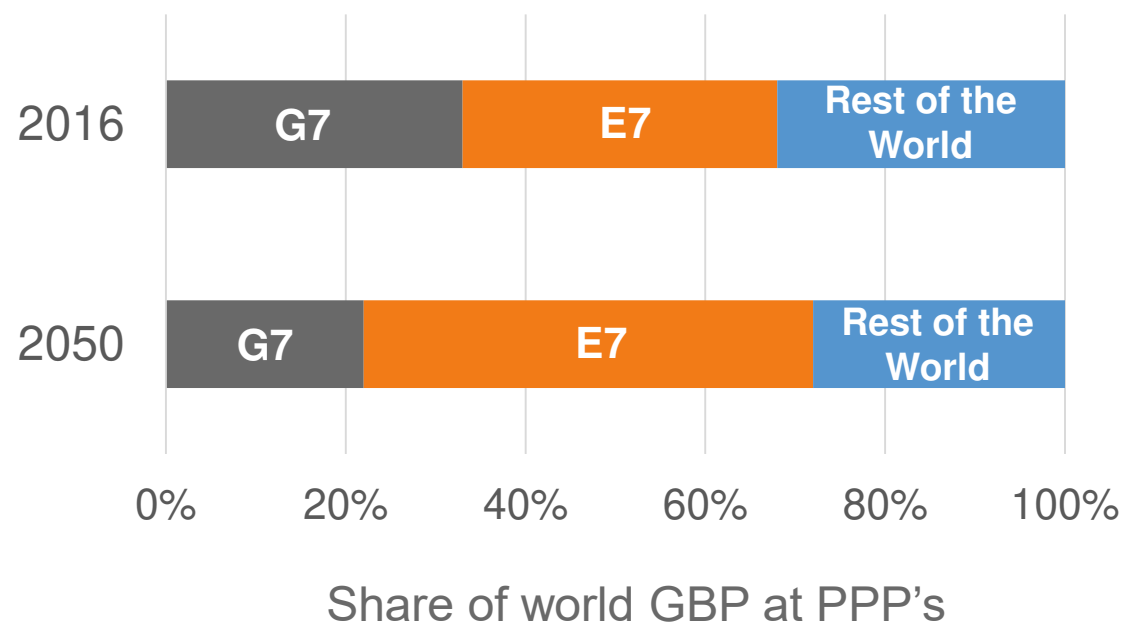
A GROWTH STORY

EMERGING MARKETS
WILL DOMINATE THE
WORLD'S TOP 10
ECONOMIES IN 2050
(GDP AT PPPS)

| 2016 | | 2050 | |
|-----------|----|------|-----------|
| China | 1 | 1 | China |
| US | 2 | 2 | India |
| India | 3 | 3 | US |
| Japan | 4 | 4 | Indonesia |
| Germany | 5 | 5 | Brazil |
| Russia | 6 | 6 | Russia |
| Brazil | 7 | 7 | Mexico |
| Indonesia | 8 | 8 | Japan |
| UK | 9 | 9 | Germany |
| France | 10 | 10 | UK |

