Ninety One

Latin American Corporate Debt

May 2022

Investing for a world of change

Target audience

Audience

This is a marketing communication for discussion with institutional investors and financial advisors only. Circulation must be restricted accordingly.

Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative.

General risks

The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth. Ongoing costs and charges will impact returns.

Past performance does not predict future returns, losses may be made. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations.

Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific fund risks – Latin American Corporate Debt

Geographic / Sector: Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may mean that the resulting value may decrease whilst portfolios more broadly invested might grow.

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.

Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Emerging market: These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise.

Liquidity: There may be insufficient buyers or sellers of particular investments giving rise to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated.

Key benefits

- **Differentiated strategy** investing solely in USD Latin American corporate debt
- Diversified **portfolio with a bias toward high yield bonds with an attractive yield** and moderate risk
- Efficient vehicle to access **the asset class: daily liquidity, proper diversification, min. size 1K**
- Team with **extensive tenure managing the fund (over 10 yrs)** with a boots-on-the-ground research network across LatAm
- Successful track record at **avoiding** defaults

Past performance is not a reliable indicator of future results, losses may occur.
Compass Group LLC and its regional affiliates, 31 March 2022. Data is not audited.

Why LatAm now

- Latin America is well prepared to navigate more challenging global environment
  - Regional growth moderating, but high commodities prices help ToT
  - Regional central banks started tightening monetary policy early, supporting FX
  - Region looks isolated from geopolitical risks and safe haven for resource security
  - Political risks look manageable, but require close monitoring

- Corporate balance sheets are healthy
  - Latin American corporate leverage at its lowest point in over a decade
  - Default rates expected to be moderate and significantly lower than other EM regions

