

# PARVEST BOND BEST SELECTION WORLD EMERGING

**FIXED INCOME**
**MONTHLY REPORT - FOR PROFESSIONAL INVESTORS – 31/03/2017**

## PERFORMANCE OVERVIEW

Performance at the end of March 2017 (Gross of fees - %)	March	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.,**
Parvest Bond Best Selection World Emerging	2.33	6.96	6.96	10.82	2.73	-0.12	0.06	9.56
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal Excess return	1.35	5.18	5.18	7.26	4.09	4.09	4.26	8.85
	0.98	1.78	1.78	3.56	-1.36	-4.21	-4.20	0.71

Performance History (%) - Full year	2016	2015	2014	2013	2012
Parvest Bond Best Selection World Emerging	7.98	-7.87	-5.08	-7.61	14.73
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal Excess return	10.16	-4.56	5.53	-6.47	18.46
	-2.19	-3.32	-10.61	-1.14	-3.73

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.,**
Fund volatility (%)	8.88	8.64	8.99	9.01	8.54	15.48
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal	7.48	7.70	8.94	7.97	8.06	10.13
Tracking error (%)	1.77	1.84	2.77	3.88	4.30	8.83
Information ratio	1.01	1.94	-0.49	-1.08	-0.98	0.08

All figures gross of fees (in USD)

\* annualised performance

\*\*first NAV date: 27/05/1998 annualised

Past performance or achievements are not indicative of current or future performance.

On May 17th 2013, BNP Paribas L1Bond Best Selection World Emerging was transferred into a sub-fund of the PARVEST Luxembourg SICAV, creating PARVEST Bond Best Selection World Emerging.

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## MARKET OVERVIEW

- ▶ Despite market consensus that the new Trump administration in the US is wholly negative for Emerging Markets, it is our continued belief that his policies will only affect a small number of Emerging Markets negatively. It has been our call since December that we expect local currency emerging market debt to outperform and, from January until now, we have started to see this subcomponent of the asset class begins its climb in outperformance driven by both positive returns from rates and currency appreciation. In the medium term, we think the key driver of performance will be driven by FX appreciation.
- ▶ The returns in local currency emerging market debt rely heavily on the cycle of currencies and, in particular, the US dollar cycle. We think that the US Dollar cycle is over and that the dollar will weaken from here as US reflationary policies increase the US current account and, as the Fed hiking plan is now well underway, there is little surprise left from Fed policy. We are starting to see this play out and see this as an important turn in emerging market currencies. It is our expectation that there is more room for this to continue and we therefore believe that local currency debt remains the place to be for the rest of 2017.


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## FUND PERFORMANCE

- ▶ Emerging Market hard currency debt, as measured by the J.P Morgan EMBI Global Diversified Index, continued its run of positive performance, returning 0.38% in March. As had been broadly expected, quality issuers performed well over the month with investment grade gaining 0.51% over the month, outperforming their high yield counterparts which gained 0.24%. At country level, Belize was the clear outperformer over the month with significant distance between it and Mozambique, the second best performing country in the index over the month. Venezuela, Ecuador and Bolivia were all positioned at the bottom of the table.
- ▶ Emerging market local currency debt, as measured by the JP Morgan GBI-EM Global Diversified index, returned 2.31% (in US dollars unhedged) over March. Both currencies and interest rates again contributed positively to returns although it was interest rates that generated the majority. Index yield dropped 20 basis points to 6.55% at the month-end. March saw a continuation of Mexico's outperformance. At the end the month, Mexico was positioned at the top of the performance table, followed by Russia and Poland. South Africa was the worst performing country over the month, losing ground due to the country's recent messy politics as the battle for succession continues. President Zuma has reshuffled his cabinet causing uproar in the country and the markets.
- ▶ The Parvest Bond Best Selection World Emerging Fund continued its positive start to 2017, returning 2.33% in March and outperforming its combined local and hard currency benchmark (50% JP Morgan 50% GBI-EM Global Diversified (local-currency) Index and 50% EMBI Global Diversified (hard-currency) by 98 basis points. Positioning across the portfolio was supportive of returns, with positive contributions coming from yield curve positioning, asset allocation, security selection and currency positioning.