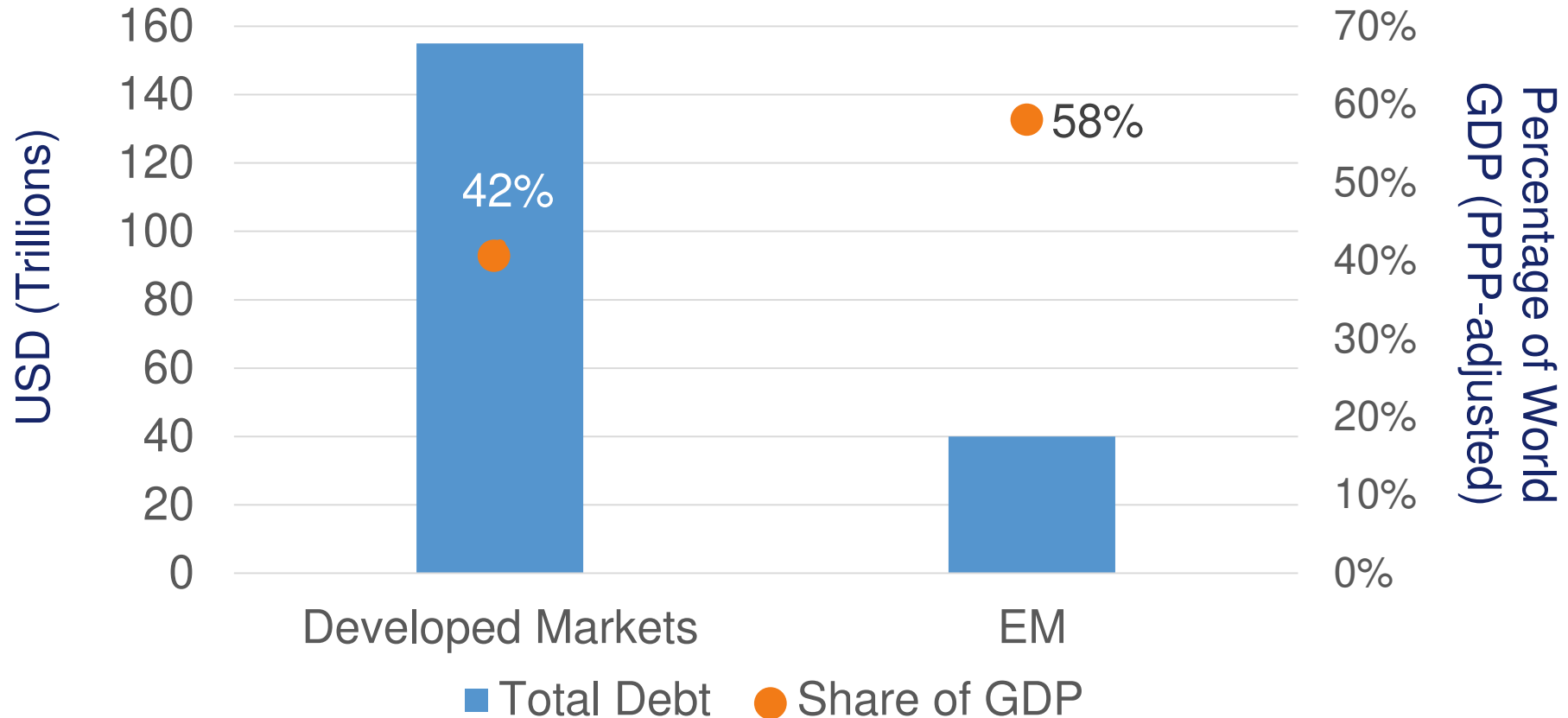
■ E7 Economies ■ G7 Economies

PROJECTED CHANGE IN
SHARES OF WORLD
GDP FROM 2016 TO
2050



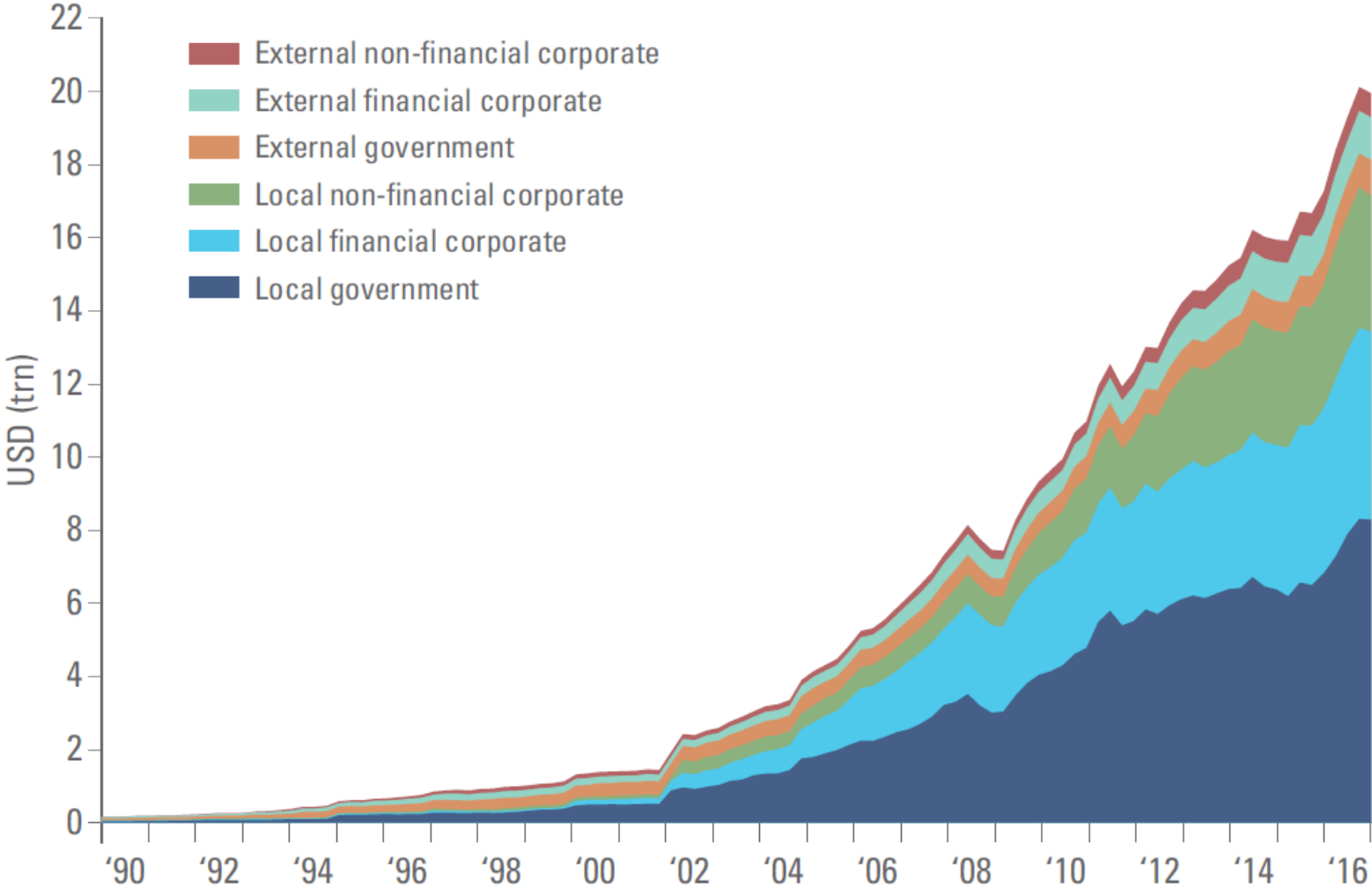
SIGNIFICANT ROOM TO GROW

Emerging markets contribute to 58% of total global growth



On average only 0.4% allocated to Emerging Market Bonds *

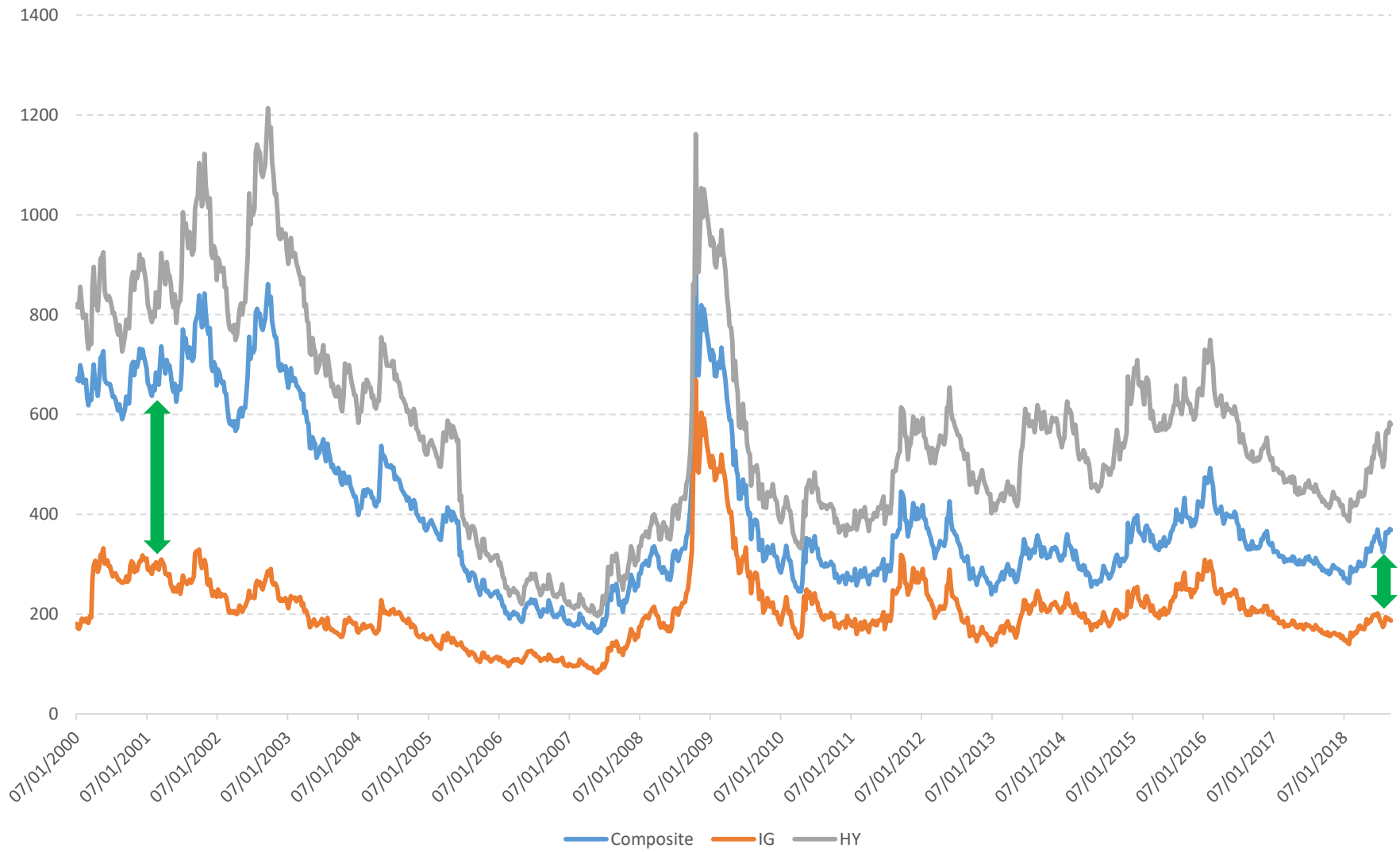
EMD UNIVERSE



ONLY 13% IS USD DENOMINATED

| USD trillion | 2002 | 2007 | 2012 | 2017 | 2017 |
|------------------------|------------|------------|-------------|-------------|-------------|
| Local Currency | 1.8 | 6.1 | 12.3 | 21.1 | 87% |
| Government | 1.0 | 3.3 | 6.2 | 10.3 | 42% |
| Corporate | 0.4 | 0.7 | 2.5 | 4.3 | 18% |
| Financial | 0.5 | 2.1 | 3.7 | 6.6 | 27% |
| Hard Currency | 1.6 | 3.2 | 1.9 | 3.2 | 13% |
| Government | 1.3 | 2.7 | 0.8 | 1.2 | 5% |
| Corporate | 0.4 | 0.5 | 0.5 | 0.8 | 3% |
| Financial | | | 0.7 | 1.2 | 5% |
| EM Fixed Income | 2.6 | 7.4 | 14.3 | 24.3 | 100% |