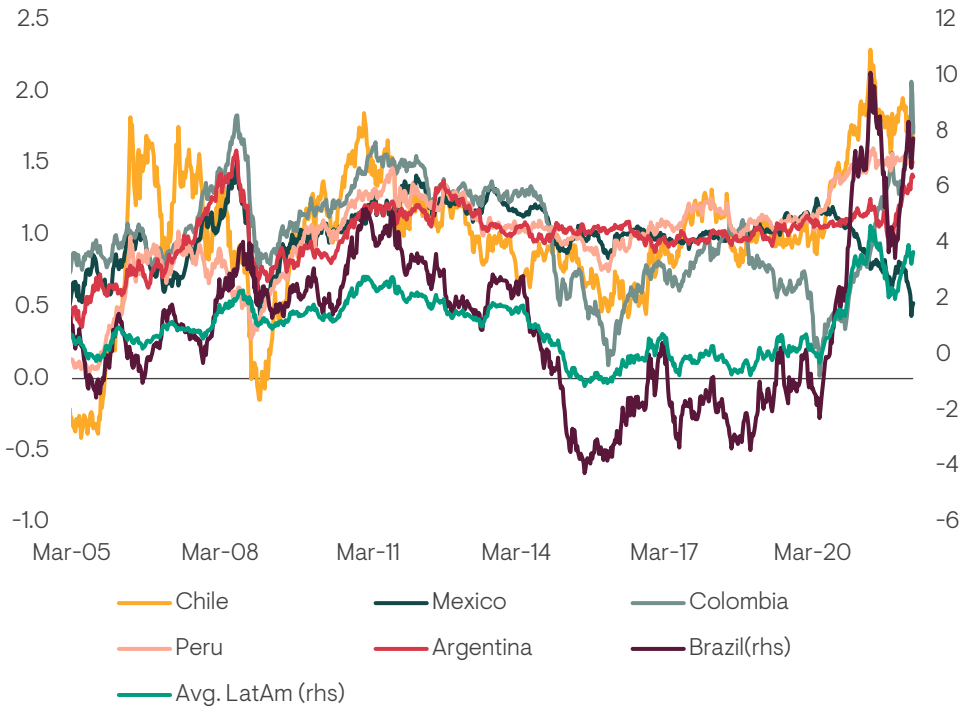
- “Technicals” remain well-supported

- Valuations are attractive on a relative and an absolute basis

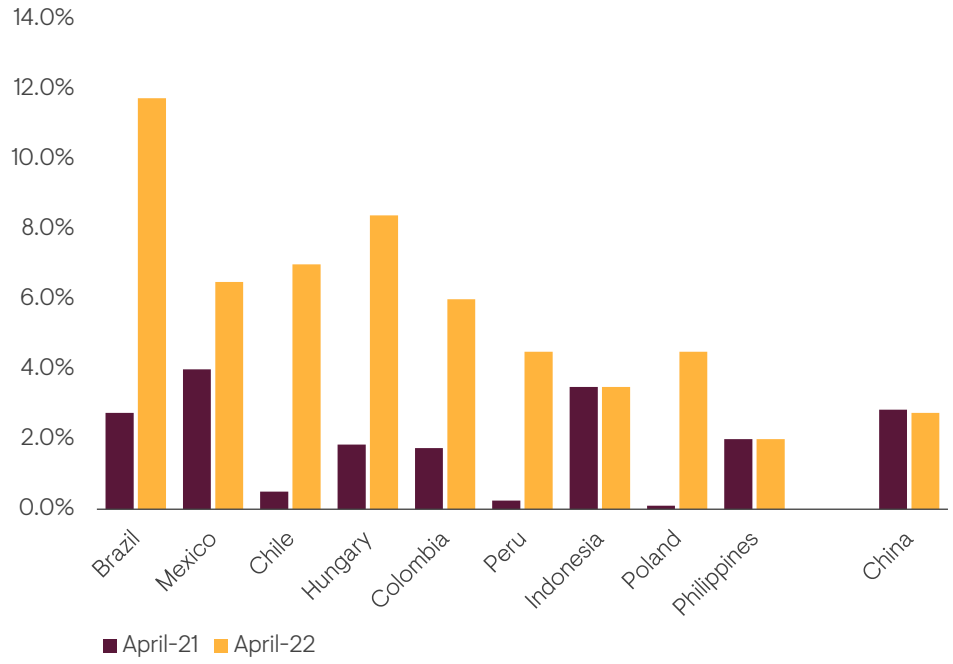
Latam well prepared to navigate current scenario

- Beneficiary of current high commodity prices
- Latam Central Banks ahead of the curve

Terms of trade above commodities boom cycle ...



Latam central banks ahead of the curve in the global hiking cycle, China in opposite cycle

