EMD Outlook & Portfolio Positioning Views

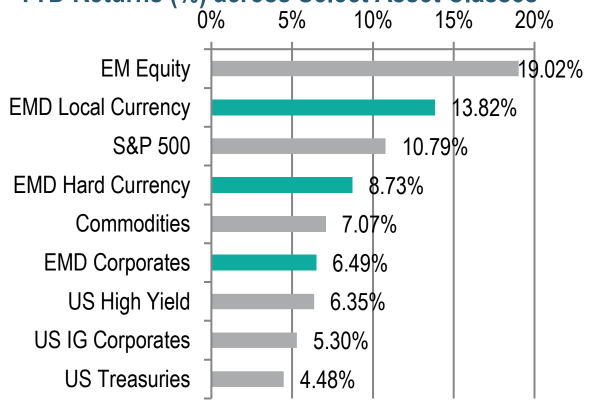
Quarterly Summit Recap: August 2025

Headwinds turn into Tailwinds across Emerging Markets

- Emerging markets debt have regained their position atop the fixed income performance tables year to date driven by a weaker US dollar and yield rally and spread compression. This is further supported by a technical shift with a return to net inflows after 3 yrs of record outflows, including nearly $16.5 billion in inflows since April. We believe tailwinds of weaker USD and global monetary easing cycles should help to reduce borrowing costs and external debt loads for EM issuers, which will provide further support for GDP growth and inflows.

Performance and Fund Flows

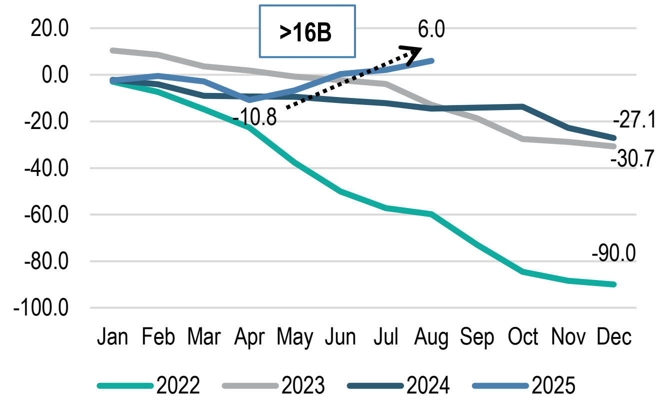
YTD Returns (%) across Select Asset Classes



Past performance does not predict future returns

As of August 29, 2025. Returns are in USD terms. Source: JPMorgan, Bloomberg.

Annual Cumulative Bond Flows ($ Billions)

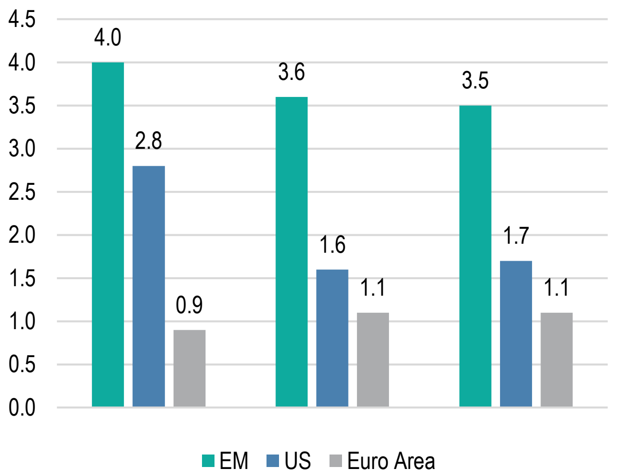


As of August 27, 2025 Source: JPMorgan, EPFR.

