Alpha Strategies Team

Emerging Markets Debt Blended Total Return

PERFORMANCE AS OF 06/2026	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION[2]
Composite (gross)	1.00%	5.83%	5.05%	12.86%	10.24%	2.30%	4.31%	3.71%
Composite (net)	0.94%	5.66%	4.71%	12.13%	9.54%	1.69%	3.73%	3.15%
Blended Index[1]	0.44%	3.64%	2.36%	8.83%	8.57%	2.50%	2.93%	3.55%
Excess return (gross)	0.56%	2.19%	2.69%	4.03%	1.68%	-0.21%	1.38%	0.16%
Excess return (net)	0.50%	2.02%	2.35%	3.31%	0.97%	-0.81%	0.80%	-0.41%

Data Source: Loomis Sayles, as of 06/30/2026. 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.
[1] 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.
[2] 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

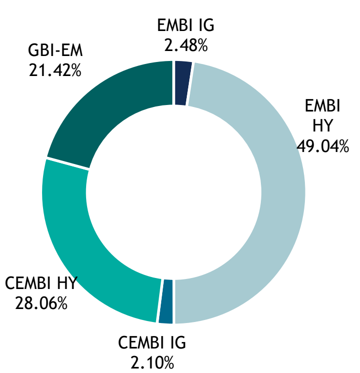
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically 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[2]	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT[1]	RISK-ON	+	03/20/26	IMPROVING	+	04/17/26	DETERIORATING
EM FX	RISK-ON	+	04/03/26	IMPROVING	-	05/22/26	DETERIORATING

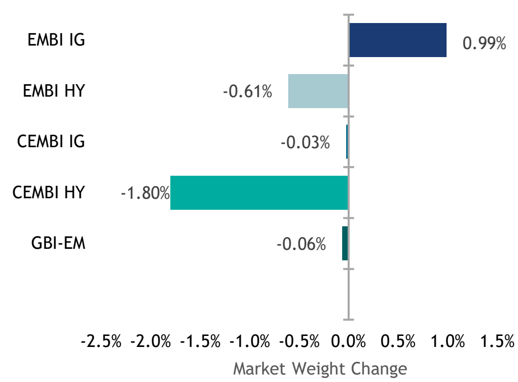
Data Source: Loomis Sayles, as of 06/30/2026
[1] EM Credit (sovereign and corporate) [2] Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-). The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

Asset Class Exposure

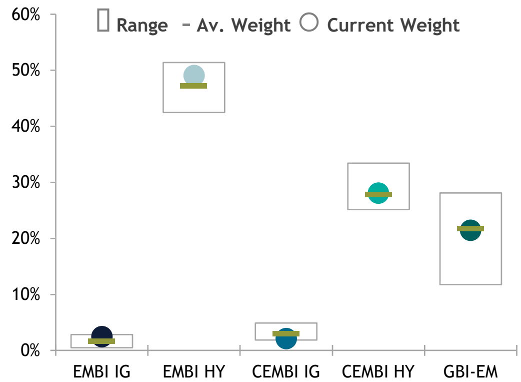
CURRENT WEIGHTS



1-MONTH MARKET WEIGHT CHANGE



12-MONTH WEIGHT CHANGE



■ 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 06/30/2026. 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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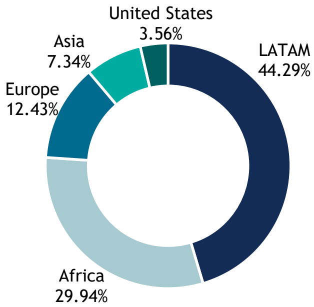
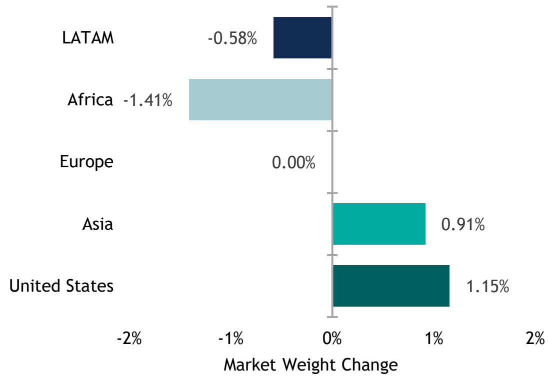
Regional Exposures