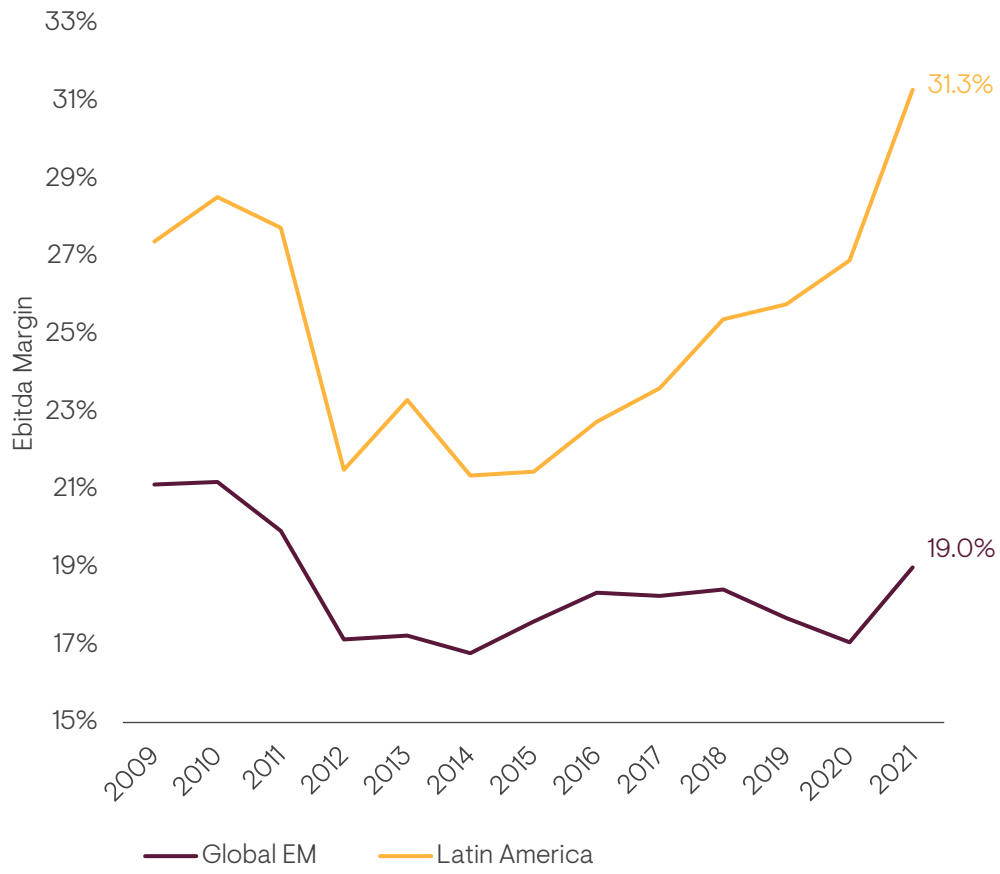


*The democracy index is based on electoral process and pluralism, the functioning of government, political participation, political culture and civil liberties. On the score, above 8 means a full democracy, between 8 and 6 flawed democracy, between 6 and hybrid regime and under 4 authoritarian government.
Source: Bloomberg as of March 18 , 2022. / The economist intelligence.

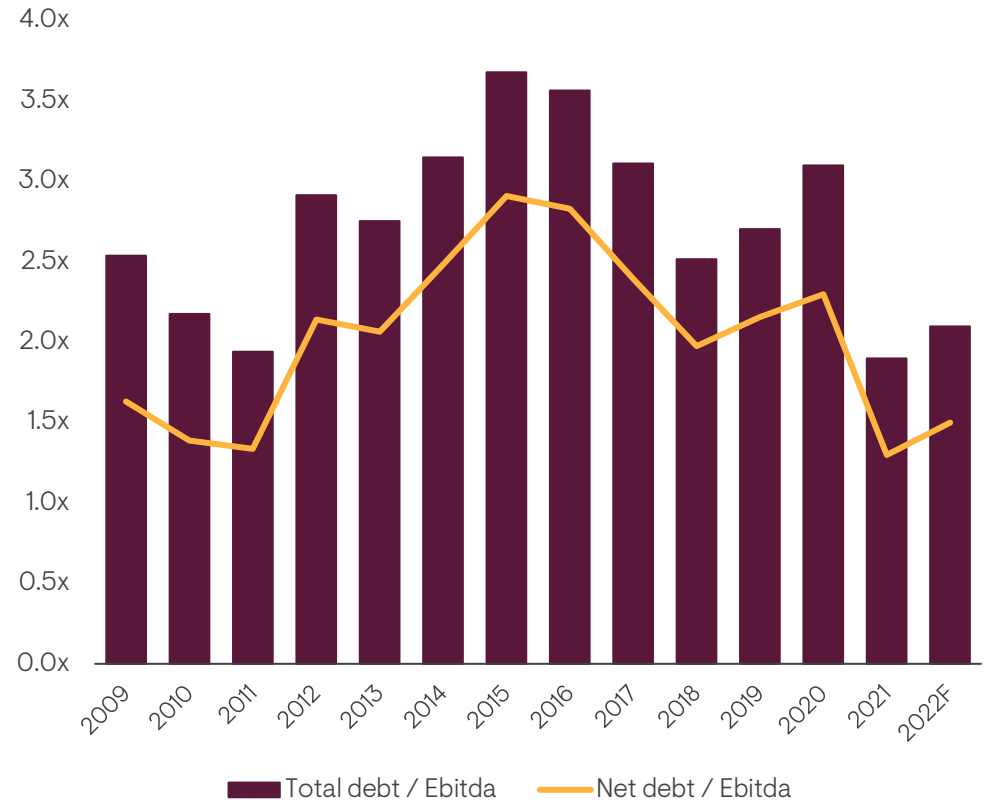
LatAm corporates in best shape for over a decade

