

Alpha Strategies Team

Emerging Markets Debt Blended Total Return

PERFORMANCE AS OF 09/30/2026	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION ²
Composite (gross)	-3.32%	-2.79%	2.12%	4.86%	10.41%	1.85%	3.36%	3.31%
Composite (net)	-3.37%	-2.95%	1.63%	4.19%	9.71%	1.24%	2.78%	2.74%
Blended Index ¹	-2.47%	-2.21%	0.10%	2.74%	8.46%	2.29%	2.49%	3.22%
Excess return (gross)	-0.85%	-0.58%	2.02%	2.12%	1.96%	-0.44%	0.87%	0.09%
Excess return (net)	-0.90%	-0.73%	1.53%	1.45%	1.25%	-1.05%	0.30%	-0.47%

Data Source: Loomis Sayles. 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

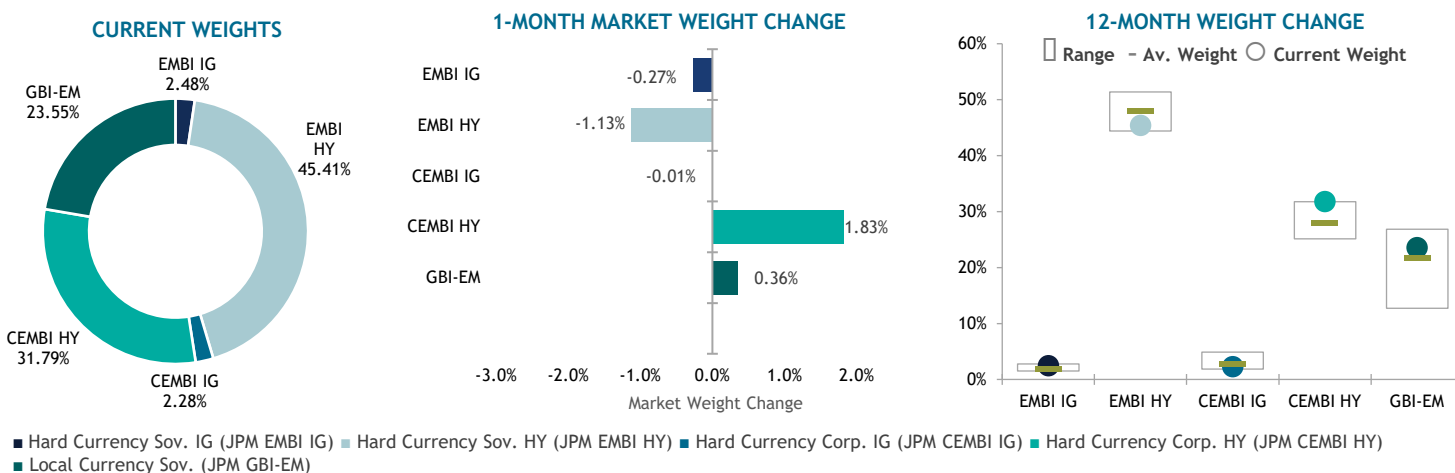
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically 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-OFF	-	09/11/26	IMPROVING	-	09/11/26	DETERIORATING
EM FX	RISK-OFF	-	09/18/26	IMPROVING	-	09/30/26	DETERIORATING

