AZ BOND
FRONTIER MARKETS DEBT

MONTHLY REPORT APRIL 2022

FUND OVERVIEW

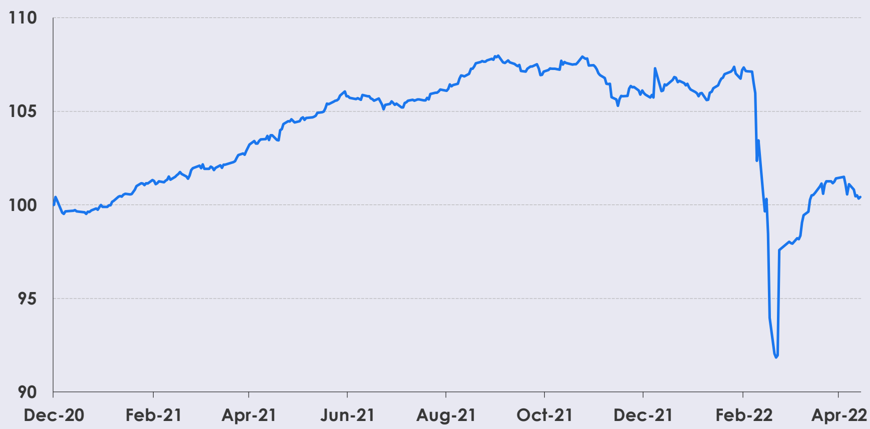
The objective of the Fund is to maximise returns by investing in a diversified portfolio of sovereign debt in 'Frontier' countries, off benchmark. The strategy is an unconstrained blend of local and external market fixed income instruments, but with a bias towards the former combined with an opportunistic 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, plus 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).

KEY FACTS

Fund Category	Fixed Income
Fund Sub-Category	Emerging Markets
Fund Launch Date	16/12/2020
Share Class Launch Date	16/12/2020
Fund Base Currency	USD
Management Style	Active
Domicile	Luxembourg
Fund Type	UCITS
NAV Frequency	Weekly
Portfolio Manager	Carlo Morelli

DAILY NAV PERFORMANCE



Performances are displayed in the reference currency (USD) of the unit class, and is calculated on the basis of the Net Asset Value (NAV). The NAV is net of all fees, excluding only the commissions and costs incurred on the issue and redemption of units, or any taxes that may be levied. Past performance is not an indicator of current or future returns.

TOP TEN HOLDINGS

Uganda (local)	7.36%
Dominican Rep (local)	6.86%
Ukraine (local)	6.76%
Uruguay (local)	5.43%
Nigeria (external)	5.41%
Uzbekistan (local)	5.07%
Kazakhstan (local)	4.00%
Iraq (external)	3.96%
Benin (external)	3.66%
Colombia (local)	3.50%

FIXED INCOME METRICS

Weighted Average Yield to Maturity	15.45%
Weighted Average Duration	0.56
Average Credit Rating	B+

PERFORMANCE DETAIL

Monthly Return	-0.10%
Annual Return	-3.19%
Annual Volatility	6.59%

MONTHLY COMMENTARY – Tighter financial conditions

External markets assets are stuck between a hawkish rates environment and global growth uncertainty. US inflation continues to surprise to the upside (with the May YoY CPI at 8.3%), while USD rates have moved 62bps higher in April hitting the 3% mark for the 10-year maturity. Policymakers have changed the rhetoric with the ECB also signaling a potential lift off. China's outlook for economic policy and growth remains unclear with the zero covid policy accentuating a slowdown.

Outflows in EM continued unabated and risk premia are at historic highs with a great deal of value being created in the Frontier space. Investment grade fixed income continues to look expensive, while emerging markets appear superficially cheap compared to high-yield, but there are no obvious catalysts for a change of direction.

The reverberation from the conflict continues to dominate the market, but the performance bifurcation between energy/commodity exporters and importers has been interrupted by underperformance of the former. For instance, **Angola** and **Nigeria** tapped the market in April with new 10-year bonds that are now trading in high 80s having lost more than 10 points. Many countries in Africa are driving up both the cost of imported food and the cost of growing it locally with broader concerns for stability in the region as a result.

