



Emerging Markets Debt Blended Total Return

Strategy Update by the Loomis Sayles Alpha Strategies Team

PERFORMANCE

AS OF OCTOBER 2025	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION ²
Composite (gross)	0.91%	4.79%	13.39%	11.62%	12.69%	2.36%	4.90%	3.21%
Composite (net)	0.86%	4.62%	12.79%	10.90%	11.98%	1.78%	4.33%	2.65%
Blended Index ¹	1.05%	4.17%	12.29%	11.29%	11.85%	2.78%	3.99%	3.37%
Excess return (gross)	-0.14%	0.61%	1.10%	0.33%	0.84%	-0.42%	0.90%	-0.16%
Excess return (net)	-0.19%	0.45%	0.50%	-0.39%	0.13%	-1.00%	0.34%	-0.71%

Data Source: Loomis Sayles, as of 10/31/2025

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.

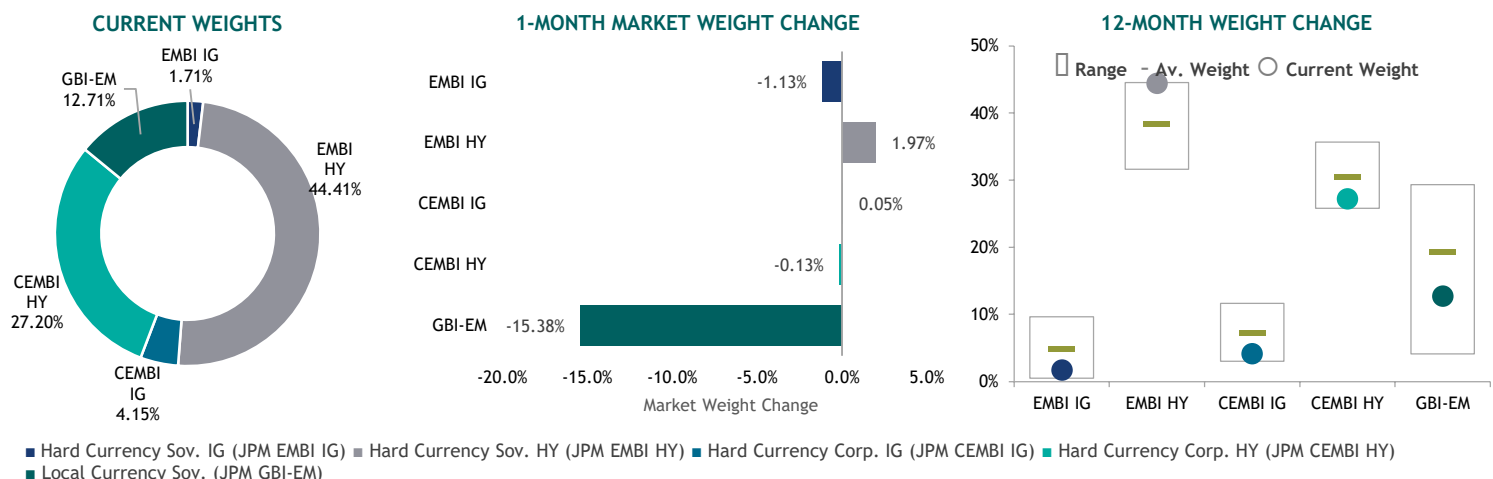
SIGNAL	REGIME ²	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT ¹	RISK-ON	-	10/10/25	IMPROVING	+	05/09/25	DETERIORATING
EM FX	RISK-OFF	-	10/10/25	IMPROVING	-	08/01/25	DETERIORATING

Data Source: Loomis Sayles, as of 10/31/2025

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 10/31/2025. 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.

