

Positive Contributors	FUND	Negative Contributors
<ul style="list-style-type: none"> Countries: Peru, Ecuador, Guatemala Companies: Ecuador Govt, Istanbul Metro Municipality, Ecopetrol S.A. 		<ul style="list-style-type: none"> Countries: China, Taiwan, Turkey Companies: China Huarong Asset Mng Co Ltd, Zhen Ding Technology Hldg Ltd, Petrobras
Opportunities	MARKET	Challenges
<ul style="list-style-type: none"> Globally strong demand for goods Acceleration of growth momentum in Chinese small and medium-sized enterprises 		<ul style="list-style-type: none"> Pace of recovery in different countries is heavily influenced by the vaccination process Large EM countries like India are lagging behind with an economic rebound

Update from the lead manager Péter Varga

April saw a lot of news or "stories" at the corporate level, which drove performance in both directions. The benchmark, CEMBI Broad Div. in EUR, closed slightly up, spreads were almost unchanged at 255 bps and US 10-year yields traded slightly lower and closed at 1.62% at the end of April.

The world's economic engine continues to run strong, but the pace among countries is very much influenced by their respective healthcare systems or vaccination and lockdown policies. For example, large EM countries like India are lagging behind. Others, like China, can benefit strongly from the demand for goods and commodities, which is well reflected by the sentiment indicator among Chinese small and medium enterprises (see chart 1). Also, the trade balances (strong export demand) of many countries like Brazil or Turkey point in the same direction - services are strongly affected by lockdowns and rising infections, goods production is booming.

Another indication of the globally strong demand for goods are the reports of long waiting times for household goods and the increasingly high prices for copper or steel. The so-called "backwardation" (a phenomenon where a commodity is more expensive when delivered immediately compared to later delivery) also speaks for the current demand (certainly, market speculations betting on this trend should not go unmentioned; see chart 2)

In the U.S., the Biden administration is getting serious with its plans, as redistribution and tax increases for high earners are currently being debated. The FED remains relaxed about the strong expansion of the economy, despite the fact that some voices, such as Robert Kaplan, CEO of the Federal Reserve Bank of Dallas, are in favour of to start slowly scaling back easing.

Consequently, the situation described above is also reflected in the quarterly reports of companies. Commodity producers (zinc, copper, iron ore) or companies in the processing industry (steel industry, consumer goods) such as Vale, Nexa, Volcan, SCCO, Usiminas, CSN, Arcelik, Cemex as well as telecom companies such as Millicom, Américan Movil from Latin America are showing robust figures worldwide. Sectors such as airlines continue to hope for an easing of the local situation (Gol, Azul in Brazil) and the progress of vaccinations.

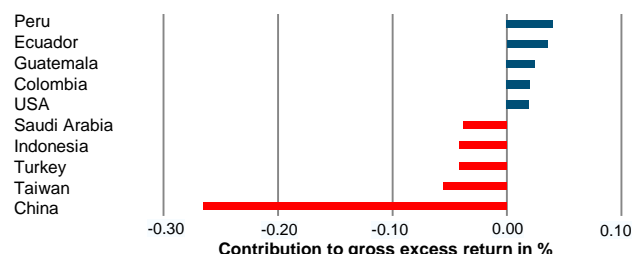
Gross Performance	April 2021	YTD	1Y	3Y	5Y	10Y
ERSTE BOND EM CORPORATE						
Fund	0.04%	-0.41%	15.07%	19.71%	31.56%	78.93%
Benchmark*	0.55%	-0.51%	13.37%	12.80%	23.94%	51.11%
Difference	-0.51%	0.10%	1.69%	6.91%	7.62%	27.81%
ERSTE BOND EM CORPORATE IG						
Fund (USD)	-0.42%	-1.86%	10.37%	21.89%	26.95%	-
Benchmark**	0.30%	-1.35%	9.32%	21.09%	27.93%	-
Difference	-0.73%	-0.51%	1.05%	0.80%	-0.99%	-
ERSTE RESPONSIBLE BOND EM CORPORATE						
Fund	0.29%	-0.59%	11.89%	13.12%	16.63%	-
ERSTE BOND EM CORPORATE SHORT TERM						
Fund	-0.84%	-0.53%	10.42%	15.32%	-	-
Benchmark***	0.46%	1.37%	11.40%	16.12%	-	-
Difference	-1.31%	-1.90%	-0.98%	-0.80%	-	-

*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, April 2021

Selected new issues in April

Issuer	Coupon	Maturity	Rating	Region
ABU DHABI PORTS CO PJSC	2.50	05.06.2031	A+	Asia
TALENT YIELD INTNTNL	2.00	05.06.2026	BBB+	North America