- Companies have been able to muddle through and adapt to a “new normal”
- EBITDAs in the region recovering faster than peers

Recovery across all LatAm in 2021*



LatAm corporates have delevered since 2015**



*Source: JP Morgan estimates, as at 4Q 2021.
**Source: JP Morgan estimates, as at 4Q 2021.

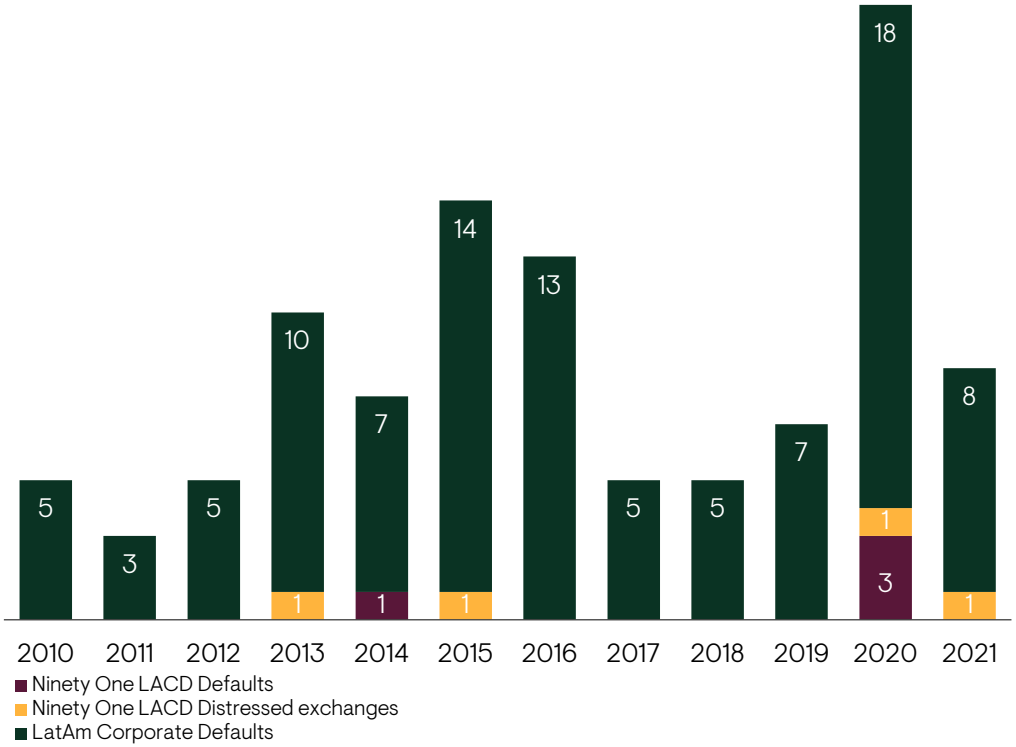
Credit selection remains key

- LatAm saw fewer defaults in 2021 than in 2020, and defaults are expected to remain low in 2022
- Most default cases in LatAm have been in Argentina, driven by FX regulation (US dollar access restrictions) relating to sovereign debt restructuring

Emerging Markets Default Rates (%)

Region	2017	2018	2019	2020	2021	2022 YTD	2022F
Asia	1	2.5	1.8	3.4	13.2	5.1	10
Emerging. Europe[1]	3.6	0	0	3.3	0	10.1	18.6
Latin America	**2**	**2.1**	**2.3**	**4.4**	**2.5**	**1**	**2.8**
M.E. and Africa	3.2	0	1.8	2.1	0	0	0.8
Global EM Corp HY	2.2	1.6	1.7	3.5	7.1	4.3	8.5

LatAm corporate High Yield defaults by number of issuers**



Forecasts are inherently limited and are not a reliable indicator of future results.

