

Positive Contributors	FUND	Negative Contributors
<ul style="list-style-type: none"> Countries: USA, Chile, India Companies: US Treasury, China Evergrande Group, Transportadora de Gas Intl 		<ul style="list-style-type: none"> Countries: Hong Kong, Singapore, Saudi Arabia Companies: China Conch Venture Hldgs Ltd, Road King Infrastructure Ltd, Saudi Arabian Oil Co
Opportunities	MARKET	Challenges
<ul style="list-style-type: none"> The U.S. economy is undergoing the fastest recovery from a crisis since World War II Companies in the industrial and commodity sector continue to deliver robust figures 		<ul style="list-style-type: none"> Inflationary pressure for businesses remains worldwide Again, the delta variant is leading to mobility restrictions, especially in Asia

Update from the lead manager Péter Varga

Markets showed in July a slight risk aversion. This caused spreads to widen slightly (approx. 20Bp) and US yields to fall to February levels. At the same time real interest rates (10Y) in the U.S. hit a new low, although the U.S. economy is undergoing the fastest recovery from a crisis since World War II (see chart 1).

On the macro side, purchasing managers' indices point to a slight plateau in global economic growth (see chart 2 & 3), especially in Asia, where the Covid-Delta variant is again leading to mobility restrictions in some countries. The Chinese economy has also already eradicated the "Covid dip" (chart 4), which is one more reason for the party leadership to focus on implementing longer-term goals (raising living standards, making life easier for families). This was also the main reason for the weak performance of many Chinese tech stocks and bonds in July. Companies such as Meituan (shopping platform with delivery; major owner is Tencent) will have to calculate and pay for now on a social security contribution (employer's share) for their employees, which will lead to significant profit losses. The tech giants Tencent or Alibaba will soon lose their monopolies on collected customer data, among other things, as a central government agency will be established for this purpose. Companies that offer tutoring or preparation courses for students will now have to work on a non-profit basis and will no longer be allowed to offer these on weekends. In this way the government wants to reduce the costs of raising children. From now on, takeovers and IPOs will also be more strictly regulated in order to increase competition, for example.

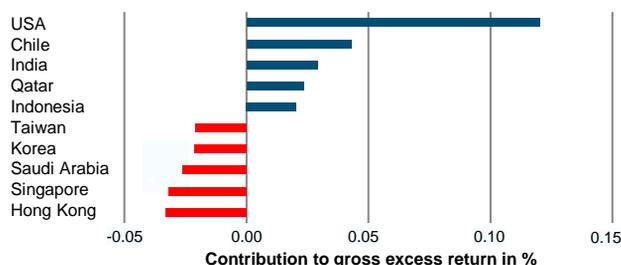
Inflationary pressure for businesses remains worldwide. However, in some countries this is only felt to a lesser extent, as in China, or is not fully reflected in consumer prices (see chart 5), which of course reduces profits. Commodity prices in July were stable or slightly higher, and China continued to intervene and introduced an export levy on domestic steel.

More and more companies have already started to report quarterly figures. Especially the industrial and commodity sector and companies like Klabin, CSN, Vale or Nexa continue to deliver very robust figures. The picture was different for Unifin, the leasing company from Mexico, where we were not convinced by the numbers. Therefore, we put the company on "underweight" despite yields beyond 8%. The company continues to focus on growth and is expanding into areas (working capital financing) where preliminary numbers do not indicate high profitability. On the other hand, Vietnam Prosperity Bank has delivered good quarterly results and is looking to issue new shares to attract large foreign institutional investors as owners - this adds stability and diversification to the ownership structure and therefore we remain overweight here.

Gross Performance	July 2021	YTD	1Y	3Y	5Y	10Y
ERSTE BOND EM CORPORATE						
Fund	0.23%	0.92%	6.05%	21.59%	28.53%	76.19%
Benchmark*	0.20%	1.09%	5.58%	15.52%	20.71%	49.79%
Difference	0.02%	-0.17%	0.47%	6.07%	7.82%	26.39%
ERSTE BOND EM CORPORATE IG						
Fund (USD)	0.39%	-0.69%	2.83%	22.26%	25.44%	-
Benchmark**	0.60%	0.46%	3.61%	22.32%	26.13%	-
Difference	-0.21%	-1.15%	-0.78%	-0.05%	-0.69%	-
ERSTE RESPONSIBLE BOND EM CORPORATE						
Fund	0.00%	0.24%	4.23%	14.72%	14.92%	-

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

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



Source: Erste AM, July 2021

Selected new issues in July

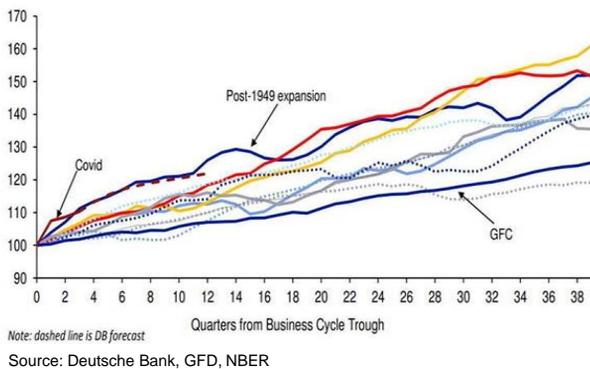
Issuer	Coupon	Maturity	Rating	Region
RKPF OVERSEAS 2020 A LTD	5.125	26.07.2026	BB-	North America