IMPROVEMENTS IN CREDIT QUALITY



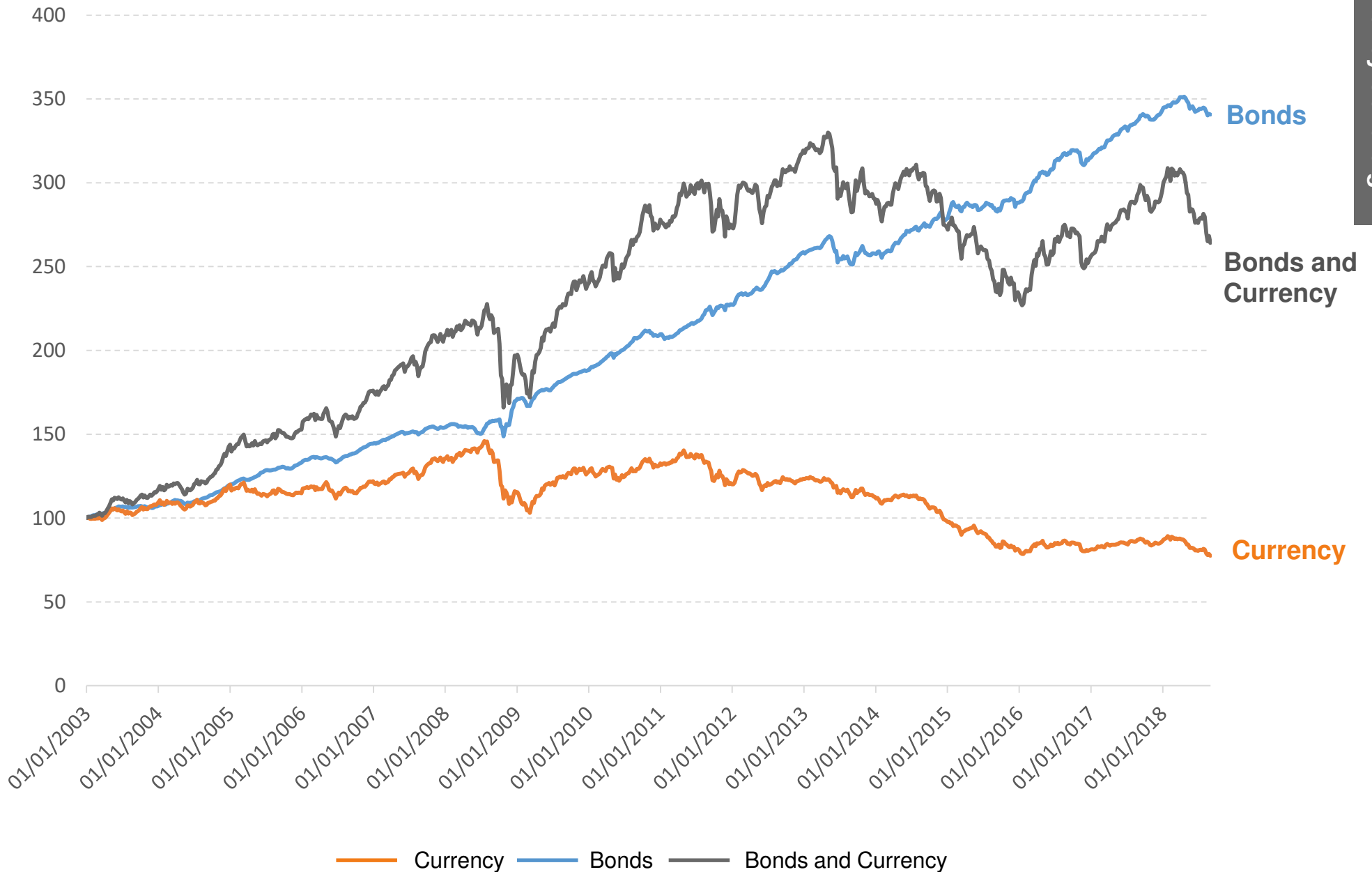
Source: Bloomberg

RISK REWARD DETERIORATING

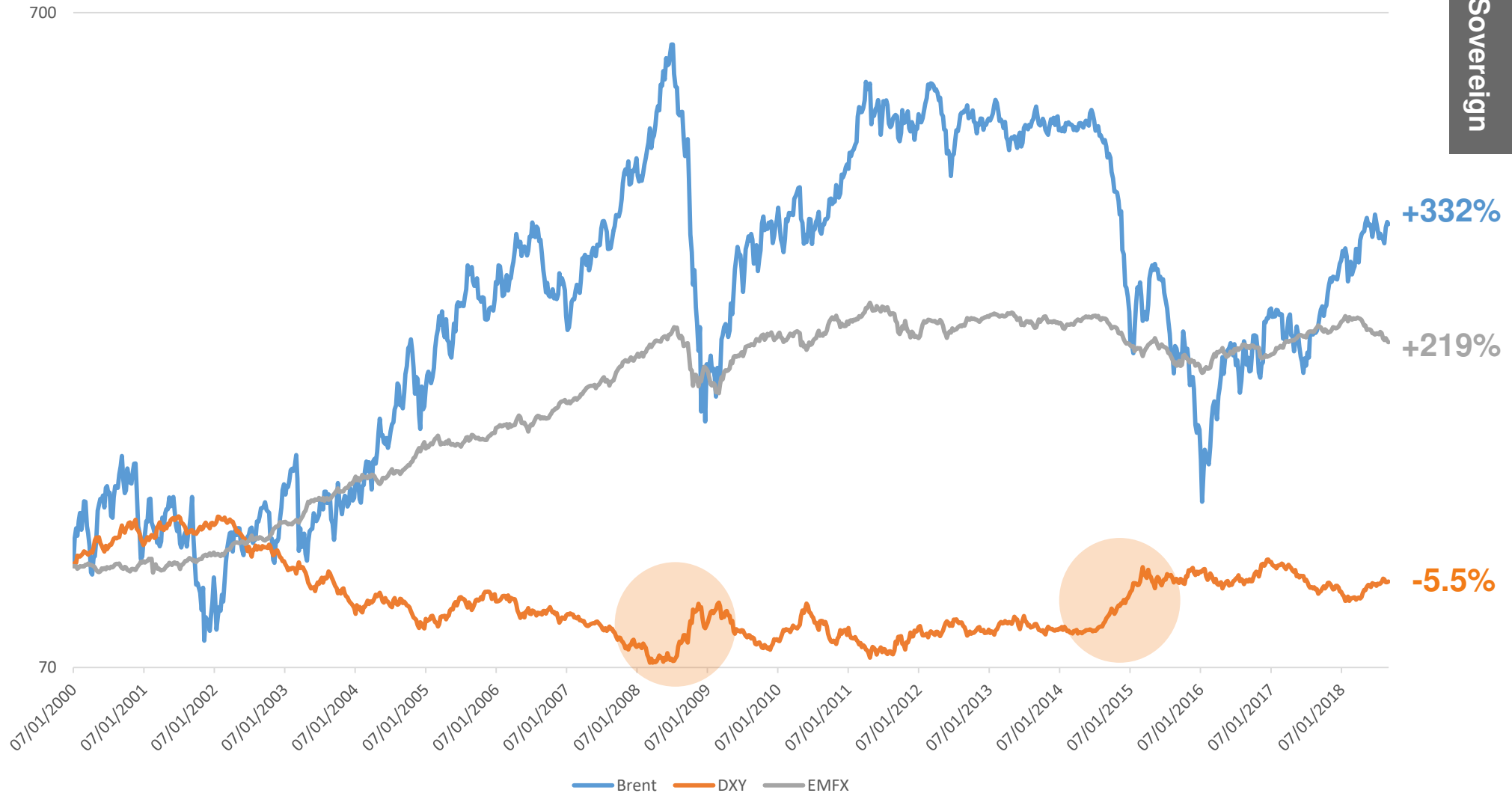
EXAMPLE: HARD CURRENCY BENCHMARK IS INCREASINGLY DEPENDENT ON DURATION TO GENERATE RETURNS