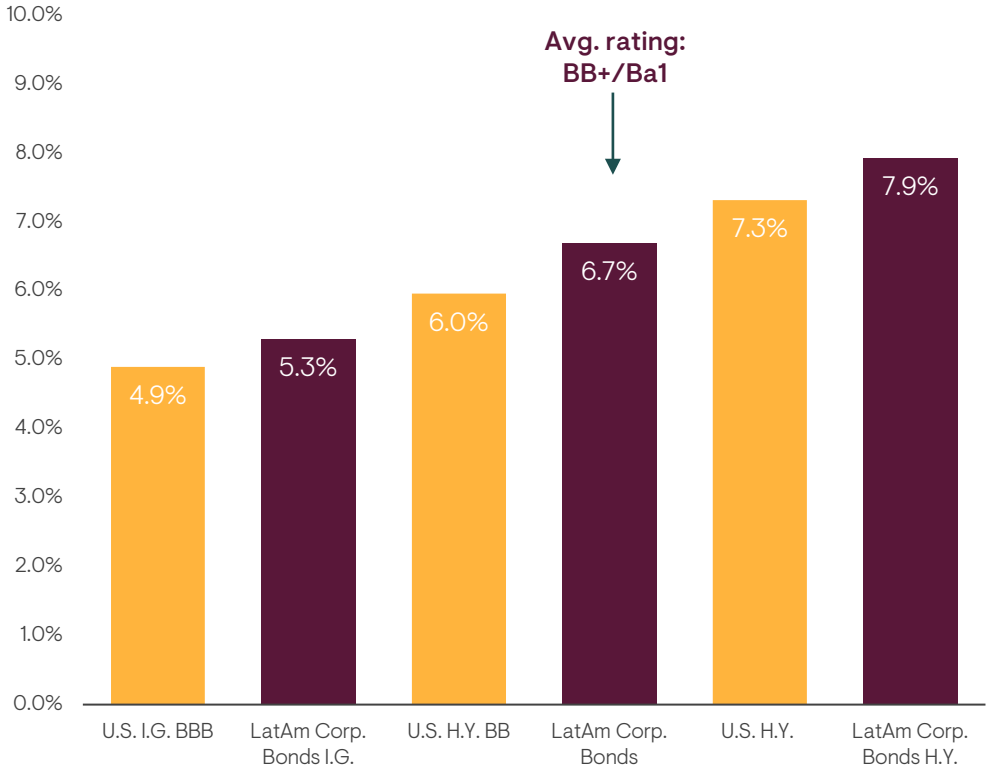
*Source: JP Morgan as at 10 of May, 2022. 1Excludes BTAS Recovery Funds issued in 2010 restructuring. Default rates are par weighted and exclude 100%-quasi-sovereigns.

**Source: JP Morgan and Compass Group as at 31 December 2021. Includes issuers in the portfolio 60 days prior to default date or sold at an average price below 30 cents.