Data Source: Loomis Sayles, as of 09/30/2026

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

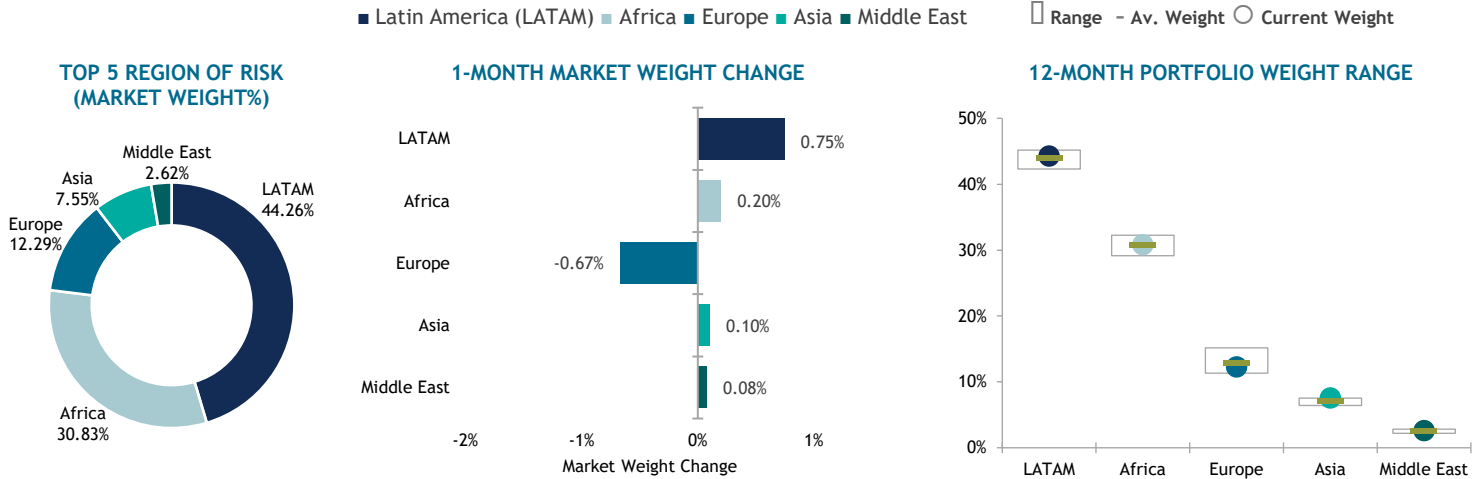


Data Source: Loomis Sayles, as of 09/30/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%.

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 09/30/2026. 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

SEPTEMBER POSITIONING

- We entered September with approximately 1.5 portfolio beta (gross) and a fully risk-on stance across emerging market (EM) credit and foreign exchange (FX).
- Frontier hard currency sovereigns, as represented by the Next Generation Emerging Markets Index (NEXGEM), remained the highest-conviction allocation. Elevated carry, improving policy credibility, and idiosyncratic catalysts offered a return profile that was less dependent on broad J.P. Morgan Emerging Markets Bond Index (EMBI) spread compression.
- We maintained a deliberate high-yield skew across sovereign and corporate credit. With broad spreads already tight, the investment thesis relied more on income generation, refinancing discipline, and issuer selection.
- Local currency sovereigns, as represented by the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM), remained a second core alpha source, supported by high real yields and FX optionality. Exposure was concentrated in markets where domestic policy credibility and external balances could absorb global volatility.
- Country selection emphasized reform and credit-repair stories across Latin America, Africa, and selected frontier markets, while limiting lower-carry duration exposure in Asia and the Middle East, where valuations offered less compensation for global rates risk.
- We expected a patient Federal Reserve (Fed) and a stable-to-weaker US dollar to support EM carry but recognized that higher energy prices could reprice inflation expectations and global real yields. This made the composition of any rates move more important than the absolute level of US Treasury yields.
- Corporate exposure favored shorter-duration issuers with positive free cash flow generation and sectors where balance sheet resilience could cushion the impact of higher base rates. Sovereign exposure favored countries with manageable near-term amortization profiles rather than issuers dependent on uninterrupted market access.
- Entering September, the strategy was positioned to monetize reform and carry opportunities while retaining the flexibility to trim higher-beta positions if a stronger US dollar, higher US real yields, and weaker equities shifted EM regimes to risk-off.
- September evolved from a carry-friendly environment into a sharp global rates repricing. Higher energy prices, renewed inflation concerns, and a more hawkish policy path pushed developed market yields higher. Elevated yields generated negative returns across the J.P. Morgan Emerging Markets Bond Index (EMBI), the J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI), and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) during the most challenging weeks of the month.

HOW DID SEPTEMBER UNFOLD

Source: Loomis, Sayles & Co; Bloomberg

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Commentary (cont'd)

HOW DID SEPTEMBER UNFOLD (CONT'D)