BOND OPPORTUNITIES DRIVE RETURNS



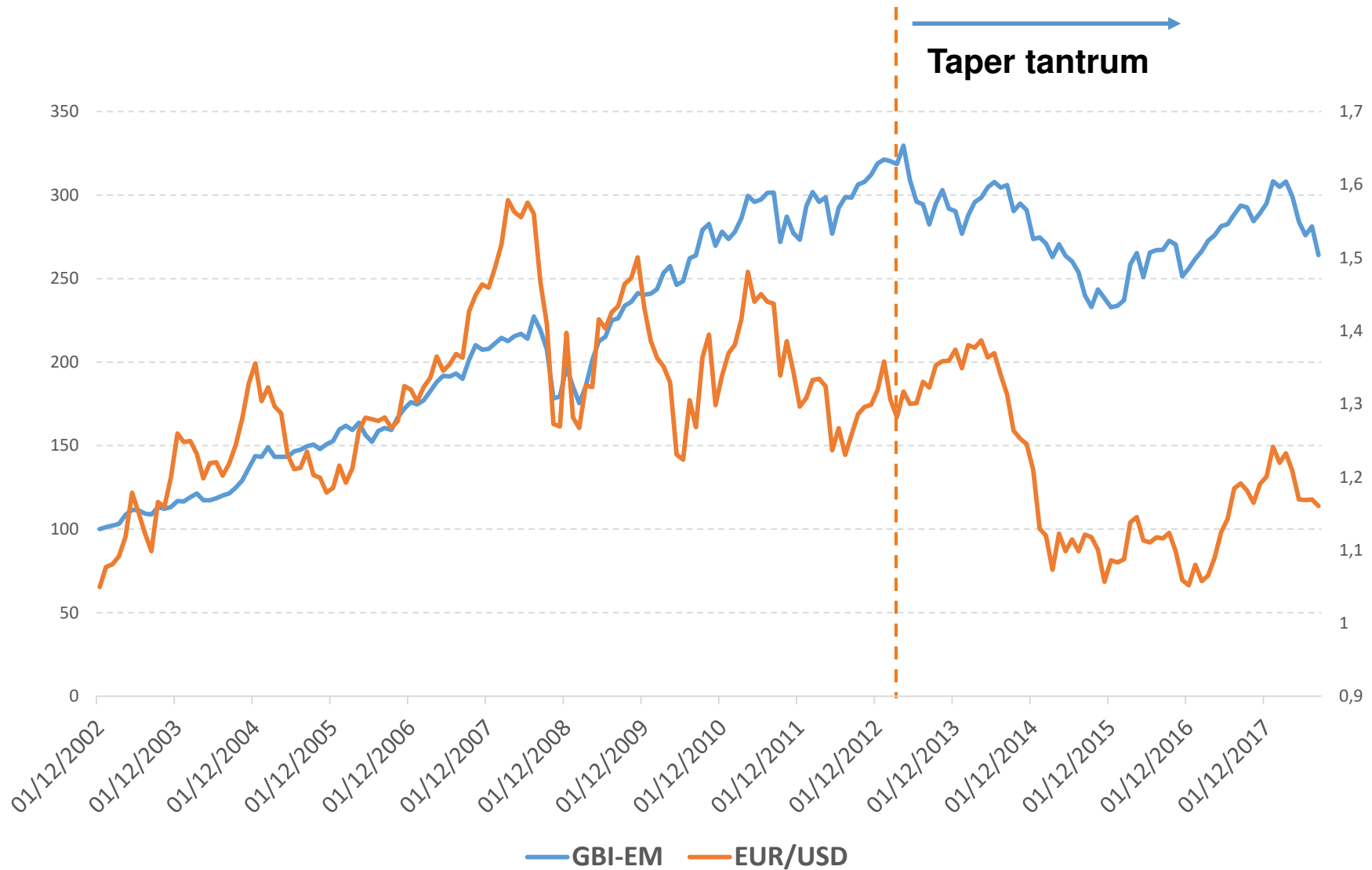
USD AGAINST EM & OIL



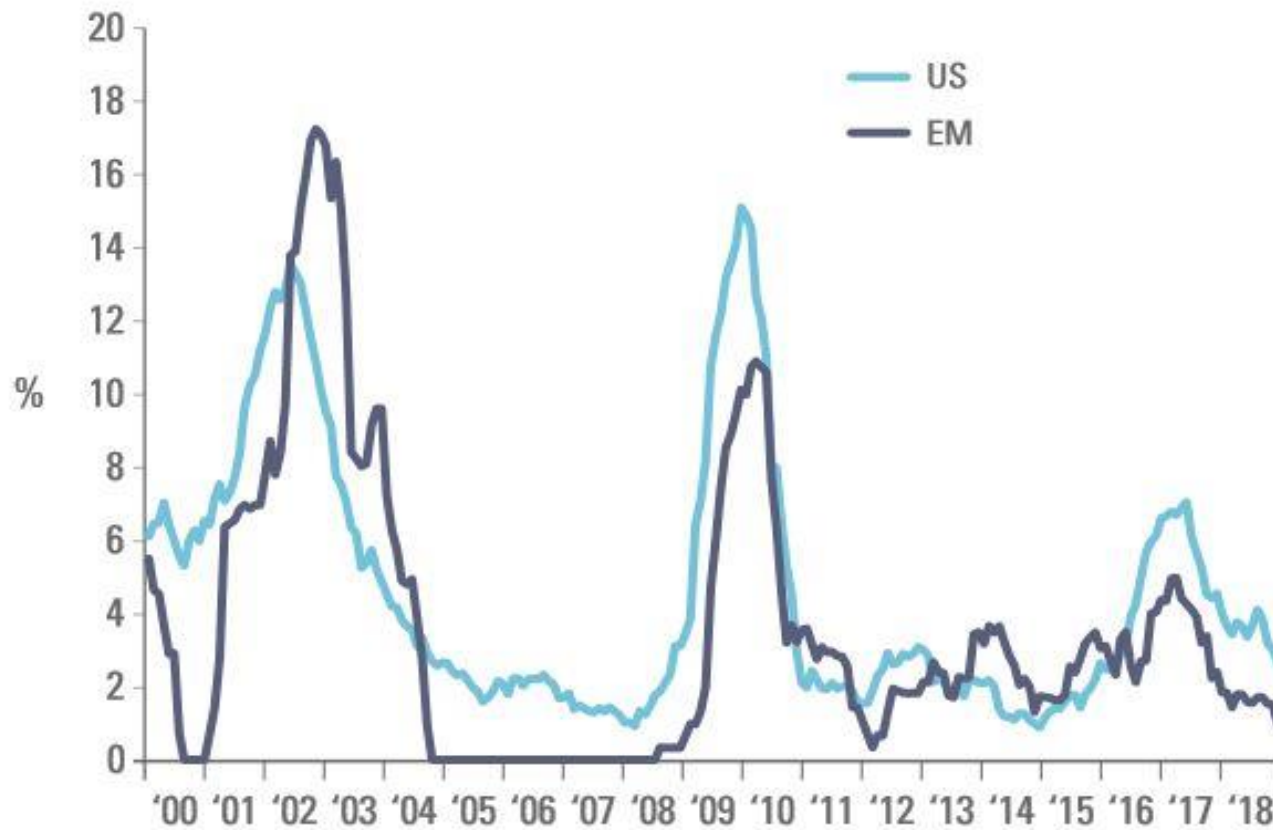
Source: Bloomberg

PASSIVE INVESTING INCREASINGLY RISKY

LOCAL CURRENCY HIGHLY CORRELATED TO EUR / USD



LOW DEFAULT RATES



Source: BAML

WHY ACTIVE UNCONSTRAINED?

Passive/index investing expose investors to unwanted risks and reduced benefits of the asset class.

