Frontier Markets Debt Fund

Strategy Profile – September 2021

AZIMUT
DEFINING INVESTMENT DIRECTION

Firm Overview

Azimut is a global investment manager with over $70bn in AUM, founded in 1988. Listed on the Milan Stock Exchange in 2004, The firm has offices in Milan, Abu Dhabi, Cairo, Dubai, Dublin, Hong Kong, Istanbul, Lugano, Luxembourg, Mexico City, Miami, Monaco, New York, Santiago, Singapore, Sao Paulo, Shanghai, Sydney and Taipei.

Frontier Strategy

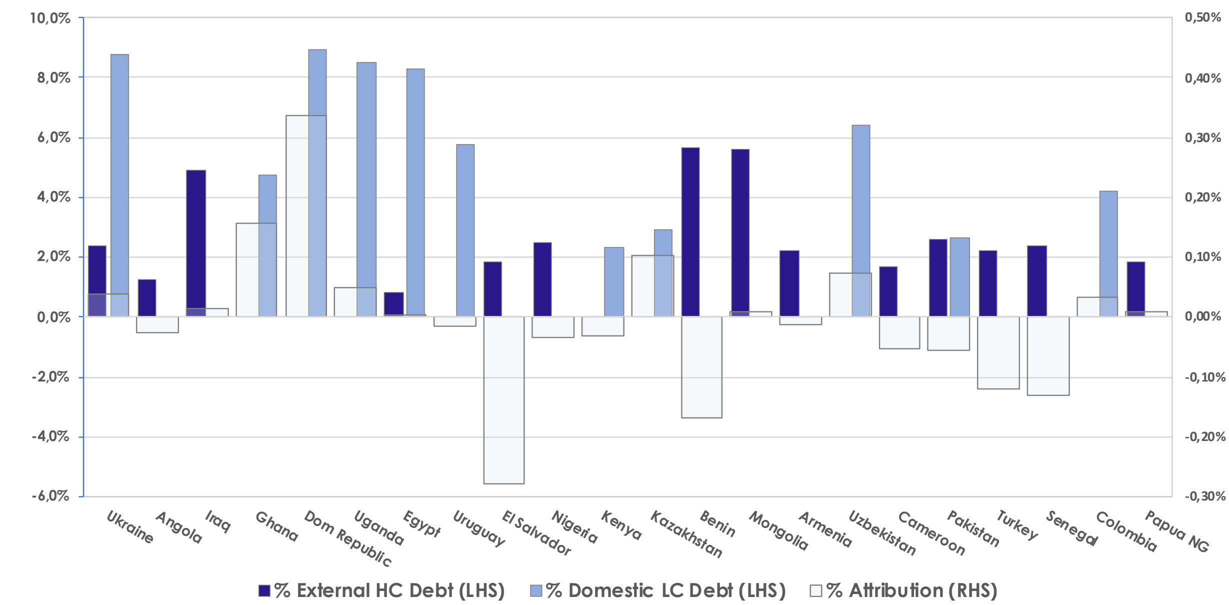
The objective of the Fund is to maximise returns by investing in a diversified portfolio of sovereign debt in 'Frontier' countries, off benchmark. The strategy is a blend of local and external market fixed income instruments, but with a bias towards the former combined with an opportunistic holding in USD and EUR denominated bonds. Target return is 8-10% (annually), with an expected volatility of approximately 5-6%. A 'bottom-up' country analysis which includes; instrument and country risk/return and liquidity analysis, and an integrated ESG screening/overlay. USD and EUR interest rate exposure in the portfolio is hedged and EUR foreign exchange risk is hedged to the fund's base currency (which is USD).

Performance analysis

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2021
AZ3 Frontier Markets Debt Fund (A Inst USD)												
+1.02%	**+0.75%**	**+0.79%**	**+1.54%**	**+1.21%**	**+0.67%**	**-0.03%**	**+1.55%**	**+0.14%**				**+7.89%**
Bloomberg Barclays EM Hard Currency Aggregate Sovereign												
-1.25%	-2.42%	-2.05%	+2.30%	+1.25%	+0.12%	+0.50%	+0.89%	-2.50%				-3.10%
Bloomberg Barclays EM Local Currency Sovereign Universal IG												
-0.18%	-1.44%	-0.19%	+0.33%	+0.23%	-0.16%	+1.10%	+0.18%	-0.58%				-0.77%
Bloomberg Barclays EM Local Currency Sovereign Universal HY												
-1.34%	-1.42%	-2.77%	+0.45%	+0.91%	+0.40%	-0.03%	+0.06%	-1.24%				-5.00%

Source: Azimut Investments S.A. Bloomberg. Performance for September is calculated from fund NAV on 30st Sept 2021, net of fees.
Past performance is not a good indicator of future returns.

Exposure and Performance Attribution by Country - September 2021



Source: Azimut Investments S.A.