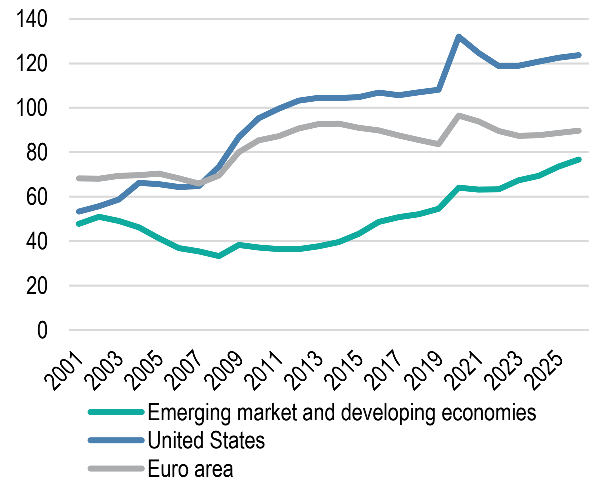
- EM countries have shown orthodox policymaking on average and appetite for reforms to the benefit of fiscal trajectories and debt sustainability, against a backdrop of more unpredictable policymaking in the US.
- Risks around US trade negotiations have diminished somewhat following several agreements, including those with the EU and key Asian countries. The ongoing negotiations with China, and episodic trade tensions with other BRICS countries are still to be watched as a potential source of volatility in EM assets, such as with the negotiations on Ukraine and tensions around Iran and Venezuela.

Macro Fundamentals

Real GDP Growth (%)[1]



General Government Gross Debt (% of GDP)[2]



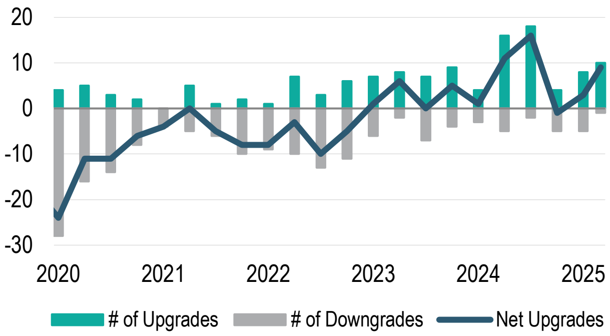
As of July 2025. 1 Source: EM = Neuberger Berman Estimates, US Euro Area = Bloomberg consensus. 2. Source: IMF World Economic Outlook.
Historical trends do not imply, forecast or predict future results.

- The reform progress and improved fundamental backdrop for EM issuers is reflected in a notable trend of credit rating upgrades. EM countries have seen a total of 34 net rating upgrades in the EMBI sovereign space over the past 12 months (as of 31 August 2025). This includes recent upgrades to investment grade of smaller countries like Oman, Azerbaijan, but also upgrades of major EMs such as the recent S&P upgrade of India to a firmer IG rating of BBB flat. EM corporates have relatively low leverage levels compared to developed market credits and strong liquidity buffers, and are also seeing rating upgrades near decade highs.

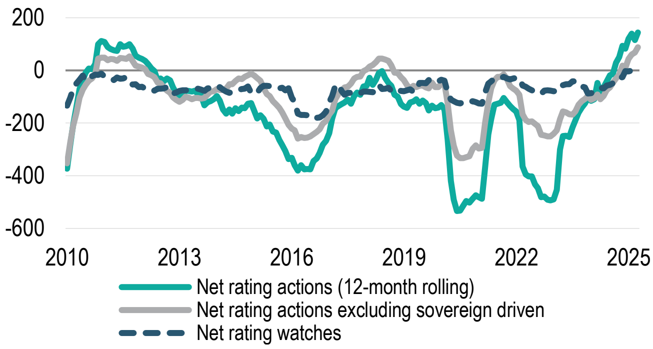
- Given the current momentum and the strength in reforms and fiscal anchoring, we see room for further upgrades in creditworthiness in the coming period, benefiting risk premia in EM debt.

Sovereign and Corporate Net Ratings Trends

Sovereigns[1]