An unconstrained actively managed risk adjusted approach:

- Maximises long-term returns
- Avoids unnecessary risks and over-concentration
- Adapts to the changing nature of Emerging Markets

| INDEX TYPE | BENEFITS | RISKS | HOW WE TACKLE RISK/INEFFICIENCIES |
|--------------------------|-----------------------|--------------------|---|
| HARD CURRENCY SOVEREIGN | DIVERSIFICATION | DURATION/LIQUIDITY | ACTIVELY MANAGED |
| LOCAL CURRENCY SOVEREIGN | HIGHER YIELDS | VOLATILITY | ACTIVE MANAGEMENT / ONGOING REPOSITIONING |
| HARD CURRENCY CORPORATE | HIGHER CREDIT QUALITY | LOWER RETURNS | FUNDAMENTAL ANALYSIS OF CREDIT / STRONG RISK MANAGEMENT |

INVESTMENT PARAMETERS

Active flexibility is required to exploit emerging market debt opportunities

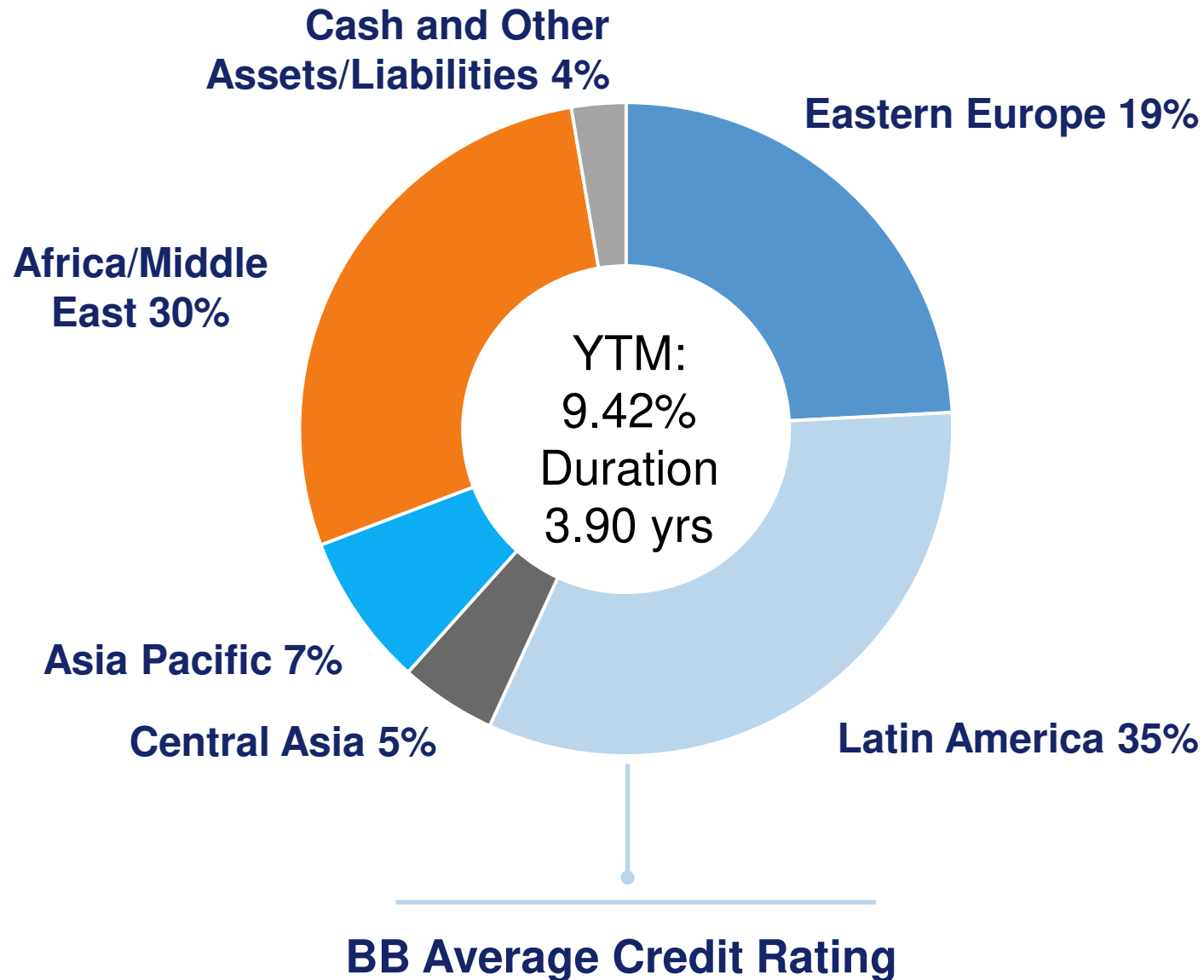
PARAMETERS

POSITION

| | | |
|---|--|------------------------------------|
| Up to 40% in Local Currency and Credit | Investing in local and hard currency bonds to maximise liquidity and opportunity | 36% in Local Currency Bonds |
| Up to 30% in Corporate Bonds | Invest outside of the benchmark for additional tactical opportunities | 30% in Corporate Bonds |
| Up to 20% in Frontier Markets | Invest in new markets in order to enhance returns and reduce correlation | 20% in Frontier Markets |

Currency overlay: Free float up to 20%, max 10% in each established EM currency and 5% remaining currencies