## PORTFOLIO ACTIVITY

- ▶ Despite the difficulties imposed on Emerging Markets by the new Trump administration, a relatively dovish Fed and improving growth indicators have put Emerging Market rates in a sweet spot throughout March. We have therefore retained a long tactical theme over the month and added a new long rates position in Czech Republic.
- ▶ Having been long Russia as a core structural view, we took profits from the position in March. This came off the back of a rally from the expectation of a 25 bps rate cut by the CBR. However, we still like the fundamental story and will look for buying opportunities if it backs up.
- ▶ In terms of FX, we continued our activities from February, holding an overweight FX position in the portfolio and taking advantage of selloffs in the market. This is in keeping with our continuing core view that local currency portfolio returns will reach double-digits in 2017 and accelerate through the year.
- ▶ In hard currency, we continued to reduce our positions in corporates and high yield bonds after the tremendous rally in spreads. We now see more value in investment grade and our remaining long high yield trades are concentrated in frontier markets.

## ADDITIONAL INFORMATION

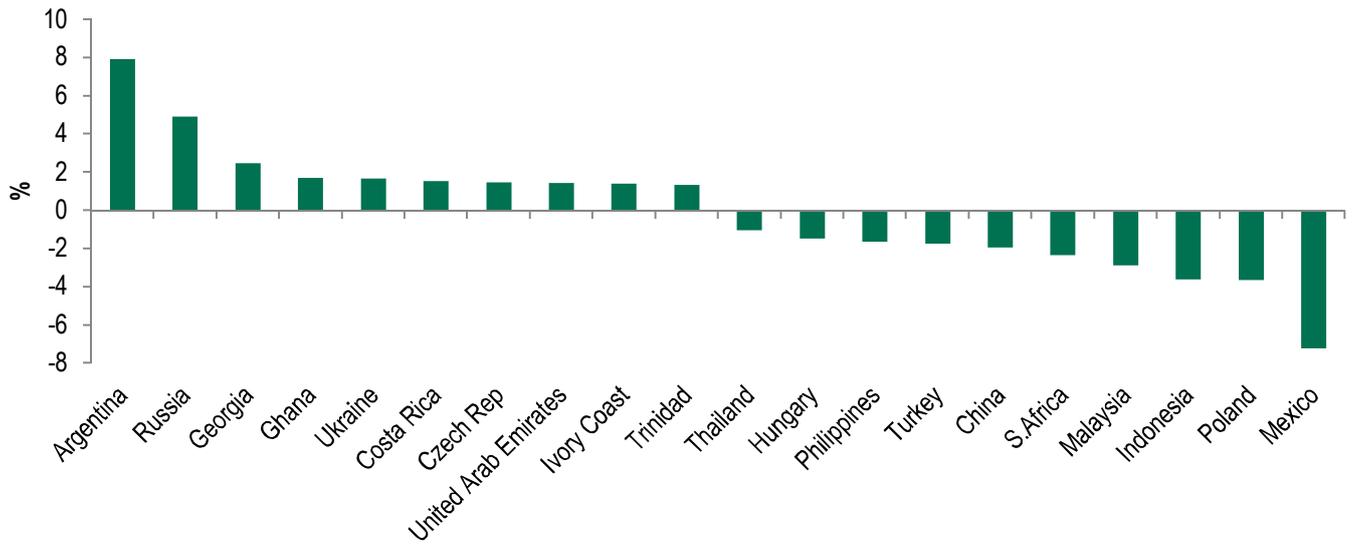
### Statistics and Ratings

	Portfolio	Benchmark
YTM	7.98	5.79
Current Yield	7.91	6.05
Duration	6.22	5.78
Coupon	6.01	6.16
Average Life	10.30	8.79
Sovereigns	66.41%	88.37%
Quasi & Corporates	32.62%	11.48%
Cash	0.96%	0.14%

Rating (Bonds & Cash)	Portfolio	Benchmark
Average Rating	BB	BB+
High Grade	46%	71%
High Yield	54%	29%
AAA	2%	0%
AA	2%	3%
A	15%	31%
BBB	27%	37%
BB	25%	17%
B	21%	9%
<CCC	4%	1%
NR	0%	0%