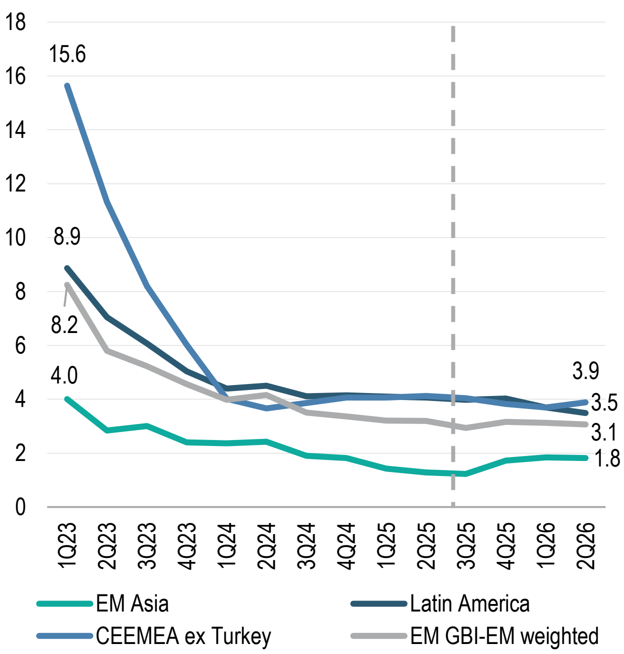
EM Corporates[2]



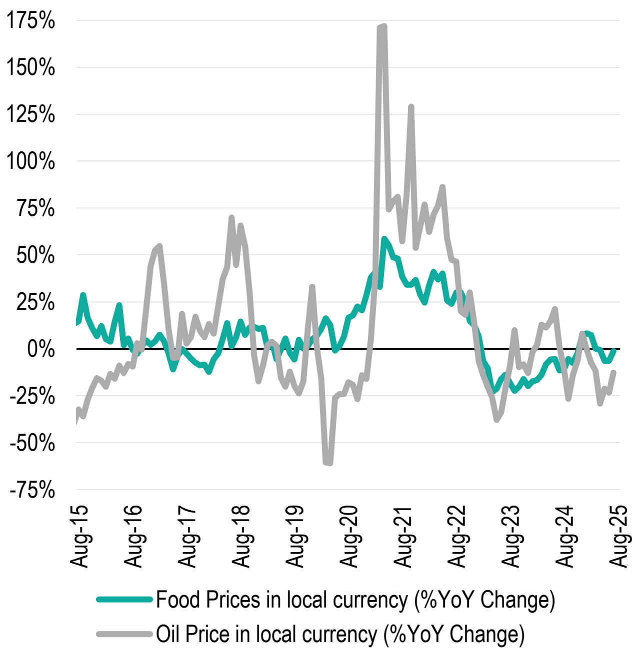
1. Source: S&P, Moody's, Fitch, BlackRock Aladdin, JPMorgan. Counts changes in foreign currency rating by S&P, Moody's or Fitch, for sovereign issuers in the JPMorgan EMBIGD Index. As of August 29, 2025. 2. Source: J.P. Morgan. As of June 30, 2025.

- Central bank independence and proactive monetary policies across many EM countries have underpinned a disinflation trend; in addition, lower energy prices and EM currency strength support a continued stabilization of inflation dynamics, which should enable policy easing by EM Central Banks and benefit local bonds.

Headline Inflation (YoY%)



