

Alpha Strategies Team

# Emerging Markets Debt Blended Total Return

PERFORMANCE AS OF 04/2026	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION <sup>2</sup>
Composite (gross)	3.77%	0.89%	3.01%	15.65%	9.78%	2.35%	4.67%	3.56%
Composite (net)	3.72%	0.72%	2.79%	14.91%	9.07%	1.75%	4.10%	3.00%
Blended Index <sup>1</sup>	2.42%	-0.04%	1.16%	11.06%	8.59%	2.57%	3.35%	3.49%
Excess return (gross)	1.36%	0.93%	1.85%	4.59%	1.19%	-0.22%	1.32%	0.07%
Excess return (net)	1.30%	0.76%	1.63%	3.85%	0.48%	-0.82%	0.75%	-0.49%

Data Source: Loomis Sayles, as of 04/30/2026. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations.

<sup>1</sup> The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

<sup>2</sup> The Emerging Markets Debt Blended Total Return Composite Inception Date is 03/01/2017.

Past performance is no guarantee of future results

## EM Credit & FX Regime Identification

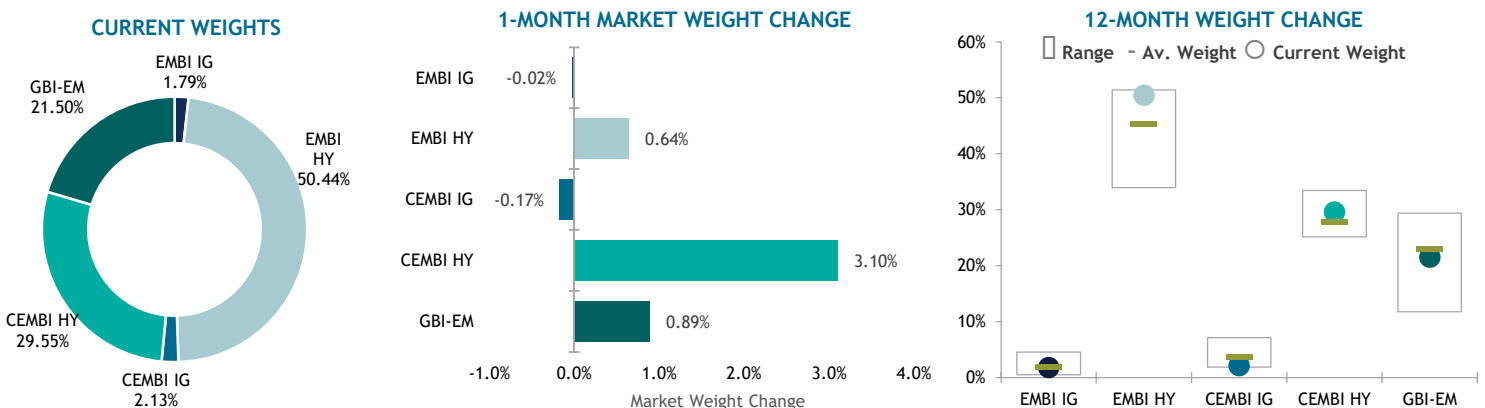
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically be captured within the first six months of a signal switching, which is why we include the date at which the respective signal last changed. The additional information relates to what is driving the current regimes (value and momentum signals) and the directional trend.

SIGNAL	REGIME <sup>2</sup>	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT <sup>1</sup>	RISK-ON	+	03/20/26	DETERIORATING	+	04/17/26	DETERIORATING
EM FX	RISK-ON	+	04/03/26	DETERIORATING	+	04/17/26	DETERIORATING

Data Source: Loomis Sayles, as of 04/30/2026

<sup>1</sup> EM Credit (sovereign and corporate) <sup>2</sup> Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-). The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