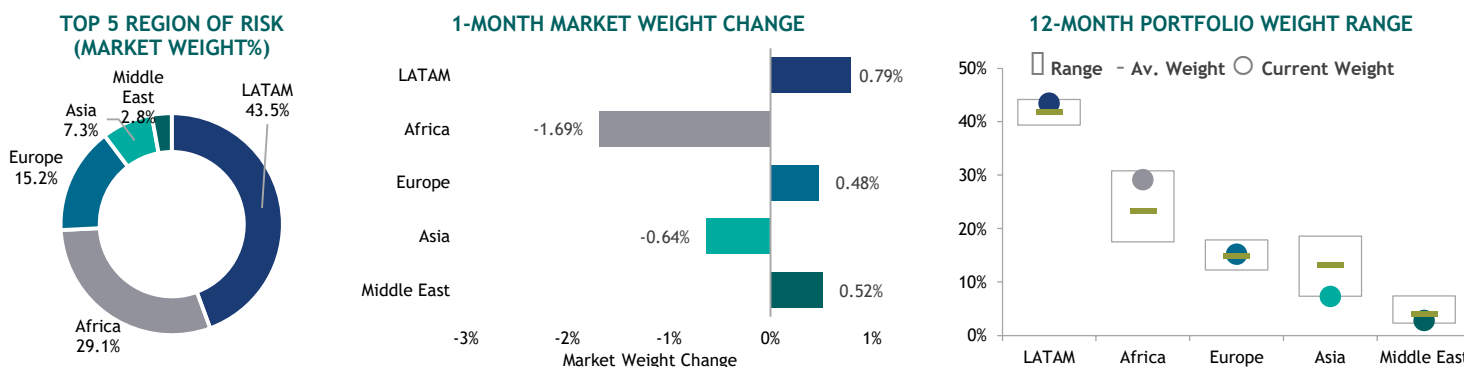
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REGIONAL EXPOSURES



■ Latin America (LATAM) ■ Africa ■ Europe ■ Asia ■ Middle East

Data Source: Loomis Sayles, as of 10/31/2025

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COMMENTARY

OCTOBER
POSITIONING

- Entering October, Emerging Markets (EM) Credit and Foreign Exchange (FX) remained in risk-on mode. While EM FX had held in risk-on territory since mid-September, momentum deteriorated toward month-end with oil as a key variable driving returns, struggling to trade outside of a \$10 range.
- Year-to-date, Emerging Markets Debt (EMD) outperformed global fixed income asset classes, with unhedged local currency sovereigns and frontier hard currency sovereigns up approximately 15% versus 50/50 high yield/bank loans up approximately 6% for context.
- Portfolio beta remained at approximately 1.2, and our positioning bias was skewed toward high yield credits in Central and Eastern Europe, Middle East, and Africa (CEEMEA) and Latin America.

HOW DID
OCTOBER
UNFOLD

- Overall, the backdrop remained favorable for EM, with the path for US rates and the US Dollar moving lower to start the month on the back of softer labor markets, limited upside catalysts, and further rate cuts. Meanwhile, EM fundamentals continued on a stable to improving trend with spreads converging toward developed markets.
- As we enter the fourth quarter, a number of risks remained on the horizon: the extent of US Dollar depreciation into year-end after an approximately 10% move lower (the biggest year-to-date move since 1974), excessive Federal Reserve cuts priced in, a record-length US government shutdown, the Latin American political election cycle, and, as always, ongoing negotiations between the US, Russia, and China.
- Political events, name the US government shutdown, the Japan Liberal Democratic Party (LDP) surprise, and the France Prime Minister resignation, muddled the waters in the early days of the month. Yet October marked the sixth consecutive month of inflows to EM bond funds with a strong bias toward high yield frontier sovereigns.
- Argentina rallied approximately 12 points off the Buenos Aires provincial election lows as we approached the midterm elections on October 26th. The combination of International Monetary Fund (IMF) Chief Georgieva's comments surrounding an approved aid package and backing from the US Treasury via a \$20 billion currency swap line stemmed the sell-off.
- EM local rates remained at the lows of the year with 4-5% real yields, anchored by EM-DM convergence and Fed cuts on the horizon. Fed easing provided additional policy space for EM central banks; 17 of 21 were expected to cut rates further by mid-2026, one reason unhedged local sovereigns remained among the top-performing asset classes.

Source: Loomis, Sayles & Co; Bloomberg

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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.