■ Latin America (LATAM) ■ Africa ■ Europe ■ Asia ■ United States ▯ Range – Av. Weight ○ Current Weight

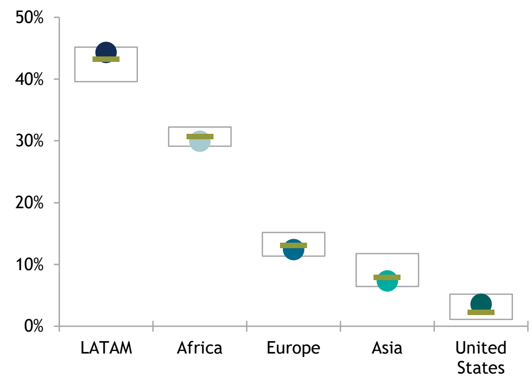
TOP 5 REGION OF RISK (MARKET WEIGHT%)



1-MONTH MARKET WEIGHT CHANGE



12-MONTH PORTFOLIO WEIGHT RANGE



Data Source: Loomis Sayles, as of 06/30/2026. 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

JUNE POSITIONING

- We entered June with a constructive but selective overweight beta stance, favoring emerging markets (EM) over developed markets (DM) fixed income on a risk-adjusted basis. Our core thesis was that elevated carry and improving credit repair dynamics provided sufficient cushion for patient institutional capital in a risk-on regime.
- We continued to prefer frontier hard currency sovereigns and local currency sovereigns as attractive sources of alpha potential, particularly where valuations compensated for idiosyncratic risk. Frontier external debt benefited from investors' willingness to seek yield, while local sovereigns offered upside as US dollar (USD) pressure eased.
- In hard currency, we maintained a higher-beta tilt, but only where spreads justified the risk and balance sheets remained credible. Markets rewarded stronger reform stories, emphasizing the importance of country selection and liquidity discipline over passive index exposure. Corporate credit remained a stable source of return.
- In local sovereigns, positioning was more tactical given EM duration sensitivity to US rate volatility and USD strength. We identified greater opportunity in the foreign exchange (FX) carry complex, with a preference for commodity exporters and frontier markets over lower-yielding, more defensive Asian exposure. FX carry remained one of the few areas offering compensation while awaiting macro clarity.
- Overall, June positioning reflected a positive beta stance without complacency, emphasizing carry, de-escalation optionality, and EM sectors where further spread compression remained possible.

HOW DID JUNE UNFOLD

- June began in a fragile risk-on environment carried over from May. Hard currency sovereigns, corporates, and local bonds all generated positive returns in the first week of the month. J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) spreads tightened to 235 basis points (bps), near post-2007 lows, while EM debt led global fixed income year-to-date. J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) local real rates (+5–10%) continued to attract foreign capital.
- A strong May payrolls print and repricing in G4 rates challenged the USD trajectory mid-month. Markets fully priced a December Federal Reserve rate hike, and the yield curve bear-flattened, with 10-year US Treasury yields holding in the mid-4.50% range. May Consumer Price Index (CPI) rose 4.2% year-on-year, the highest in three years; however, energy effects masked a softer 2.9% core print, allowing the Federal Reserve (Fed) to remain on hold.
- Geopolitical tensions re-escalated following US strikes on Iranian military targets in the second week of June. Brent crude remained below $100 per barrel but traded across a wide range, with the futures curve moving into backwardation. Uncertainty surrounding the Strait of Hormuz reopening timeline contributed to the weakest point of the month for local currencies.