## Asset Class Exposure



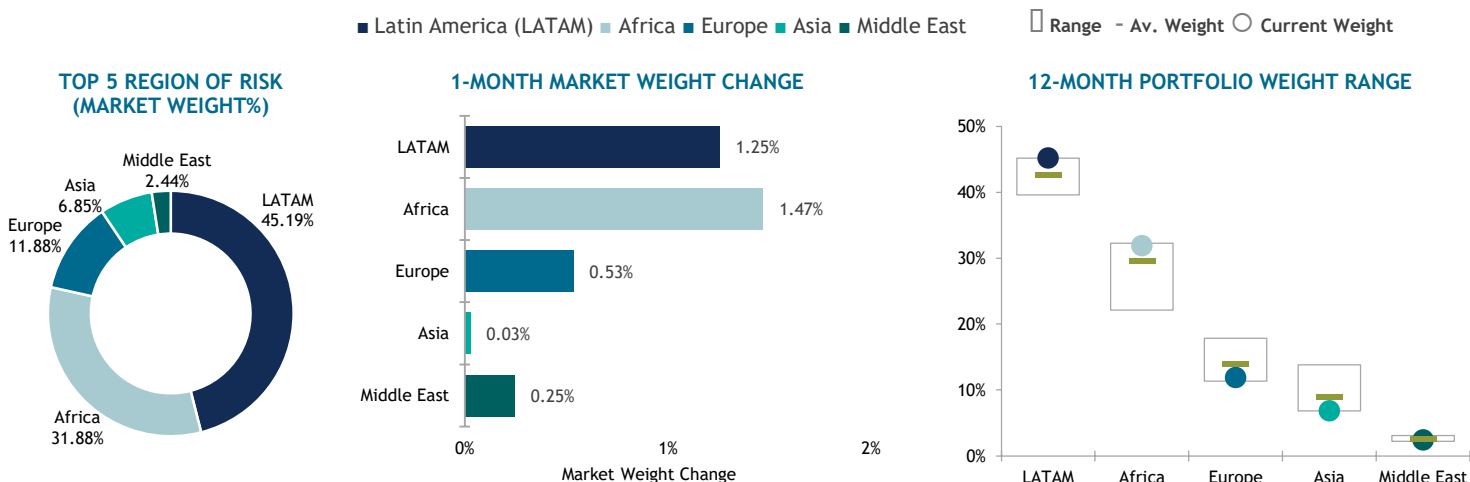
■ Hard Currency Sov. IG (JPM EMBI IG) ■ Hard Currency Sov. HY (JPM EMBI HY) ■ Hard Currency Corp. IG (JPM CEMBI IG) ■ Hard Currency Corp. HY (JPM CEMBI HY)  
■ Local Currency Sov. (JPM GBI-EM)

Data Source: Loomis Sayles, as of 04/30/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The charts presented above are shown for illustrative purposes only.

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## Regional Exposures



Data Source: Loomis Sayles, as of 04/30/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%. The charts presented above are shown for illustrative purposes only.

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## Commentary

### APRIL POSITIONING

- Entering April, regimes began to improve and we increased beta to approximately 1.5 from around 1.3 previously. During the late-March volatility spike, we added commodity-linked Latin American sovereigns and select Central and Eastern Europe, Middle East, and Africa (CEEMEA) high yield names where we felt dislocations offered attractive value relative to low default risk. Emerging market sovereign balance sheets have remained materially stronger than at the 2022 peak drawdown, with no defaults since 2023.
- The strategy remained underweight Gulf Cooperation Council (GCC) and Middle East exposure, as well as low-yield Asian oil importers, to mitigate risks associated with a potential Strait of Hormuz closure. Instead, positioning favored oil exporters whose fiscal and external revenues we believed benefited from Brent crude prices near USD 100 per barrel. This selective regional allocation captured early-month spread compression in Latin America.
- Duration was trimmed toward intermediate maturities, with exposure shifted from BBB-rated to BB-rated sectors to enhance carry, with yields near 7%, while reducing sensitivity to potential spikes in core rates. Cross-asset volatility indicators, including the CBOE Volatility Index (VIX) below 30 and the US Dollar Index (DXY) below 100, signaled a transition to a risk-on environment, supporting our pro-carry bias relative to developed market fixed income.
- Flow dynamics pointed to under-ownership in the asset class, with approximately \$120 BN of cumulative outflows since 2022. Front-loaded issuance, with roughly 65% of 2026 funding needs met by February, limited technical selling pressure. Institutional inflows resumed following the March escalation, with one of the largest exchange-traded ETFs (J.P. Morgan EMB ETF) recording its largest daily inflow in three years, validating demand at elevated yield levels.
- The strategy maintained an overweight to EM FX, focused on higher-beta carry plays including the Brazilian real (BRL), Mexican peso (MXN), and Hungarian forint (HUF), while remaining underweight more vulnerable Asian currencies. Gold reserve diversification by emerging market central banks since 2021 provided an additional downside buffer amid US Dollar weakness and mid-cycle easing dynamics.

### HOW DID APRIL UNFOLD

- Geopolitical developments dominated market sentiment. A fragile US–Iran ceasefire, extended beyond its initial two-week horizon, an unstable Israel–Lebanon truce, and stalled Islamabad talks drove headline volatility. Despite these risks, markets transitioned to a full risk-on environment following Federal Reserve Chair Powell’s “wait-and-see” response to what was characterized as a temporary shock, alongside the confirmation of Kevin Warsh, leaning dovish.

Source: Loomis, Sayles & Co; Bloomberg

^ The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

Credit Quality reflects the highest credit rating assigned to individual holdings of the Composite among Moody's S&P or Fitch; ratings are subject to change.