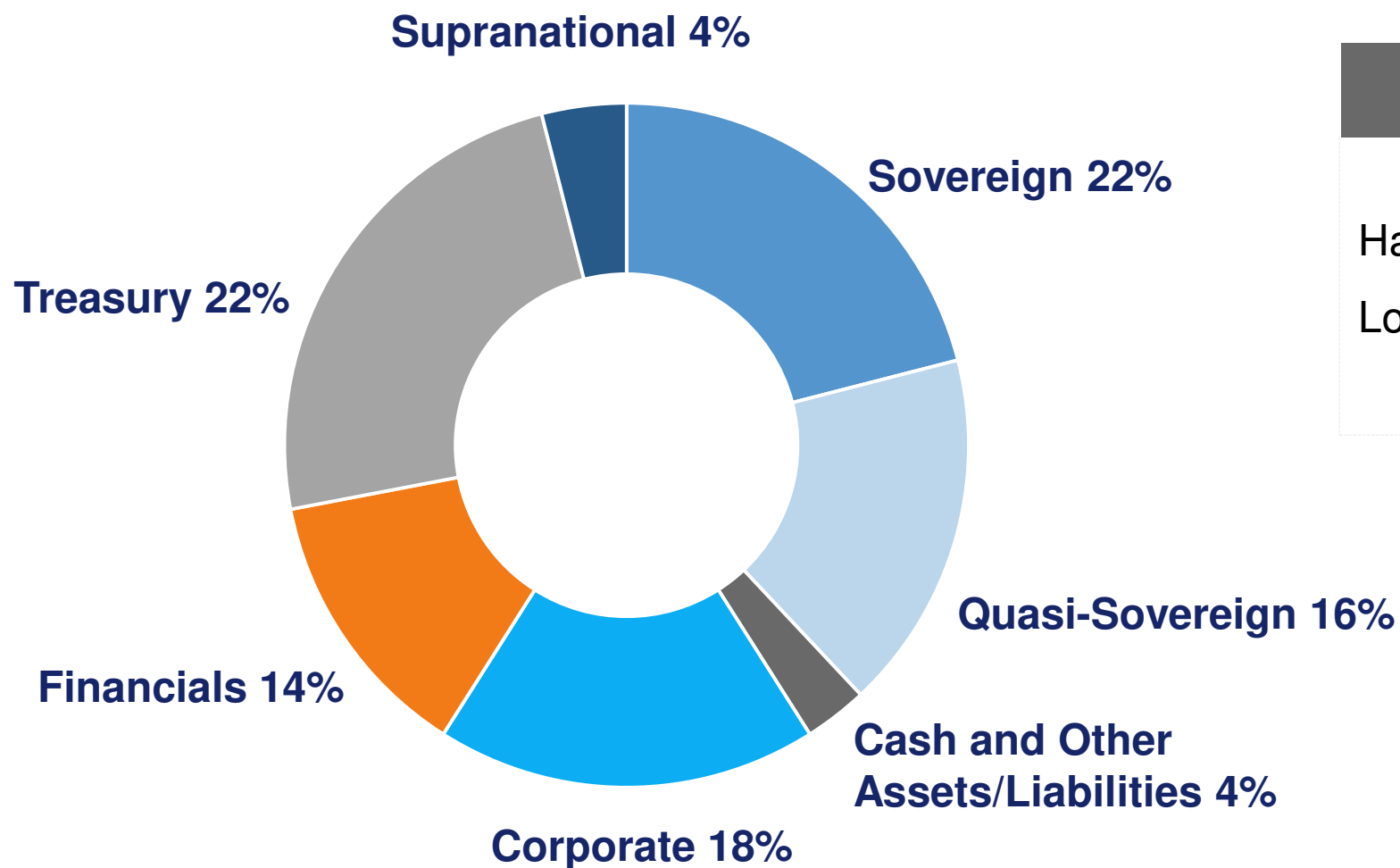
WHERE WE FIND OPPORTUNITY



| Category | |
|----------|-----|
| BRICS | 18% |
| MINT | 21% |
| Other | 34% |
| Frontier | 20% |

| Top countries | |
|---------------|-------|
| Mexico | 7.20% |
| Russia | 6.28% |
| Brazil | 6.22% |
| Nigeria | 5.53% |
| Turkey | 5.36% |