- The drawdown was driven primarily by rates rather than by a broad deterioration in EM credit fundamentals. EMBI and CEMBI spreads were generally resilient through the sell-off, indicating that higher underlying US Treasury yields, rather than a wholesale reassessment of sovereign or corporate creditworthiness, accounted for most of the return impact.
- Market leadership rotated as the month progressed. GBI-EM was initially supported by positive carry and currency exposure but later became the most rate-sensitive segment as energy-driven inflation concerns and real-yield repricing intensified. By late September, local debt had recovered relative to EMBI on a weekly basis but remained exposed to global duration and FX volatility.
- CEMBI provided the most defensive profile. Shorter duration, attractive carry, and comparatively stable corporate balance sheets helped corporate credit outperform hard currency sovereign debt during the late-month sell-off, consistent with investor preference for cash flow visibility over longer-duration sovereign exposure.
- Hard currency sovereigns experienced the largest late-month decline, although the move stopped short of a systemic stress event. Historically, EM stress periods have followed a rapid 50-60 basis point repricing in the US 2-year yield, combined with a stronger dollar and weaker equities. September saw meaningful spread widening, but the +50bps move remained well below the average repricing observed during major historical EM stress episodes (+200bps).
- Energy was the primary macroeconomic transmission channel during the month. Higher oil prices supported selected commodity exporters and frontier credits but also increased global inflation expectations and real-rate volatility. The result was greater country-level dispersion rather than a uniform benefit for exporters or penalty for importers.
- Technical factors remained an important stabilizer. Strong prior inflows, institutional demand for all-in yield, and a reopened September primary market calendar helped the market absorb volatility, although tight spread valuations reduced the potential cushion from further compression.
- During the second half of September, the rates repricing shifted the strategy's EM credit and FX regime signals to risk-off. The portfolio management team took profits in selected higher-beta positions, including Turkey, Argentina, and oil-sensitive credits, and redeployed capital toward higher-quality sovereign and corporate issuers where carry provided better compensation for macroeconomic uncertainty. The team also reduced FX and duration exposure, lowering portfolio beta to approximately 1.3 (gross) from approximately 1.5 (gross).

OCTOBER EXPECTED POSITIONING¹

- We have become increasingly cautious in the current risk-off regime, with less reliance on broad high-yield beta. Stress in developed-market CCC-rated credit and lower-quality bank loans warrants greater discipline, particularly because downgrades from B3 to CCC can pressure collateralized loan obligation (CLO) concentration limits and contribute to forced selling. Selected distressed EM credits remain more idiosyncratic and, in some cases, are supported by domestic reform and credit-repair catalysts.
- We continue to favor high-yield carry, frontier credit-repair opportunities, and local market real yields while preserving the flexibility to reduce exposure if higher US real yields, a stronger dollar, and weaker equities begin to reinforce one another.
- Frontier hard currency sovereigns remain the highest-conviction alpha source, particularly where amortization schedules are manageable and policy catalysts are visible. The portfolio management team prefers reform-oriented credits with contained rollover needs over issuers whose investment case depends on uninterrupted external market access.
- Local currency exposure is being added selectively in markets where real yields have become attractive and central banks are less likely to validate the full extent of tightening currently priced by markets. Latin America screens most favorably, particularly Brazil.
- Following Flávio Bolsonaro's first-round lead, Brazil remains a focused opportunity ahead of the October 25 runoff. In the portfolio management team's view, the result has increased the probability of a shift toward greater fiscal restraint, which could support local rate compression. However, the runoff remains competitive, and a less orthodox fiscal outcome could pressure the long end of the curve and the Brazilian real (BRL). The strategy retains exposure to long-duration local rates where the policy payoff is asymmetric at approximately 10% real yields.

¹ As of 10/06/2026

Source: Loomis, Sayles & Co; Bloomberg

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Commentary (cont'd)

OCTOBER EXPECTED POSITIONING¹ (CONT'D)

- In EM FX, the portfolio management team prefers carry opportunities supported by strong external balances and favorable commodity exposure while remaining prepared to hedge local bond positions if the Federal Reserve tightening and dollar-strengthening regime persists.
- Corporate credit remains an important defensive allocation. We favor shorter spread duration, stable cash flows, and issuers with limited refinancing dependence. With EM B/BB spreads screening tight relative to US peers, security selection and downside discipline are more important than aggregate spread exposure in the current risk-off environment.
- Energy prices, US policy, and the dollar remain the key October swing factors. High EM real yields and moderating inflation improve medium-term return potential; however, renewed energy-driven inflation or another 25-50bps increase at the front end of the rates curve would warrant lower beta and additional hedging. At approximately 1.3 beta (gross), the strategy is positioned to participate in a potential fourth-quarter recovery without assuming that September's repricing has fully run its course.
- Key return drivers for the month ahead: Long-Duration US Treasuries, Swiss Franc, US Dollar Index (DXY), US Investment Grade (IG) Credit, and Oil.

¹ As of 10/06/2026

Source: Loomis, Sayles & Co; Bloomberg

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.

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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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