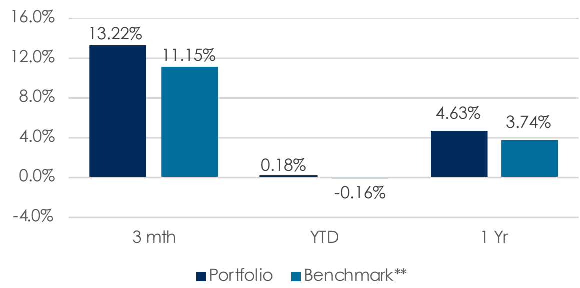
Dear Investor

Please note that information regarding companies (issuers) and financial instruments (e.g. shares or bonds) in this investor letter shall not be considered as investment recommendations to buy, sell or hold any financial instruments. Information about companies and financial instruments shall only be considered as information concerning the fund's portfolio and risk profile for that quarter.

Summary

- Coordinated and swift central bank policy action made Q2 one of the best quarters ever for Emerging Market corporate credit
- Eased lockdown measures made several economies rebound significantly from the abyss levels experienced in March and April
- Economies have been hit differently and uncertainty remains with respect to the sustainability of the rebound as well as how long time it will take economies to reach pre-Covid19 levels
- While spread levels have come down from the elevated levels in Q1, spread levels remain above average relative to history, but we believe that the next phase requires prudent risk taking given low visibility

Return



Portfolio performance is net of fees

* Returns over 1 year are annualized

** Benchmark is JP Morgan CEMBI Broad Diversified

Risk figures (5 year, ex post)

Standard Deviation	N/A
Tracking Error	N/A

FED lifting all boats despite stormy weather…

After the unprecedented market collapse in March, Q2 marked a reversal of fortunes for EM investors. CEMBI returned 11.2% (8.5% IG / 15.1% HY) in USD, outperforming US HY credit (9.5%) and developed USD IG credit (9.1%). Asia underperformed in the EM corporate credit space after having outperformed during the worst of the volatility. The region still posted a return of 7.1% during the quarter while CEEMEA returned 13.1% and Latin America returned 14.9%. The fund outperformed its benchmark handsomely as it actively added high quality credits indiscriminately beaten up in the March selloff.

The substantial bounce in Q2 has on average provided positive returns for the year, although particularly the High Yield segment remains below water for the year. Nonetheless, for EM credit the quarter's double-digit returns was the highest quarterly total return since 2009 following the Global Financial Crisis. The extremely accommodative global liquidity conditions appear to have been a major driver of the rebound as global central banks' support led by the US Fed came quickly through substantial stimulus packages around the globe. While the nature of the shock is a global health crisis rather than a banking crisis, it raises prospects of the recovery to be less drawn out which is probably why risk markets and real economies diverged to an unprecedented degree in Q2.

As most countries started easing lockdown measures to varying degrees since May, the rebound in manufacturing activity has been impressive with six EM countries posting double-digit gains in June. It is our view that policymakers will address localized spikes in Covid-infections through measures that will be far less draconian or economically crippling than the ones that were introduced across the western world between March and May. This supports the market's (and our) view that the worst of the downturn happened in Q1 and that growth data could continue to surprise on the upside, although uncertainty remains whether the recent rebound can be sustained given the rise in confirmed COVID-19 cases.

This tug of war between poor, albeit improving, economic data and apparently unlimited central bank support most likely will continue for a while. This is due to central banks' objectives of dampening the income decline that households and corporates will sustain in the period with production shutdowns and secondly to temper market volatility that would otherwise have increased the economies' woes.

The health crisis poses several challenges for EM economies. Initial hopes that EM economies could possibly escape the drastic lockdown measures that weighed on advanced economies in Europe and elsewhere quickly evaporated as soaring infection rates also forced a range of EM economies into similar social distancing measures. The disturbing effect these measures had on domestic demand only got exacerbated by the lack of export demand amid the deep global recession. At the same time, given external and fiscal vulnerabilities, EM policymakers cannot to the same extend muster the same unprecedented fiscal and monetary responses that helped softening the blow in advanced economies. Nonetheless, monetary stimulus and government deficits have risen sharply in much of EM in response to the crisis. While this serves as a stabilizing factor now, medium term adverse risks from forceful policy stimulus are negative rating migration and pressure on local currencies, although the rise and level of growth in debt/GDP will be far less dramatic in EM compared to advanced economies.

We believe the Covid19 has sped up some potential longer-term structural consequences for the global economy which will affect EM countries differently. First and foremost, it has added fuel to the fire of the hegemonic battle between China and the US which will add to increased geopolitical tensions, but most likely also lead to re-shoring of supply chains and higher protectionism. While this could affect some economies adversely, e.g. China, it should lead to opportunities in places like Indonesia, Mexico and Eastern Europe. Moreover, the risk for oil exporting countries and producers is that the pandemic could have shortened the time to peak oil demand. Lastly, we worry that the risk of social unrest has risen as the pandemic only expands uneven economic opportunities locally and internationally through rising unemployment.

Market outlook

Commodities showed signs of recovery with Brent oil bouncing almost 80% during the quarter and copper gaining around 20%. Oil prices not only benefited from the reopening of economies, but also by Saudi Arabia's u-turn on its oil price war initiated in March. Base metals in general were supported and the supportive monetary policy announcements buoyed precious metals. We believe stimulus packages will bring large infrastructure projects and this should keep a floor for commodity prices over the mid-term.

The normalized market liquidity and resumed inflows to the asset class meant that primary activity in emerging markets has resurfaced and been well supported. Moreover, as EM corporate credit still offer compelling spreads relative to history and with abundant central bank liquidity, we believe the asset class will remain supported. However, we do see more turbulence ahead by mid to late Q3 as the market attention will move from reopenings to challenges of increased output gaps and debt servicing, the risk of a second Covid wave amid a US election campaign and geopolitical tensions. Consequently, we prefer sticking to our old mantra of being prudent and nimble when adding market risk. We find that the best risk/reward profile is found in the best quality HY names and in the BBB space of IG as well as staying liquid.

Q2 2020	Return* last Q	Yield	*Chg. last Q*	OAS Spread	*Chg. last Q*
EM Corp Index	11.15	4.68	-1.87	416	-183
EM Corp IG	8.50	3.20	-1.21	257	-118
EM Corp HY	15.06	7.31	-2.89	693	-284
EM Sov Index	12.26	5.41	-1.48	474	-153
EM Sov IG	9.06	3.05	-1.06	215	-113
EM Sov HY	16.57	8.77	-2.43	832	-245
Dev . USD IG	9.14	2.71	-0.99	186	-100
Dev . USD HY	9.46	6.87	-2.57	626	-254
5Y UST	0.53	0.29	-0.09	n.m.	
10Y UST	0.79	0.66	-0.01	n.m.	

*: USD return

Kind regards,

Chresten Hagelund, Søren Bertelsen and Eduardo Ordoñez

BI Asset Management Fondsmæglerselskab A/S "BankInvest"

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