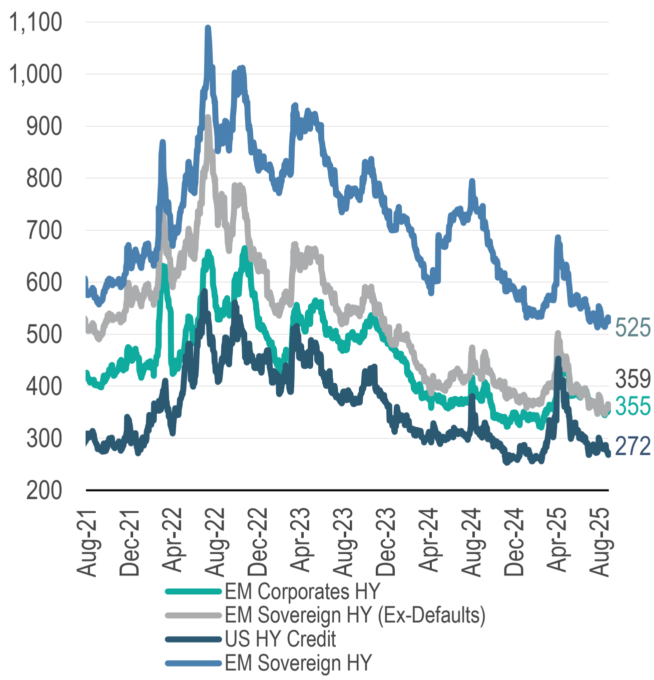
Food & Energy Prices



LHS Source: Bloomberg, EMD team forecasts from 2Q25, as of August 29, 2025. EM aggregate includes China, India, South Korea, Taiwan, Singapore, Indonesia, Malaysia, Philippines, Thailand, Czech Republic, Hungary, Poland, Romania, South Africa, Turkey, Brazil, Mexico, Colombia, Chile and Peru. Regional aggregates are equally-weighted averages of corresponding countries.
RHS Source: Bloomberg. Data as of August 29, 2025. Based on the S&P GSCI Agriculture index and the S&P GSCI Crude Oil indices, expressed in EM local currencies as weighted by the JPM GBI-EM GD Index.

Hard Currency

Valuations Attractive Relative to Developed Markets



Source: JPMorgan, Bloomberg. Data as of August 29, 2025.
Indices used: JPM EMBI Global Diversified HY subindices, JPM CEMBI Diversified HY subindices, Bloomberg US High Yield Index.

Solid Fundamentals and Relative Value Opportunities Drive Positioning

- Given the stronger EM credit fundamentals, we see limited risk of EM sovereign defaults in the coming period, as more vulnerable sovereigns have managed to secure new funding lately, while increased IMF engagement by different EM countries should support funding needs and reform agendas going forward.

- HC Spreads have tightened and we have reduced spread duration, favoring shorter part of curves given limited additional risk premia on long-end bonds on average; we continue to see attractive bottom-up opportunities in improving credits, particularly in the high yield space, and the spread pickup over DM credit remains compelling in our view.

- Most recently we increased our holdings in Uzbekistan, Honduras. We moderately reduced overweights in El Salvador and Ivory Coast as spreads have tightened.

Local Currency

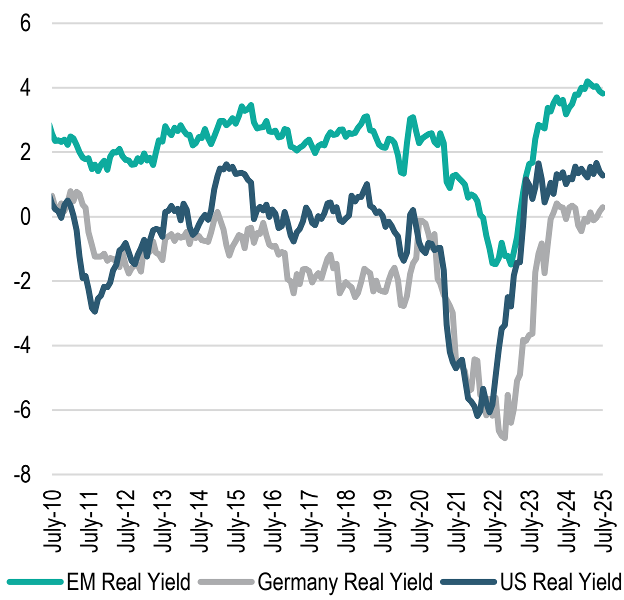
Unlocking Value across Yields and FX amid Increased Volatility

- In our view, **valuations look attractive** in local rates markets on average with real yields at historical highs and inflation generally close towards Central Bank target ranges, and **we maintain an overweight stance in local duration.**

- We continue to focus on the **weak(er) USD theme** and we maintain an overweight EM FX risk bias, with a bias towards high carry currencies. These include overweights in the Brazilian real, Turkish lira, and frontier market currencies.

- **Frontier local markets** offer attractive opportunities in our view, with compelling real yields and low correlation with major asset classes. Some countries have vulnerabilities to the oil & gas markets, but this factor does not dominate the frontier landscape. Local debt instruments from Egypt and Nigeria are among our main exposures in this segment.

EM Real Yield vs US and Europe



LHS Source: Bloomberg, JPMorgan, as of August 29, 2025. EM Real Yields based on the current GBI-EM Global country universe, excluding Dominican republic, Serbia, Turkey and Uruguay; based on GBI-EM Yields minus historical cpi for each country, and their current normalized GBI-EM GD Index weight fixed through time.

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