Erste AM EM CORPORATE Strategies (in mn EUR)

Pooled Funds	1,502.117
Institutional Mandates	488.831
Total	1,990.948

As of April 2021

The fund underperformed the benchmark in April. Key factors here included an overweight position in Huarong, a "distressed asset manager" in China in which the state holds a majority stake. In late March, the company had announced that auditors needed more time to verify its books and certain transactions prompting a sharp drop in the company's bond prices. Although the state is the majority owner and Huarong is the country's most prominent asset manager, the intention is to intervene less and less as a "white knight" in problem cases and allow more restructuring in the future. But it was precisely this uncertainty, on the one hand being a majority owner after all and having to bear any consequences of a restructuring, and on the other hand expressing the will to give more leeway to market processes, that caused great uncertainty among market participants. As our position was significantly above the benchmark, we reduced the position at prices between 61-83 from a risk perspective and thus set the position to "neutral". The bonds are now trading between 80-83 after several high-ranked people involved commented on a normal course of business as well as support from the state banks.

Other negative factors included our HY admixtures (SAWSST) in Indonesia and in Taiwan, and the admixture of a convertible bond. The rally in Turkish bonds also cost a few basis points due to our underweight in the country.

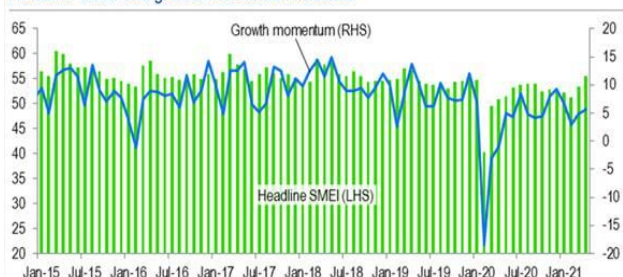
Peru, however, posted a slight increase in its performance contribution. The upcoming election there will be exciting. The left-wing populist candidate is now leading in the polls. Our positions in Peru consist of utilities, a commodity company (bond with 9 months to maturity, part of which has already been refinanced; majority owner is Glencore), Nexa (commodities; whose rating was confirmed by Moody's a few days ago) and SCCO (one of the world's largest copper producers with large mines also in Mexico). Compared to the benchmark, we are currently neutral weighted, but we are following a shorter spread duration in the fund. We believe that the situation will remain volatile, however, a strong left populist agenda will be difficult to implement, especially since it would mean a complete nationalization of the commodity industry. It is more likely that mining companies will have to pay higher production royalties, which they can easily pay given higher margins and sharply higher commodity prices.

Meanwhile, in Mexico, the financing company Alpha has had to revalue its derivative positions for the last 2 years, resulting in negative equity. Bonds collapsed from 80 to 25, but this did not hit our fund as we had no position in this company. Other companies in this sector (CREAL, no holdings in the fund) and Unifin (neutral) also corrected downward on this news, but have stabilized since then. Nevertheless, the situation remains tense, as CREAL also had to revise its NPL ratio (non-performing loan ratio of the loan portfolio) upwards, and this is not a positive signal.

Thus, we continue to expect a volatile sideways phase. Individual developments at country level or at company level currently seem to have more influence on the market development than usual.

Graph 1: Growth momentum in Chinese small and medium-sized enterprises continues to accelerate

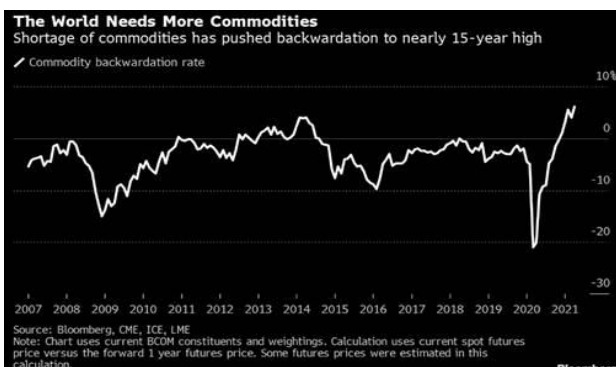
Figure 1: Headline SMEI picked up in April; growth momentum accelerated
Headline SMEI and growth momentum indicator



Note: Growth momentum indicator = current performance reading of 'new orders' - current performance reading of 'finished-goods inventory' Sources: CEIC, Standard Chartered Research

Source: CEIC, Standard Chartered Research

Graph 2: Shortage of commodities pulls prices to a 15-year high for immediate delivery



Source: Bloomberg

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