ASSET DISTRIBUTION

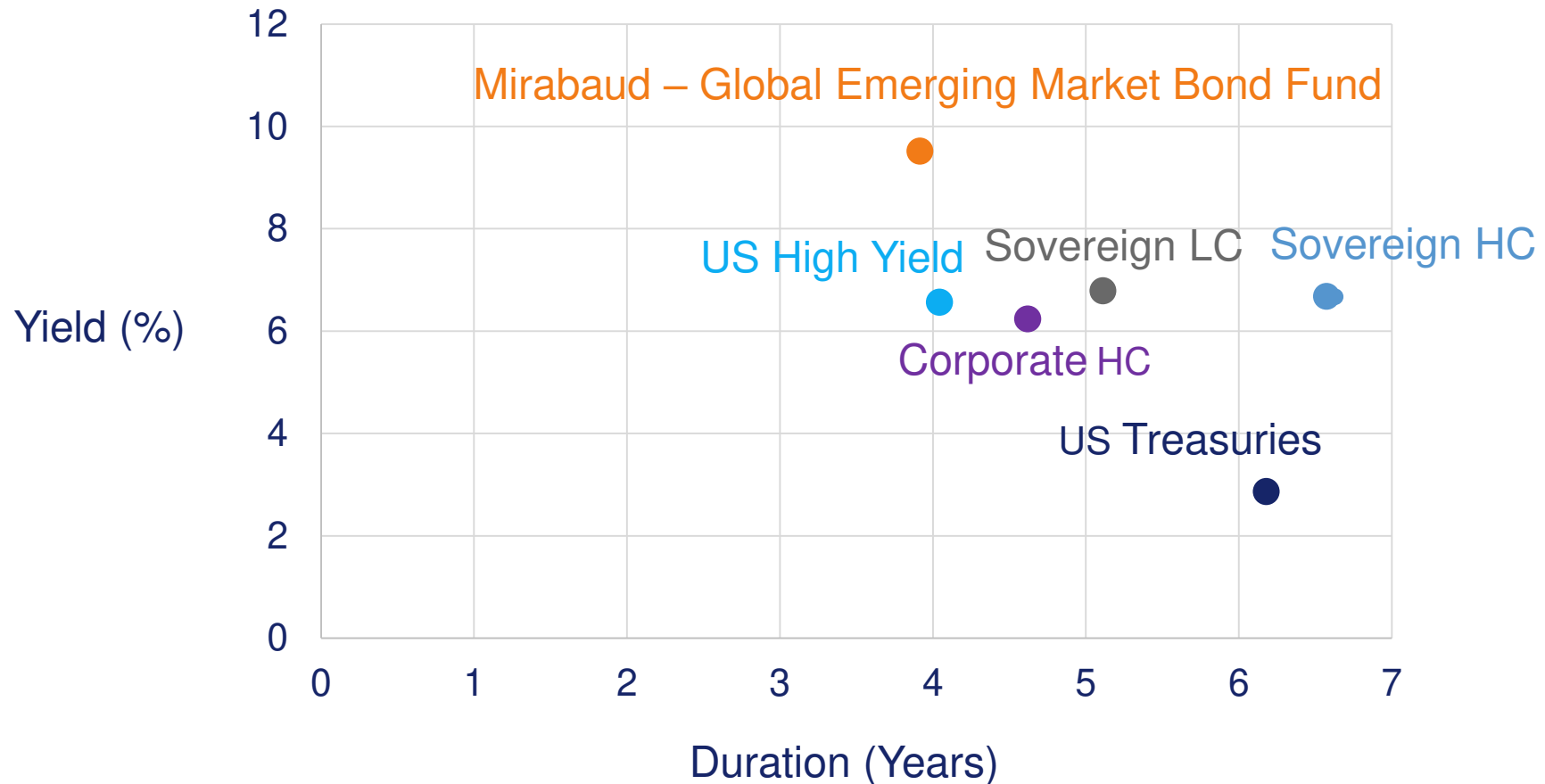


Hard vs local

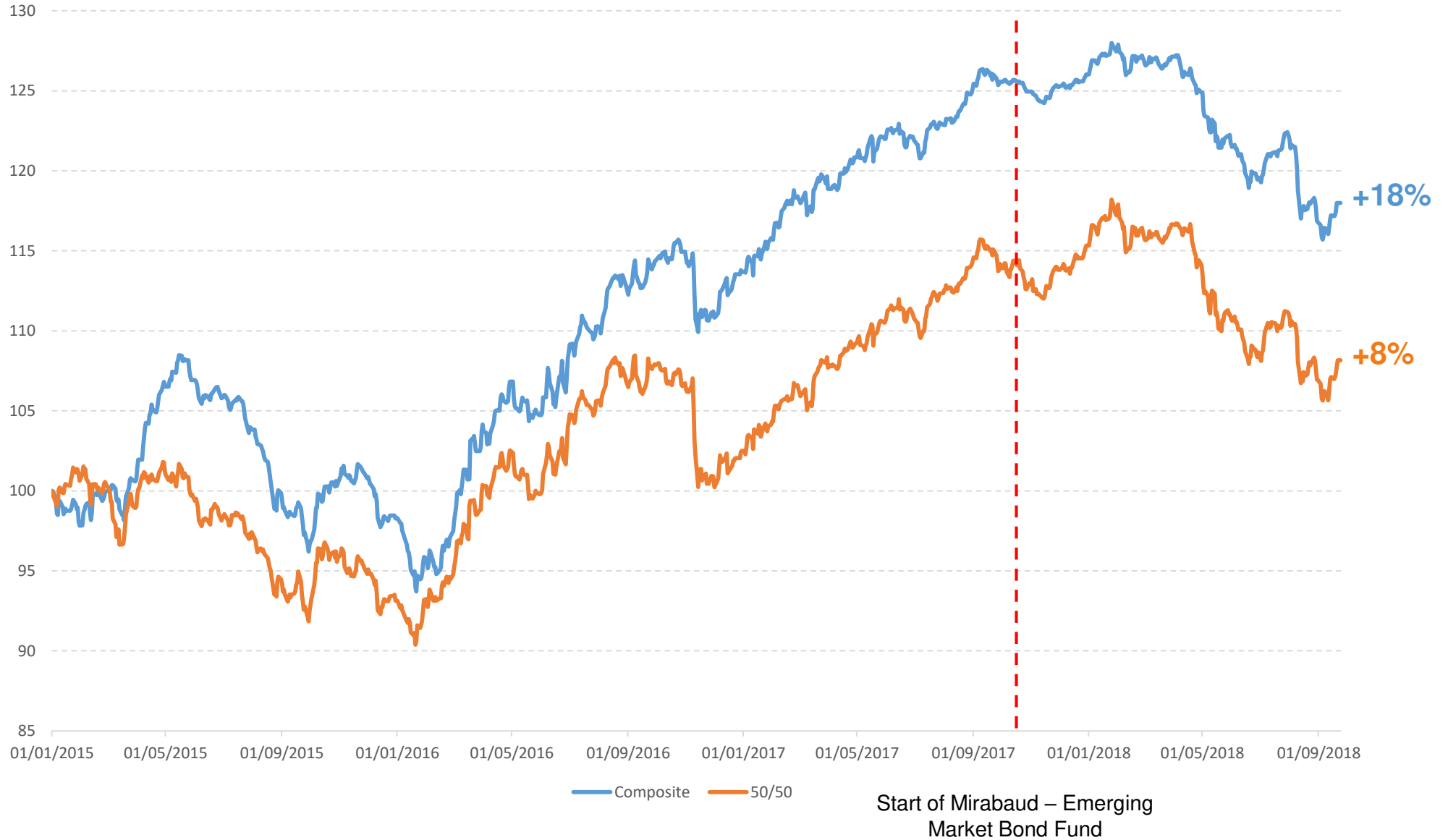
| | |
|-----------|-----|
| Hard Cny | 64% |
| Local Cny | 36% |

THE BENEFIT OF A BLENDED APPROACH

BALANCING CURRENCY, CREDIT AND DURATION



HISTORICAL RETURNS



Source: Bloomberg as of 31/8/2018. EM Composite: until 30.10.2017 Rubrics Emerging Markets Fund, from 01.11.2017 Mirabaud – Global Emerging Market Bond Fund. 50/50: JP MORGAN EMBIGD & GBI-EM GD

FUND DETAILS

MIRABAUD – GLOBAL EMERGING MARKET BOND FUND

Objectives

| | |
|---------------------------------------|--|
| Fund Objective | An emerging market strategic bond fund targeting attractive risk adjusted returns across the business cycle by adopting an unconstrained approach to investing in global emerging market sovereign and corporate debt in both hard and local currencies. |
| Secondary Investment Objective | Lower volatility and superior capital preservation versus peers |
| Investment Style | Total return, unconstrained fixed income investing |
| Investment Universe | Emerging Market Sovereign and Corporate Debt in Hard and Local Currencies |
| Number of Issuers | Approx. 100 |

Investment Guidelines

| | |
|---|--|
| Hard Ccy Exposure | 0% - 100% |
| Local Ccy Exposure (unhedged) | 0% - 40% |
| Corporate Debt Exposure (IG or HY) | 0% - 30% |
| Maximum holding | 2.5% per issuer |
| Limit on Frontier Markets | 20% |
| Limit on Currency Exposure | 10% for established emerging market currencies, 5% for less liquid frontier currency |
| VaR Range | 3%-6% |
| Fund Launch | 1 st November 2017 |

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