Erste AM EM CORPORATE Strategies (in mn EUR)	
Pooled Funds	1,641.46
Institutional Mandates	517.63
Total	2,159.09

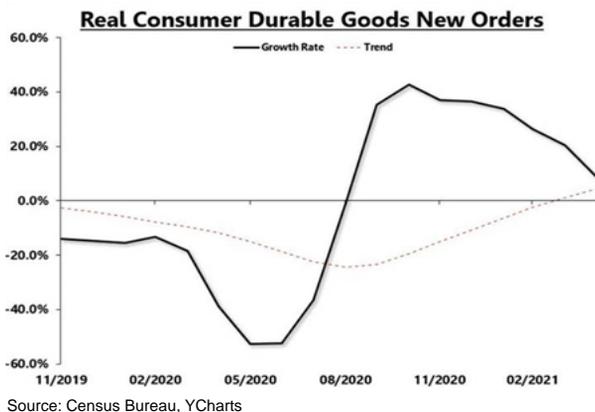
As of July 2021

Clearly, the most happened in China last month. This was not only evident in the tech sector as reported above but also continued to be evident in construction companies. Evergrande's problems are increasing, payment delays to subsidiaries or at the project level are becoming more frequent and the rating has been downgraded to CCC. This development and the regulation of service companies in the home construction sector (where the main owners are the construction companies themselves), caused the stocks and bonds of many single B-rated companies to plummet. The structural problems in this sector still persist, which is why we had already started to specifically reduce the longer maturities some time ago and were thus able to outperform the market. To a lesser extent, this decision also had a positive impact on the performance of our fund. In my opinion, China will rely much less on rapid growth impulses in this sector in the near future, as housing costs are already very high and there is also a high level of outstanding housing loans. This means that margins and growth are likely to be lower compared to historical standards. As a result, some companies will have to fight for survival with depressed share prices and high debts. President Xi's statement from 2017 already pointed the way back then: "housing is for living, not for speculation"... There will be some opportunities to look out for in the coming months. As far as the next weeks are concerned, there was an interesting survey among market participants. According to this survey, a vaccination breakthrough, e.g. by the Delta variant, is seen as the greatest source of danger for a global economic recovery or stability - see chart 6.

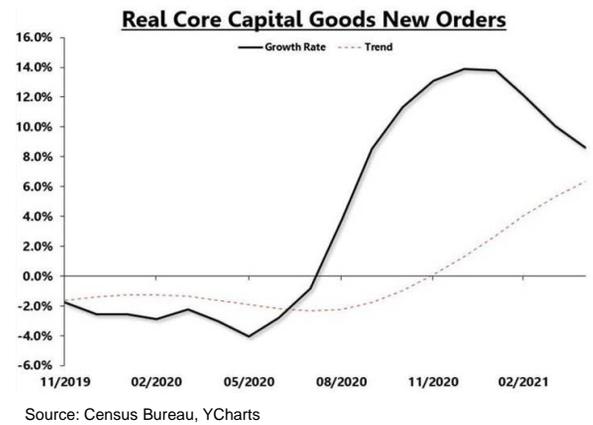
Graph 1: The U.S. economy is undergoing the fastest recovery since World War II



Graph 2: Global purchasing managers' indices pointing downwards again – durable goods and...

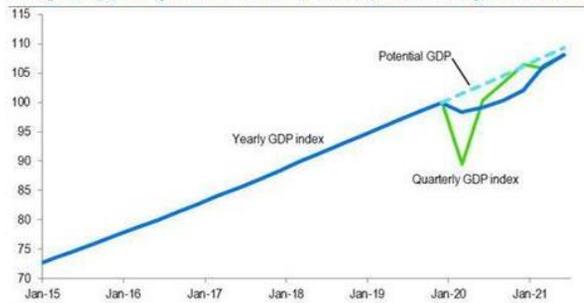


Graph 3: ...capital goods



Graph 4: China's economy has also already overcome the "covid dip"

GDP index SA, 2019 = 100, in real terms; potential GDP is calculated based on average SA q/q GDP growth from 2018-19, which implies a natural growth rate of 6%

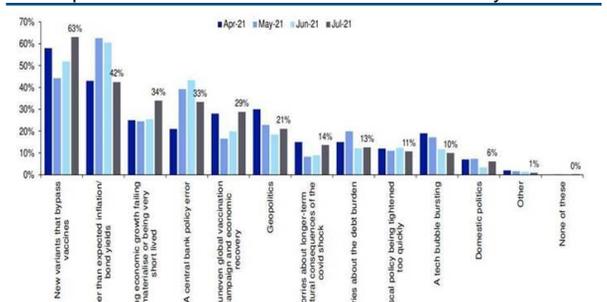


Graph 5: The discrepancy between China's consumer price index and purchasing managers' index reaches a historic level



Source: Bloomberg

Graph 6: Survey of market participants - which of the following developments could threaten current market stability?



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