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Taper dizziness

The mid-September Federal Open Market Committee has been a turning point for USD rates and emerging markets. Powell's statement that tapering "may soon be warranted" drove a selloff in Treasuries (10-year yields +18bps) and emerging markets (Hard Currency -2.5%, Local Currency –3.4%).

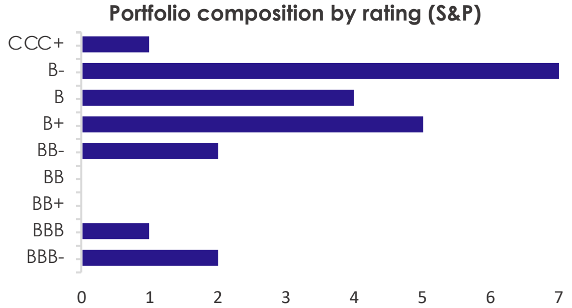
September has been particularly heavy in supply in emerging markets with several large bond offerings including USD 7bn from Nigeria and Egypt received by lukewarm investors simultaneously managing fund outflows: Emerging market hard currency bonds funds suffered USD 2.1bn of outflows in the past two weeks, with ETFs accounting for the bulk last week.*

Confidence in emerging markets has also been dented from China's embattled developer Evergrande, which missed coupon payments in September and is on the brink of default.

While China slowdown concerns and rising real yields have caused emerging market spreads to widen in September, the risk premia in emerging markets are now significantly higher than other credit spreads (and in the case of oil exporters loom attractive).

In local markets there has been no respite for Central Banks: importers have had to deal with the unexpected higher energy prices inflation risk; labour conditions are getting tighter and fiscal consolidation is on the horizon. **Ukraine** hiked rates 50bps in September, while **Turkey's** surprise cut dented the confidence of international investors as inflation expectations are not anchored yet and prolonged higher rates are needed. The State Bank of **Pakistan** is expected to hike further in the coming months as inflationary pressure remains high. **Nigeria** has raised USD 4bn via a Eurobond issue, and oil prices are supporting reserves but USD liquidity remains very scarce in the local market. **Ghana's** fiscal deficit financing needs via debt monetization is expected to drive further FX depreciation.

Portfolio composition by rating (S&P)



Top Fund Holdings	**NAV%**
Dominican Republic (Local)	8.96%
Ukraine (Local)	8.80%
Uganda (Local)	8.51%
Egypt (Local)	8.31%
Uzbekistan (Local)	6.40%
Benin (EUR)	5.67%

Positions and changes

The local currency portfolio (LC) outperformed with the **Dominican Republic's** continued rally on the back of FX (+1%) but with local bonds easing off and offers seen from local investors. **Egypt** local bills maintained a steady accrued appreciation but long dated non-deliverable forwards sold off in the general 'risk-off' environment. The hard currency portfolio (HC) has been hit harder: **El Salvador** accumulated 11% losses on an intensified diplomatic conflict with the US and IMF program discussions on hold, with the IMF affirming Article 4 talks (so excluding an Extended Credit Facility). **Egypt** external debt is 7% down following the difficult placement of a USD multi-tranche transaction. **Nigeria** lost 3%, **Benin** 2%, **Turkey** 6% and **Ukraine** 5%.

Interest rate hedges on the hard currency portfolio partially helped cushion the sell off.

In the portfolio, we switched the Egypt 5.875% 31 position into Egypt 7.5% 61 for a discount in cash and significant pick up in yield.

Country specifics

Ethiopia and its bilateral creditors (Paris Club and China) have formed a committee for the restructuring of the USD 30bn debt under the G20 framework initiative. The Tigray conflict is escalating, and bond investors keep reducing their portfolio holdings whenever the opportunity arises, with bonds in the low eighties. Emerging Chinese debt owned by sovereign owned companies with state guarantees is complicating the restructuring of Ethiopia and Zambia debt.

Zambia: after a post-election rally to 16 the Kwacha has suffered from profit taking and developed a bifurcation between the local market with thin liquidity (USDZMW at 17) and the offshore deliverable market (USDZMW 18.2/18.45). The 2022 budget should underpin a path to fiscal consolidation and an agreement between authorities and IMF for an ECF program by 1H22. The BoZ probably will begin policy normalization this year with a 150bps hike in MPR, followed by a cumulative 400bps hike, taking the policy rate to 14% by FY22.

Venezuela: the EU has agreed to deploy a delegation to observe Venezuela's local and regional elections scheduled for November 21st, responding to an invitation by the Venezuelan National Electoral Council.

Belize: is in the process of restructuring its sovereign debt for the fifth time in two decades, and the Government put investors ESG commitments to test asking them to forfeit approximately 5 cts from the IMF sustainable debt clearing level in exchange for the money being spent on preserving the local coral reef.

The Government reached and passed the 75% investor vote threshold (at almost 85%) and The Nature Conservative will now have to raise the financing ("blue bond") to buy back the government debt at the agreed 55 cts price.

*JP Morgan 'EM Flows Weekly'