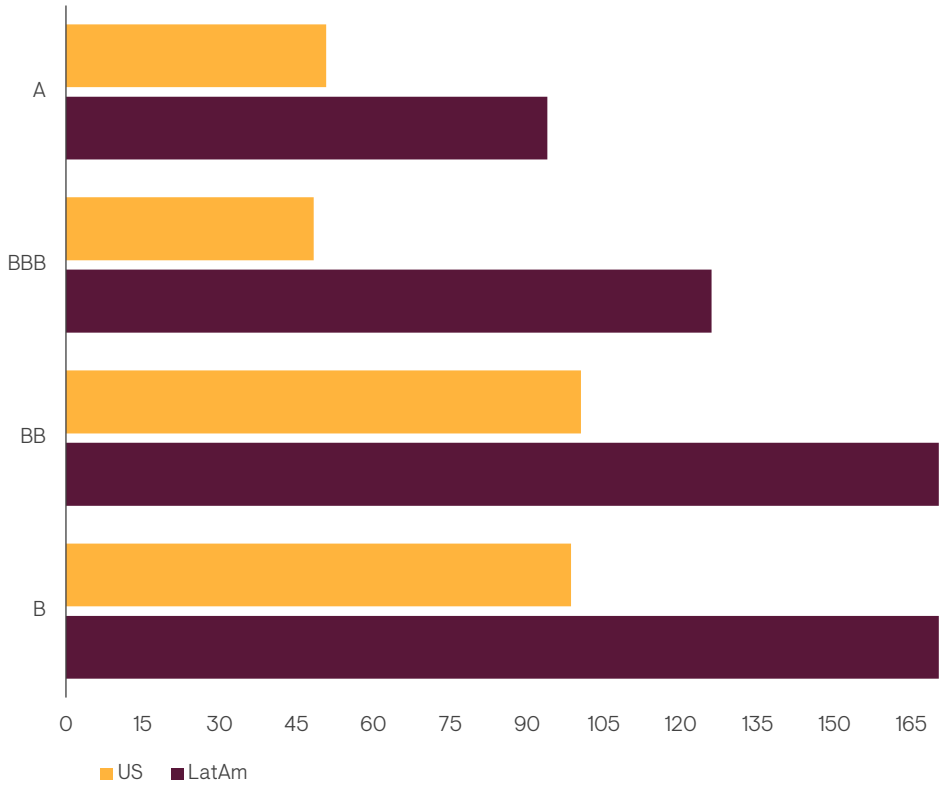
Attractive valuations in LatAm corporates

- Latin American corporate bonds offer:
  - Attractive yields relative to many other fixed income alternatives
  - Higher spreads per unit of leverage than U.S. corporates on a rating-matched basis, in most cases

Corporate bond index yields (YTM)*



Spread per turn of leverage (bps/x)**



*Source: JP Morgan Index. 30 April 2022.
**Source: Bank of America Merrill Lynch leverage estimates. 4Q21; spread data as at 30 April 2022.

Two ways to invest in the asset class

1 Latin American Corporate Debt

Ninety One Latin America Corporate Debt – UCITs Fund

2 Latin American High Yield

Luxembourg RAIF Structure

Ninety One Latin America Corporate Debt Fund

Portfolio summary

Portfolio analytics

Yield to maturity*	**7.6%**
to worst*	**7.6%**
Yield	6.21% (5.00% net)
Duration to maturity*	5.0
to worst*	4.4
Non-USD exposure*	0.00%
Corporate exposure*	100%

