Investment Objective

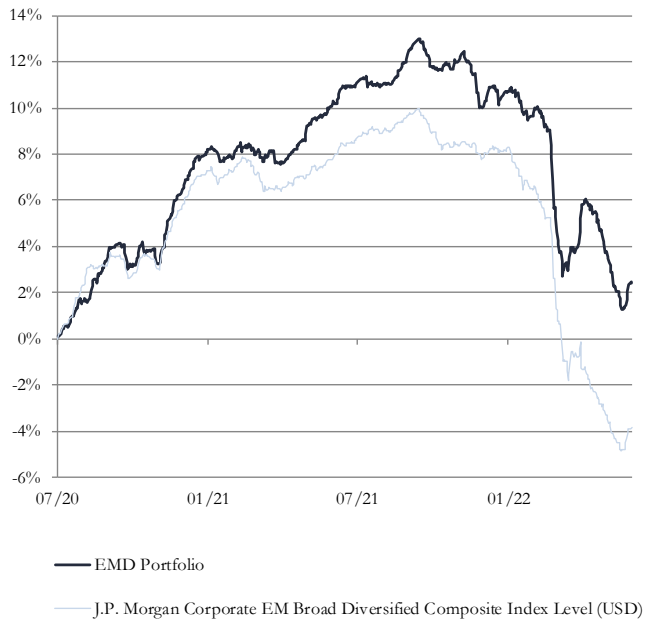
Our Emerging Market Corporate Debt strategy invests in a concentrated portfolio of hard currency corporate, emerging market debt.

We believe that a concentrated portfolio following our principles of quality and value is the best way to deliver income, upside opportunity and downside protection

This means that we invest in key businesses in their respective industries and geographies, with strong underlying fundamentals, able to navigate through cycles. We favour companies with strong business models, financial strength & predictable cash flows.

Investment objective to generate a total return of 4-6%, net of fees, from income and capital growth over the medium term with low volatility and exposure to macro-economic risks with a standard deviation of 4-6%.

EMD Strategy Performance, USD*



Strategy Characteristics

Average Credit Rating	BB-
Duration	3.9
Spread	584
Yield to Maturity	18.1%
Yield to Worst	17.8%
Current Yield	7.3%

Portfolio Comment

The portfolio was down 1.3% for May in what was another volatile month for risk assets globally driven by macro headwinds. US inflationary concerns drove a steep sell-off which saw the 10-year treasury note touch 3.1% before settling at 2.9% as increased fears of global slowdown caused markets to price in less aggressive Fed policy tightening. Emerging market credit spreads widened 25bps during the month taking them to average spreads seen since 2010.

Our Turkish corporates came under pressure as the Lira again weakened, driven by inflationary issues and balance of payment concerns after posting a widening current deficit and drop in FX reserves. However, the strength of underlying fundamentals remains evident. Turkey's largest conglomerate *Koc* (-3%) saw strong operating performance across all business units, benefiting from significant hard-currency export revenues. Leading telcom provider *Turkcell* (-3%) continued to add subscribers and leveraged its pricing power to pass on inflationary pressures.

Rising rates and tighter financial conditions could weigh on fundamentals going forward, albeit we believe emerging market corporates are starting from a strong position given low leverage, higher interest cover and comfortable debt maturity profiles. This is supported by the current default rate which stands at just 0.5% YTD (excluding idiosyncratic situations: Russia/Ukraine and Chinese property), in line with current US high yield levels.

We believe it is an opportune time to take advantage of the market weakness and selectively lock-in attractive bond yields.

Strategy Statistics

Cash %	4.9%		Average Monthly Return*	0.1%
IG/HY	0%/ 100%		Best Monthly Return*	Nov '20 3.1%
No. Issuers/ Issues	39/ 41		Worst Monthly Return*	Feb '22 -4.0%
No. Sectors	9		% Positive Months*	56.5%
Sharpe Ratio*	0.00		Volatility*	5.2%

Performance Analysis

				Cumulative					Annualised			
	May-22	3 Months	2022 YTD	1 Year	Since Change of Strategy*	3 Year	5 Year	Since Inception	Since Change of Strategy*	3 Year	5 Year	Since Inception
Portfolio	**-1.3**	**-2.7**	**-7.5**	**-7.0**	**+2.4**	-2.8	+0.4	+15.8	**+1.2**	-1.0	+0.1	+2.2
JPM CEMBI	*-0.6*	*-5.1*	*-11.2*	*-10.8*	-3.9	*+1.9*	*+10.0*	*+26.7*	*-2.0*	*+0.6*	*+1.9*	*+3.6*

Performance is of the Emerging Market Debt strategy with original inception date of 01/10/2015 and of change of strategy on 01/07/2020. Shown net of 1% fees per annum, deducted quarterly in arrears. Past performance is not a reliable indicator of future results; the value of any investment can fall as well as rise; and returns may increase or decrease as a result of currency fluctuations. Benchmark: JPM CEMBI Broad Diversified. Change of strategy was to invest in higher quality corporates with greater market liquidity, a move actively managed portfolio to constantly enhance overall portfolio yield, decreased cash levels within the portfolio to a normalised range of 0-5% and no sovereign debt. * Refers to the portfolio since change of strategy. Source: SS&C Technologies, Bloomberg.