Latin America which had been a beneficiary of capital flows at the outset of the conflict is now retreating somewhat as inflation concerns are mounting, despite general progress in the current account and on IMF support in **Ecuador** and **Argentina**.

Finally, a silver lining is the change of stance by Chinese authorities towards debt restructuring as PBOC agreed to co-chair the debt renegotiation committee of **Zambia's** external debt.

AZ3 Frontier Markets Debt Fund (A Inst USD)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	1.02%	0.75%	0.79%	1.54%	1.21%	0.67%	-0.03%	1.55%	0.14%	0.14%	-2.11%	1.16%	6.99%
2022	-0.15%	-5.51%	0.00%	-0.10%									-5.75 %

Bloomberg Barclays EM Hard Currency Aggregate Sovereign

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-1.25%	-2.42%	-2.05%	2.30%	1.25%	0.12%	0.50%	0.89%	-2.50%	-0.23%	-2.06%	1.64%	-3.76%
2022	-3.13%	-5.71%	-1.43%	-6.68%									-15.98%

Bloomberg Barclays EM Local Currency Sovereign Local Diversified Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-1.13%	-2.40%	-3.05%	+2.07%	+1.74%	-1.15%	-0.21%	+0.39%	-3.41%	-1.12%	-2.04%	-0.75%	-9.32%
2022	-0.42%	-2.43%	-4.37%	-5.55%									-12.25%

Source: Azimut Investments S.A. Bloomberg
Past performance is not a good indicator of future returns

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Positions and changes

The EM Hard currency index has plunged almost -16% year to date, while Local currency losses continued in April settling at -12.25% for the year marking the worst first start to a year in decades. US rates re-pricing is dragging all fixed income lower, while the Frontier strategy continues to benefit from interest rate hedges for the Hard currency component of our portfolio.

In foreign exchange we re-established a short **USDEGP** via a 3-month NDF in the belief that the next stage of the Egypt adjustment will be via higher interest rates rather than via further devaluation of the currency; this view is challenged by parts of the hedge fund community that keep pushing the implied rate above 40%; however, the **USDEGP** spot rate has maintained a range below 18.50. Key in the months to come will be the translation of actual financial support from the Gulf's states, and an agreement with the IMF.

In local markets there has been a reverse in LATAM's general foreign exchange strength, with **Colombian Pesos** paring gains with a -3.5% devaluation in April; in Asia, current account requirements drove **Pakistan Rupee** down almost -5%.

In the external debt markets the **Development Bank of Belarus** paid a USD coupon in April and should redeem a dual currency bond in mid-May, but the sanctioned bonds remain marked down at single digit prices.

Ethiopia's external debt returned to the mid-sixties (down -5%) as reserves dwindle and the reserves of USD at 1.8bn are close to one month of imports.

Finally, **Angola** as mentioned, was down -10% in April as a poll on the election projected the opposition party UNITA gaining ground, though MPLA still holds a majority at 29%.

Country specifics

Zimbabwe: the Zimbabwe dollar lost over 40% of its value against USD after the Central Bank Governor Mangudya banned banks from lending; this is a temporary solution to stem a currency collapse, but radical solutions are needed to restore confidence.

Tunisia: the President announced that a dialogue with civil society will start by aiming for a 25th July vote on constitutional reform. The process is still in line with the scheduled December election, and the EBRD has extended a 350mm Euro loan. Tourist numbers are up 128% y/y in April, though down nearly 50% from pre-pandemic levels.

Ghana: the latest growth figures signal an expansion of +5.4% compared to the +4.4% expected, therefore debt/GDP is now projected at 76.6% compared to 80.1%. Regarding the e-levy, the Supreme Court upheld its implementation, however foreign exchange is in freefall as Ofori-Atta spoke of potential debt restructuring. While the absence of the IMF in the process is of concern, the first material redemption from Ghana will be in 2025.

Ivory Coast: growth at +7% in 2021 has been built largely on the strength of structural reforms and the diversification of the economy. Though the expectation is for capital market issuance in 2022, an IMF program could be set up if needed, the main weakness being low local tax revenues.

Kenya: fiscal results underperform, and external requirements are growing as authorities and the IMF continue to assume market access. With bonds trading at above 10%, external financing is the new norm that would impose new burdens on debt servicing.

Exposure and Performance Attribution by Country - April 2022