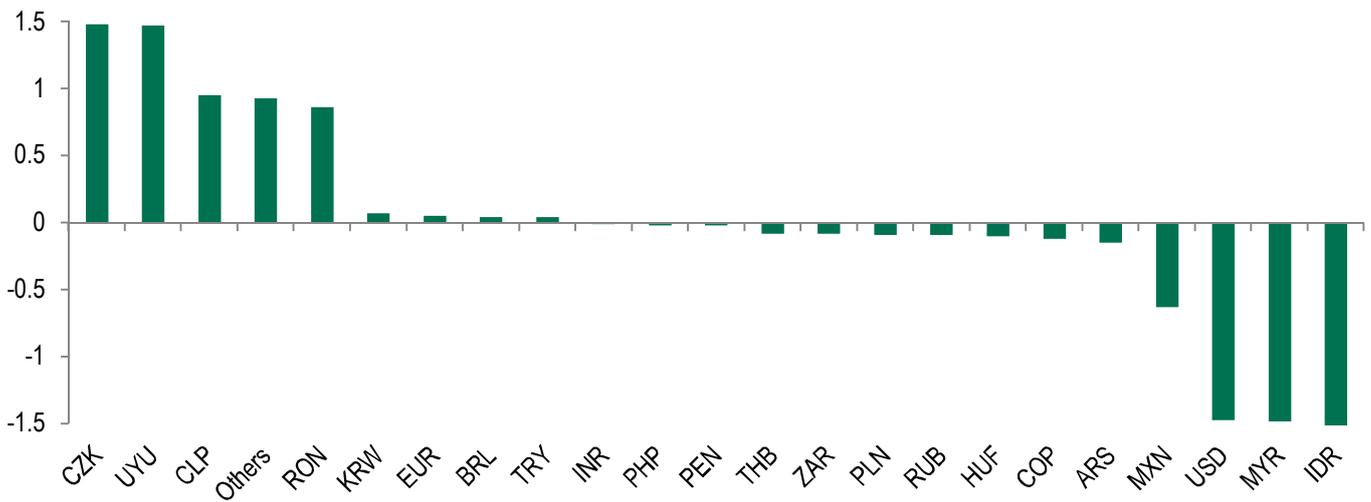
Quality rating based S&P ratings.  
Source: BNPP IP as of end of March 2017.

**Top 10 Country Over and Underweights**



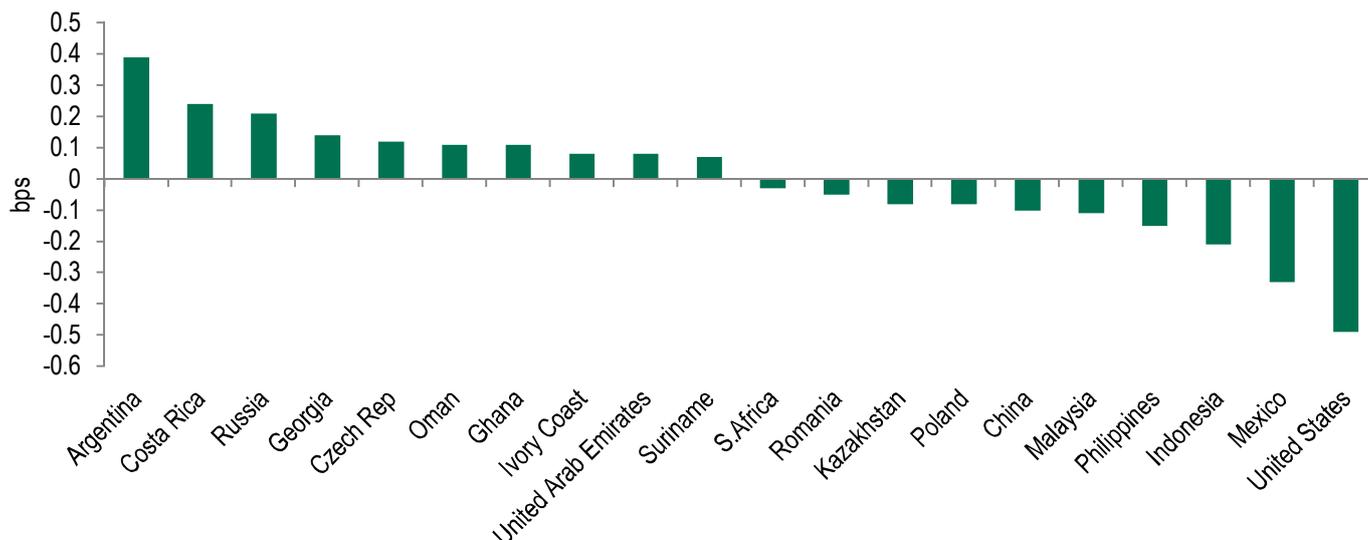
Source: BNPP IP as of end of March 2017.

