

Positive Contributors	FUND	Negative Contributors
<ul style="list-style-type: none"> Countries: Argentina, Saudi Arabia, Macao Companies: Unigel Participacoes SA, US Treasury, SSMS Plantation Hldgs Pte Ltd 		<ul style="list-style-type: none"> Countries: Ecuador, China Companies: Greenland Holding Group Co Ltd, Ecuador Govt, Bharti Airtel Ltd
Opportunities	MARKET	Challenges
<ul style="list-style-type: none"> India's rise as US technology provider Despite poor fundamental condition, positive sentiment for emerging markets 		<ul style="list-style-type: none"> Upcoming US elections Increased Covid-19 infection rate

Update from the lead manager Péter Varga

In September, a veritable cold front swept across the emerging markets. Risk premia rose by 10-15 basis points, performance was around -0.5%. The month was clearly plagued by so-called “risk-off” trades. Risk markets, which had previously been in a frenzy (tech stocks for example), took on a more conservative tone. The correction ran through all markets: commodities, equities and spread markets. US and European government bonds, which are traditionally strong asset classes in such an environment, went (suspiciously) sideways this time. US 10-year yields moved within an extremely narrow range between 0.63% and 0.71%. The slight increase in real yields in the US was used as an explanation for the weakness in gold and silver.

As reasons for the above-mentioned correction, there are mainly two issues: first, the US elections (we have already warned of this matter last month) and secondly, a newly increased, strong wave of Covid-19 infections, mainly across Europe. Markets are reacting to the fact that US banks tend to reduce their balance sheets moving into US election years to minimize risk. The upcoming US elections are interpreted as a source of uncertainty for the markets for two reasons: on the one hand, there is a general fear that Trump will be reluctant to leave office and will therefore try everything in his power to challenge the elections in case he doesn't win. On the other hand, it is further relatively uncertain which party will win and to what extent. The result will have an impact on overall governability. After the strange initial public TV-debate, betting companies expect higher chances for Biden, which would translate on the market into higher US interest rates – some predict over 1% in 10-year US yields.

The newly risen Covid-19 infections in Europe, the uncoordinated, national measures to limit the spread and the already noticeably stronger economic impact following the slight recovery in summer, have rekindled fears in the hotel and leisure industry. The most recent example is Disney, where over 20,000 jobs in theme parks are to be cut. Current economic indicators show a global slowdown in momentum and a mixed recovery is expected for emerging markets (see Graph 1).

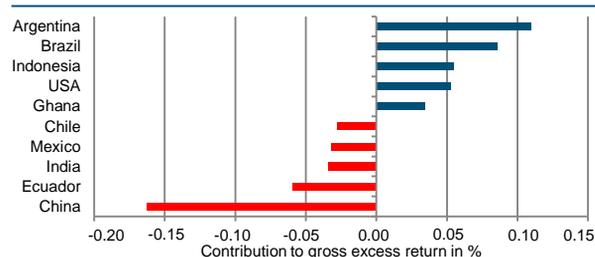
Gross Performance	September 2020	YTD	1Y	3Y	5Y	10Y
ERSTE BOND EM CORPORATE						
Fund	-0.54%	5.56%	7.32%	13.31%	34.57%	79.50%
Benchmark*	-0.49%	1.31%	2.91%	6.65%	29.92%	51.62%
Difference	-0.05%	4.25%	4.41%	6.66%	4.64%	27.88%
ERSTE BOND EM CORPORATE IG						
Fund (USD)	-0.02%	5.54%	6.75%	18.33%	31.67%	-
Benchmark**	0.00%	4.64%	5.74%	17.71%	33.47%	-
Difference	-0.02%	0.90%	1.01%	0.62%	-1.80%	-
ERSTE RESPONSIBLE BOND EM CORPORATE						
Fund	-0.40%	3.07%	4.41%	7.60%	18.20%	-
ERSTE BOND EM CORPORATE SHORT TERM						
Fund	-0.37%	3.07%	5.15%	-	-	-
Benchmark***	-0.34%	1.83%	3.73%	-	-	-
Difference	-0.04%	1.24%	1.42%	-	-	-

*J.P. Morgan CEMBI Broad Diversified Composite Index Hedged in EUR

**J.P. Morgan CEMBI Broad Diversified IG in USD

***J.P. Morgan CEMBI Broad Diversified, Maturity 1-3 years Index

Best and worst relative performance contributors by country (relative to the benchmark)



Source: Erste AM, September 2020

Selected new issues in September

Issuer	Coupon	Maturity	Rating	Region
Eastern Creation Investment II	1	10.09.2023	A+	Asia
Panther Ventures	3.8	Perpetual	--	Asia
Banco Latinoamericano de Comercio Exterior	2.375	14.09.2025	BBB	Latin America
Contemporary Amperex Technology	1.875	17.09.2025	BBB+	Asia
Huarong Finance	2.125	30.09.2023	A-	Asia
JSM GI	4.75	20.10.2030	BB	Latin America

