

Quasar EM Hard Currency HY Bond Fund

Monthly Manager Commentaries – April 2021



Dear Investors and Interested Parties,

April was a month of recovery across emerging and developed markets. The US 10-year yields fell 9bps to 1.63%, and both equity and credit markets rallied and closed the month in the black and so did the fund, slightly up at **+0.20%**.

The country exposures remained quite unchanged, except for Mexico, in which we reduced our position due to concerns regarding the creditworthiness of some Non-Bank Financial Companies, India, where we are de-risking due to the pandemic and Ukraine, due to the prolonged stand-off with Russia. The changes were as follows:

- ❖ **Mexico:** Decreased the fund's exposure to **10.4%** from 12.2%;
- ❖ **India:** Decreased the fund's exposure to **0.9%** from 1.4%;
- ❖ **Ukraine:** Decreased the fund's exposure to **0.5%** from 1.5%.

As a result of these divestments, our cash position increased by **2%**. We are looking for opportunities to deploy our cash, for example, in India, where the second wave of Covid-19 has been increasingly devastating and the likely deterioration in the country's macroeconomic environment could provide entry points further ahead but in Emerging Markets timing is extremely important, so we are not in a hurry.

Country Selection is as important as market timing. Therefore, we are currently out of Peru and Chile as both countries hold presidential elections this year and far-left candidates had a very strong performance in recent polls.

Brazil is also worth mentioning. We reduced the fund's exposure to the country in February anticipating the worsening of the pandemic and president Bolsonaro's shift to a more interventionist and populist government but, despite the high number of Covid-19 cases and deaths since then, the vaccination outlook has improved significantly with numerous vaccine deals and over 30 million people have received at least their 1st vaccine dose so far. The normalization of the pandemic should bring some relief to Brazil's fiscal balance and provide a more favorable environment for the government to operate in, but several question marks remain. We are in a wait-and-see approach and could increase our exposure again depending on how the situation unfolds.

The fund currently has BB rating, a yield to worst of **7.49%** and a duration of **2.76** years, down from 2.89 years in March and 3.84 years as of December 31st, 2020.

According to the EPFR, Hard Currency EM Funds reached inflows of \$4.54bn in April and inflows \$7.88bn year to date.

Kind Regards,

Quasar International

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