**EM FX relative positioning**



Source: BNPP IP as of end of March 2017

### Top 10 Overweights/Underweights by Duration



Source: BNPP IP as of end of March 2017

### Portfolio Evolution

Parvest Bond Best Selection World Emerging	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
IG%, Net	60%	64%	68%	62%	62%	61%	59%	62%	55%	58%	53%	48%	46%
High Yield %	40%	36%	32%	38%	38%	39%	41%	38%	45%	42%	47%	52%	54%
Sovereign%	60%	61%	64%	62%	64%	60%	60%	56%	54%	57%	67%	64%	66%
Quasi / Corp %	29%	28%	31%	36%	34%	27%	27%	42%	42%	37%	32%	34%	33%
Beta (ex ante)	1.12	1.12	1.11	1.26	1.28	1.15	1.33	1.26	1.21	1.12	1.17	1.27	1.15
Duration	5.29	5.23	6.13	7.42	7.5	6.86	7.31	7.63	6.3	6.08	6.64	6.49	6.22
DTS	16	14	18	21	20	18	21	22	21	16	18	18	18
%FX not USD	39%	45%	42%	51%	56%	55%	64%	60%	51%	51%	56%	64%	52%
Yield	8.14	7.14	7.50	6.08	6.83	7.13	7.93	7.75	9.01	8.31	8.51	8.61	7.98
Number of Positions	479	533	317	570	732	435	584	283	411	464	262	333	484

Total AUM as of end of reporting date: USD 153.03 million

#### ISIN Codes:

Classic EUR Cap: LU0823385272  
 Classic EUR Dis: LU0823385355  
 Classic MD: LU0823386080  
 Classic Cap: LU0823386163  
 Classic Dist: LU0823386320  
 Classic H EUR Cap: LU082338512"  
 Classic H EUR Dis: LU0823385603  
 I: LU0823386593  
 IH EUR: LU0823386916  
 N: LU0823387054  
 P: LU0823387138  
 X: LU0823387484

#### For more information, please contact:

Michael Victoros  
 Investment Specialist Emerging Markets Fixed Income  
[michael.victoros@bnpparibas.com](mailto:michael.victoros@bnpparibas.com)  
 +44 (0) 207 063 7746

Jennifer Clarke  
 Investment Specialist Emerging Markets Fixed Income  
[jennifer.clarke@bnpparibas.com](mailto:jennifer.clarke@bnpparibas.com)  
 +44 (0) 207 063 7205

## PERFORMANCE DETAILS

Performance at the end of March 2017	March	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.,**
Classic Share (Net of fees - %)								
Parvest Bond Best Selection World Emerging	2.17	6.47	6.47	8.77	0.82	-1.96	-1.77	7.84
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal	1.35	5.18	5.18	7.26	4.09	4.09	4.26	8.85
Excess return	0.82	1.29	1.29	1.51	-3.27	-6.05	-6.04	-1.01

Performance History (%) - Full year	2016	2015	2014	2013	2012
Parvest Bond Best Selection World Emerging	5.97	-9.58	-6.81	-9.29	12.66
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal	10.16	-4.56	5.53	-6.47	18.46
Excess return	-4.19	-5.03	-12.34	-2.81	-5.80

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.,**
Fund volatility (%)	8.88	8.64	8.99	9.01	8.54	15.48
50%JPM GBI-EM Global Diversified (RI) +50%JPM EMBIGlobal	7.48	7.70	8.94	7.97	8.06	10.13
Tracking error (%)	1.77	1.84	2.77	3.88	4.30	8.83
Information ratio	0.73	0.82	-1.18	-1.56	-1.40	-0.11

All figures net of fees (in USD)

\* annualised performance

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Ongoing charges: 1.88 %

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