Erste AM EM CORPORATE Strategies (in mn EUR)

Pooled Funds	1,021.41
Institutional Mandates	478.26
Total	1,499.67

As of September 2020

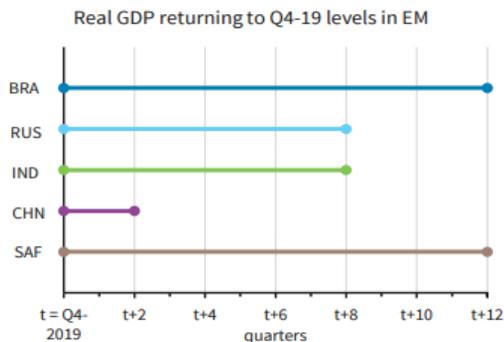
With regard to the US-China rivalry and the rumored espionage cases (we had reported on this in an earlier report), Graph 2 shows very well that since Trump's inauguration there have been significantly fewer Chinese students studying in the US. In India, the plans (Production Linked Incentive Programme) to succeed China as technology supplier for the US are becoming increasingly concrete. Suppliers of Apple (Foxconn, Wistron, Pegatron) have already announced plans in this regard. In five years, India aims to achieve a mobile phone production worth USD 150 billion.

At the corporate level, our fund management team participated in conference calls on macroeconomics and corporations in LATAM, Middle East and China. Among other things, quarterly figures and economic trends were discussed.

Our fund was not unaffected by the corrections. Liquidity in the market was generally very thin. In China, media picked up on potential repayment demands from investors of the highly indebted Evergrande conglomerate, which led to significant price corrections in the real estate sector. In general, we like this sector and have been overweight for years. Hence, the performance effect was noticeable. Up until the unrest in September, we were able to outperform the sector of around 20 basis points, but had to give up this difference afterwards. We still feel comfortable with the sector; however, we have adjusted our weightings in view of an expected increase in market volatility, and have tested again for robustness.

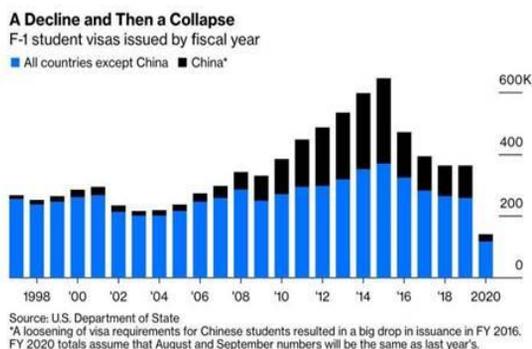
After the good performance of the asset class and in light of the upcoming US elections, the further development of the Covid-19 pandemic as well as the start of the last quarter and the resulting positioning of the investors, we expect some increased volatility in the short term. However, HSBC's survey shows that that the basic sentiment towards emerging markets seems to be positive (see Graph 3 and 4). Based on the fundamental state of the market, we take a somewhat more differentiated view, but remain confident about the companies in our portfolios.

Graph 1: China's economy could be the quickest to return to growth



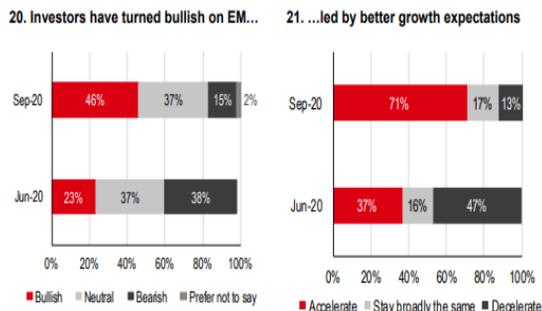
Source: Barclays Research

Graph 2: Significant slump in the granting of US student visas to China

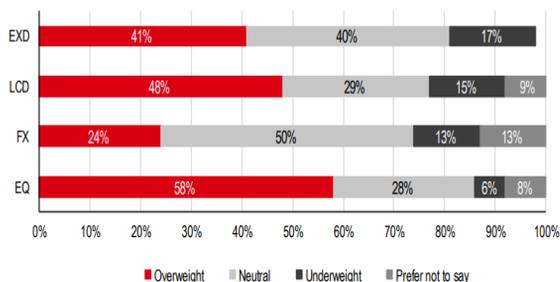


Source: U.S. Department of State

Graph 3 and 4: Positive sentiment towards emerging markets



22. What is your current positioning in emerging markets for each of the following?



Source: HSBC-Survation EM Sentiment Survey (24 September 2020)

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ABOUT US

From a strong Emerging Europe position Erste Asset Management, part of Erste Group, has become a successful global emerging market investment house over the last 10 years.

We believe that active management is the best way to generate value in inefficient markets. Emerging markets corporate bonds offer these kind of investment opportunities. Our clients appreciate and benefit from the integrative research and portfolio manager team approach that provide the basis for a structured and efficient decision making process. This stable process and our focus on excellence has made us the partner of choice for institutional clients all over Europe.

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The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com.

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