Views and opinions expressed reflect the current opinions of the Emerging Markets Debt Blended Total Return Team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

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## Commentary (cont'd)

### HOW DID APRIL UNFOLD (CONT'D)

- Cross-asset tailwinds emerged mid-month. Commodities were up 30% year-to-date, supporting emerging market fiscal balances, while the International Monetary Fund (IMF) Spring Outlook highlighted growth momentum in Latin America and Asia alongside improved reserve buffers. Primary issuance was oversubscribed despite elevated oil risks, signaling renewed institutional engagement following bond and equity outflows during the March escalation.
- Fundamentals proved more resilient than in 2022. Lower real oil prices, stress-tested sovereign balance sheets, and supportive technicals limited drawdowns. CCC-rated sovereigns were up 9% year-to-date, outperforming the S&P 500 Index by 300 basis points, underscoring emerging markets' leverage to commodities amid global diversification flows.
- Late-month caution re-emerged as the Strait of Hormuz remained closed, although inventory drawdowns helped cushion supply disruptions. The upside potential became more constrained as valuations and positioning appeared stretched following one of the strongest Aprils on record for the asset class. Nevertheless, carry at yields above 7% remained attractive for patient institutional investors. Intervention by Japan's Ministry of Finance to defend the Japanese yen supported lower U.S. real yields, providing an additional tailwind.
- Hard currency sovereigns, as measured by the J.P. Morgan Emerging Markets Bond Index Global (EMBI), delivered a 2.9% return for the month. Spreads tightened by 45 basis points from March wides, moving from 289 basis points to 244 basis points, while yields rose only modestly to approximately 7%, as core rates absorbed the energy shock. This resilience contrasted sharply with 2022, when yields surged by more than 200 basis points to around 9%.
- Hard currency corporates, measured by the J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI), underperformed higher-beta segments, delivering a 1.6% return for the month. Performance reflected the benchmark's more diversified, higher-quality composition and its BBB/BB bias. High yield sectors led within corporates as investors rotated from US investment grade into under-owned emerging market high yield exposures.
- Local currency sovereigns, as measured by the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM), broadly tracked hard currency performance with a 2.8% return. Local rates and foreign exchange markets absorbed Middle East escalation relatively well, reflecting the broader risk-on shift, with volatility declining across both the VIX and emerging market foreign exchange. Oil-importing Asian markets underperformed exporters in Latin America, reinforcing the potential benefits of our regional tilt.
- Overall, we believe April positioned emerging market debt for potential outperformance versus developed market fixed income should geopolitical de-escalation materialize. The base case remained that the Strait of Hormuz would reopen during the second quarter, although prolonged conflict risks a more stagflationary repricing, in our view.

### MAY EXPECTED POSITIONING<sup>1</sup>

- The strategy's risk profile remains unchanged at approximately 1.5 beta. We continue to overweight high yield hard currency and local currency sovereigns, supported by sustained spread compression in the J.P. Morgan Emerging Markets Bond Index Global (EMBI). Total returns have remained resilient into early May, extending April's momentum.
- The high yield bias continues to drive relative outperformance, with CCC- and BB-rated segments leading returns. Latin American oil exporters have delivered outsized spread compression relative to widening observed in parts of the Middle East and Asia.
- An overweight to sovereign credit is maintained despite tighter spreads, with the EMBI at 242 basis points, near 13-year tights. Default risk remains low following post-2023 restructurings, and sovereign balance sheets continue to demonstrate resilience relative to the 2022 shock. Developments around the Strait of Hormuz remain a key catalyst to monitor.
- Corporate credit spreads, as measured by the J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI), have remained stable at 220 basis points. We remained skewed toward diversified high yield names in the BB and BBB segments rather than CCC-rated exposure.
- Some of the key items we are monitoring include the timing of any Strait reopening, potential Group of Seven (G7) energy policy responses, further Japanese yen intervention—which continues to signal strong policy intent and should support lower US Treasury yields and emerging market carry—and the confirmation of Kevein Warsh at the Federal Reserve. In our view, the temporary nature of the shock should favor a continuation of risk-on conditions given the broader market structure.

<sup>1</sup> As of 05/06/2026

Source: Loomis, Sayles & Co; Bloomberg

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## Commentary (cont'd)

**MAY  
EXPECTED  
POSITIONING  
(CONT'D)<sup>1</sup>**

- We believe a de-escalation scenario could set up a meaningful relief rally should oil prices retreat and core yields move lower. We believe downside risk to total returns is mitigated by elevated emerging market yields of 7–10%, increased gold reserve buffers, and the prospect of mid-cycle easing by central banks, albeit with some delay.
- Some of the key return drivers for the month ahead include US rates volatility, long-duration US Treasuries, oil prices, US investment grade credit, and US equity volatility.

<sup>1</sup> As of 05/06/2026

Source: Loomis, Sayles & Co; Bloomberg

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## Important Disclosure

***Past performance is no guarantee of future results.***

***There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.***

***Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal .***

**Key Risks:**

*Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Derivatives Risk, Leverage Risk, Counterparty Risk, Prepayment Risk and Extension Risk.*

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## Meet the Team



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