Top 5 Credit Holdings

Issuer	Sector	% of Total Portfolio
Hta Group Ltd	Industrial	3.8%
Liquid Telecom Finance	Communications	3.6%
Ihs Netherlands Holdco	Industrial	3.4%
Seplat Energy Pl	Energy	3.2%
Petroleos Mexicanos	Energy	3.2%

Top 5 Countries of Risk

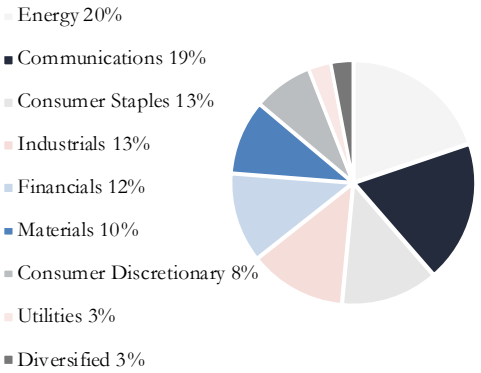
Country	% of Total Portfolio
Mexico	18.5%
Brazil	15.2%
Turkey	13.3%
South Africa	10.1%
Nigeria	6.6%

4 Carlton Gardens
London SW1Y 5AA
United Kingdom
Tel: +44 20 3478 1800

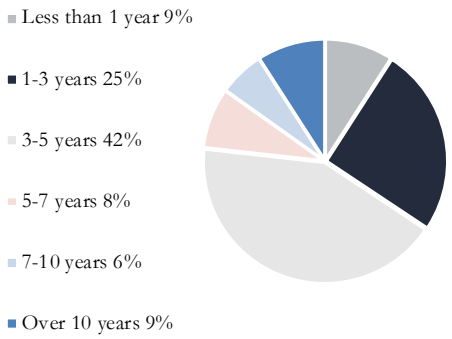
J. Stern & Co.
www.jsternco.com
info@jsternco.com

Gartenstrasse 10
8002 Zurich
Switzerland
Tel: +41 44 552 80 70

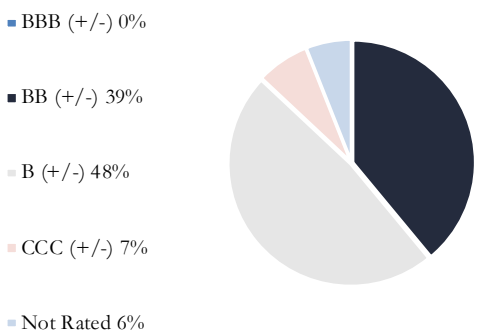
Sector Split



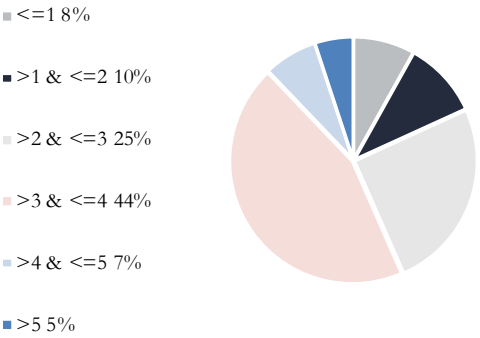
Years to Maturity/ Call



Credit Rating (exc. cash)



Duration



Monthly Performance, % Total Return, USD

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD		JPM CEMBI		Excess return	
2015	-	-	-	-	-	-	-	-	-	+3.9	-0.8	-2.2	+0.8		+0.3		+0.5	
2016	-0.2	+1.6	+3.7	+2.4	+0.6	+2.1	+0.5	+1.2	+0.6	-0.5	-1.2	+0.6	+11.9		+9.7		+2.2	
2017	+0.3	+1.2	-0.3	+0.7	+0.5	-0.2	+0.3	+1.2	+0.5	+0.3	+0.1	+0.4	+5.1		+8.0		-2.9	
2018	-0.2	-0.5	-0.3	-2.8	-1.2	-1.2	+1.9	-3.4	+2.4	+0.4	-0.8	+0.1	-5.5		-1.6		-3.8	
2019	+3.7	+1.3	+0.6	+0.4	+0.3	+2.4	+0.7	-1.8	+1.3	+0.6	-0.3	+0.9	+10.6		+13.1		-2.5	
2020	+0.6	-1.6	-18.7	+5.5	+5.2	+2.3	+1.6	+1.9	-0.4	+0.1	+3.1	+1.6	-1.1	*+8.2**	+7.1	*+7.3**	-8.3	*+0.9**
2021	-0.3	+0.2	-0.4	+1.5	+0.8	+1.0	-0.1	+1.2	-0.5	+0.2	-1.8	+0.6	+2.4		+0.9		+1.5	
2022	-0.9	-4.0	+0.4	-1.8	-1.3	-	-	-	-	-	-	-	-7.5		-11.2		+3.7	

Strategy Information

Key Features	
Portfolio Managers	Charles Gélinet, Jean-Yves Chereau
Investment period	Agreed at outset; normally up to 3 months
Bespoke	Target bond list and industry exposures adjusted to reflect individual preferences and requirements, including environmental, social and governance reasons, client's exposure to other assets, whether liquid or illiquid, tax constraints or any other reason
Portfolio Minimum*	Minimum portfolio size of $6,000,000 **Minimum size of investment reflects the amount required to achieve sufficient diversification across the strategy (at least 30 bonds), based on minimum bond denominations of $200,000 for the majority of names.*
Sizing	Usually 30-50 holdings of c. 2-3% each, dependent on the size of portfolio
Cash reserve	Aim for 0-5% to provide flexibility for cash calls and opportunistic purchases
Fees	Standard fee 1% p.a. charged quarterly in arrears, no performance fee or hidden 'fund' charges. Tiered fee structure, lower fees for larger accounts
Hedging of FX or Market	By exception, if and when required, where we explore pricing and take time to explain to the client.
Custody	Flexible, maintain your own custodian or start a new relationship through us
Other Banking Services	Would be provided by the custodian, but can include leverage, mortgages, credit cards, insurance etc, depending on the custodian rather than us.
Eligibility	Restricted to professional or elective professional clients