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 JUNE UNFOLD (CONT'D)

- Corporate credit, as measured by the J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI), was the most resilient segment throughout the month. Shorter duration, stronger balance sheets—emerging market high yield (EM HY) corporate leverage remained below developed market investment grade (DM IG) corporates—alongside 20–30% fiscal year 2026 (FY26) earnings-per-share growth expectations, and well-absorbed new issuance, kept CEMBI spreads near cycle tights (166bp). This reinforced corporates as a stable component of the strategy.
- Argentina's upgrade by Standard & Poor's (S&P) from CCC to B was the most notable idiosyncratic event. Hard currency sovereign bonds rallied by approximately three points, rising from the low-$30s in 4Q23 to $80. This illustrated the credit repair thesis underpinning the strategy's frontier hard currency allocation and highlighted the return potential from reform-driven re-ratings.
- The Fed delivered a hawkish Federal Open Market Committee (FOMC) outcome toward month-end, pressuring EM local duration and strengthening the USD. Lower oil prices, driven by progress toward a peace agreement, partially offset the impact. Nevertheless, CCC-rated sovereigns and local sovereigns led total returns post-FOMC, underscoring that risk appetite continued to be driven more by de-escalation expectations than by rates direction alone.
- EM sovereign spreads tightened to 225bp by 15 June before widening to 237bp by month-end following the hawkish Fed repricing. Investment grade (IG) underperformed, while EM HY sectors led, rising over 5% year-to-date compared to a 50/50 high yield/bank loan blend at 1.6%.

JULY EXPECTED POSITIONING[1]

- We enter July maintaining a constructive view on EM, despite a rebound in the USD since May, with markets remaining in a risk-on regime.
- Select hard currency sovereigns represent the highest-conviction overweight; however, valuations support a preference for dispersion rather than broad beta exposure.
- EM HY spreads have richened relative to US HY. In our view, this reflects not merely a cyclical rally but a structural shift supported by improving EM sovereign fundamentals, spread convergence, and heightened volatility alongside weakening institutional strength in developed markets.
- We favor idiosyncratic reform stories—including Argentina, Turkey, Egypt, Nigeria, and Ivory Coast—over passive EM HY beta. US HY remains supported by solid fundamentals, constructive supply dynamics, and a Federal Reserve on hold.
- Frontier hard currency, as represented by the J.P. Morgan NEXGEM Index, remains the primary potential alpha driver. We increased allocations to Egyptian local Treasury bills at yields of approximately 24%, supported by an improving and less volatile regional backdrop. Nigeria remains attractive for oil-linked carry and improving external balances. S&P Dow Jones Indices' consideration of reclassifying Nigeria as a frontier market from standalone status, citing regulatory improvements, could drive significant inflows over time.
- In local currency, we remain constructive but tactical. Capital inflows are recovering even as the USD remains strong, with rolling three-month flows near the upper end of the five-year range, providing technical support for GBI-EM. Duration, however, remains sensitive to Fed policy following Chair Warsh's hawkish debut.
- Net long USD positioning is at levels last observed in December 2024, reflecting expectations of renewed US exceptionalism and further Fed hikes. This leaves positioning vulnerable to reversal.
- Regionally, we favors Central and Eastern Europe, Middle East, and Africa (CEEMEA) and select Latin America (LatAm) reform stories over Asia. Hungary screens attractively following the National Bank of Hungary (NBH) front-loaded 25bp rate cut to 6%, supported by European Union (EU) convergence tailwinds. Colombia remains constructive ahead of the 7 August cabinet inauguration under Espriella. Asia lags due to oil importer dynamics and greater sensitivity to USD strength. Key catalysts include the durability of the US–Iran Strait of Hormuz agreement and incremental Federal Reserve communication following June's hawkish dot plot shift.
- We expect key drivers for the month ahead to include US rates volatility, long-duration US Treasury Inflation-Protected Securities (TIPS), US equity volatility, EM FX volatility, and industrial metals.

[1] *As of 07/08/2026*
Source: Loomis, Sayles & Co; Bloomberg

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Important Disclosure

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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:
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