Views and opinions expressed reflect the current opinions of the Emerging Markets Debt Blended Total Return Team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

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**COMMENTARY (CONT'D)****HOW DID
OCTOBER
UNFOLD
(CONT'D)**

- While positioning posed a potential threat to the EM carry trade, as volatility picked up from post-“Liberation Day” lows with more uncertainty around the magnitude of Fed cuts, we reduced some non-US Dollar exposure (excluding Frontier markets). We favored credit over FX beta around mid-month.
- The resilience of credit markets was tested at multi-decade tight spreads due to renewed escalation in US tariff headlines, which jolted spreads from recent tightness when President Trump raised the possibility of a “massive increase” in tariffs on China.
- EM assets took a breather toward the end of the month as the shutdown extended. While the main bright spot was corporate earnings, the probability of a growth scare was rising, prompting yield curves to bull-flatten globally.
- More cracks formed in credit and volatility picked up into month-end, shifting us back to risk-off in EM FX, a key forward-looking measure of crises, and we reduced beta below benchmark as a result.
- Despite recent volatility linked to US credit events and trade issues, EM local rates remained anchored, in contrast to prior rising volatility periods, thanks in part to improved fundamentals and a relatively weaker US Dollar.
- Emerging Markets demonstrated resilience in October, led by CCC-rated Frontier sovereigns, aided by optimism as the Javier Milei midterm election victory provided a boost. Post-election, Argentine sovereign bonds jumped over \$10 (representing a 400 basis points decline in yield to approximately 10%) with strong follow-through demand.
- This outperformance reflected regional diversification benefits within EM, with weakness in China offset by strength in Latin America and Africa.
- Looking ahead, constructive macro tailwinds such as resilient EM economic growth, potential non-recessionary Fed rate cuts, and strong institutional demand support a positive outlook for EMD through December.

**NOVEMBER
POSITIONING**

- Portfolio beta was reduced to approximately 0.8 as our signals are picking up on global deleveraging, led by the Artificial Intelligence (AI) sector. EM FX has been in risk-off mode since October 10th, a key forward-looking risk-off metric. Outside of distressed EM high yield, the broader market is shifting lower as private credit faces rising default pressure and the Magnificent 7 technology stocks may be overspending with limited visibility to AI capital expenditure (capex) return on investment (ROI).
- Importantly for the US Dollar and EM risk appetite, the Fed struck a cautious note at the October Federal Open Market Committee (FOMC) meeting, arguing that it makes sense to proceed slowly as we approach the neutral rate. A December cut is not guaranteed, and future cuts were priced out of the Fed Funds curve as a result.
- While interest rates remain “somewhat restrictive”, a key factor attracting flows to EM as the presumed forward path for rates is lower, fueling US Dollar weakness and EM strength, this shift in Fed expectations is causing the EM rally to pause.
- The longest government shutdown in US history, causing an official data blackout period, is an additional source of uncertainty, making each decision meeting-by-meeting rather than following a predetermined path. Volatility is rising on the back of broadening concerns.
- Globally, the economy has been growing at a moderate pace, labor market conditions appear consistent with gradual cooling, and underlying inflation may be continuing to make progress toward the 2% target. All of this should be supportive for EM; however, we are taking some profits and positioning ourselves for better entry points to re-engage in Q4 as cross-asset volatility follows a rising path.
- Ultimately, US-China trade relations appear to be on an improving trajectory, but follow-through matters more than recent headline optimism.
- From here, a key question beyond the shutdown is: will the Fed continue cutting in the absence of reassurance that the labor market is stabilizing, or pause in the absence of signs that the labor market is weakening more severely?
- In any case, we remain cautious until EM FX regimes improve. We believe risk-reward is less attractive than it was a few months ago, and managing downside risk is warranted. We would view risk-off events from now through year-end as buying opportunities, expecting EMD to continue outperforming the global fixed income complex as it has all year (institutional investors remain largely underweight while EM-DM spreads continue to converge).
- Some of the key return drivers for the month ahead include: Volatility Index (VIX), Metals, EM FX Volatility, US Treasury Inflation-Protected Securities (TIPS) 1-10 year, and US Investment Grade (IG) Credit.

Source: Loomis, Sayles & Co; Bloomberg

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EMERGING MARKETS DEBT BLENDED TOTAL RETURN TEAM



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Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

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