Credit breakdown**

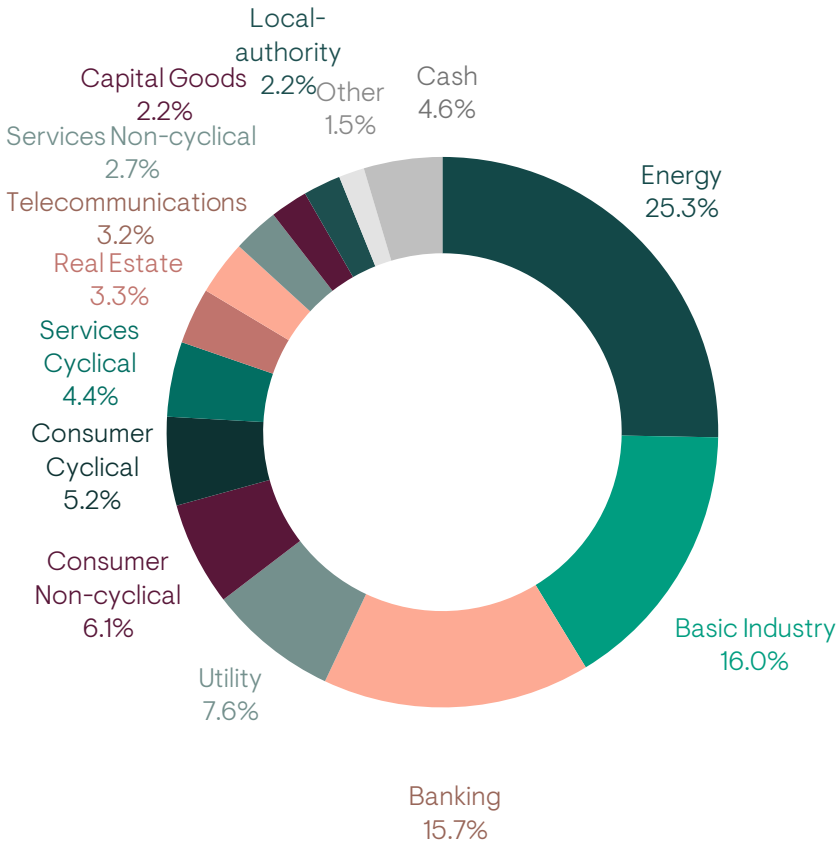
Rating	% Fund
A	0
BBB	15.9
BB	52.5
B	19.4
CCC	6.6
CC	0.9
Not Rated	0.1
Cash and near cash	4.6
Total	100.0
Average credit rating	BB

Charges are taken from capital and may constrain future growth. The amount of income may rise or fall.
The yield reflects the amount that may be distributed over the next 12 months as a percentage of the Fund's net asset value per share, as at the date shown, based on a snapshot of the portfolio on that day. Where there is a yield number in brackets, it is calculated in the same way, however, as the charges of the share class are deducted from capital rather than income, it shows the level of yield had these charges been deducted from income. This has the effect of increasing the income payable whilst reducing capital to an equivalent extent. Yields do not include any preliminary charge and investors may be subject to tax on their distributions. Yield number in brackets correspond to I Class.
The portfolio may change significantly over a short period of time. Adjusted for inflation-linked securities and does not include Fund charges.
Source: Ninety One, Factsheet, 30 April 2022.
*Compass Group estimates as 30 April 2022.
**Bond ratings are Ninety One approximations as of 30 April 2022.

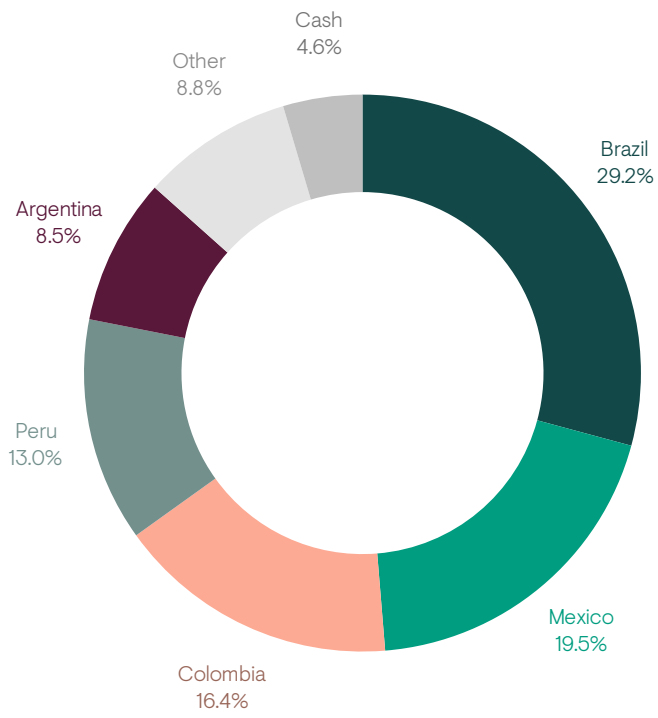
Ninety One Latin America Corporate Debt Fund

Portfolio summary

Sector analysis*



Geographic allocation**

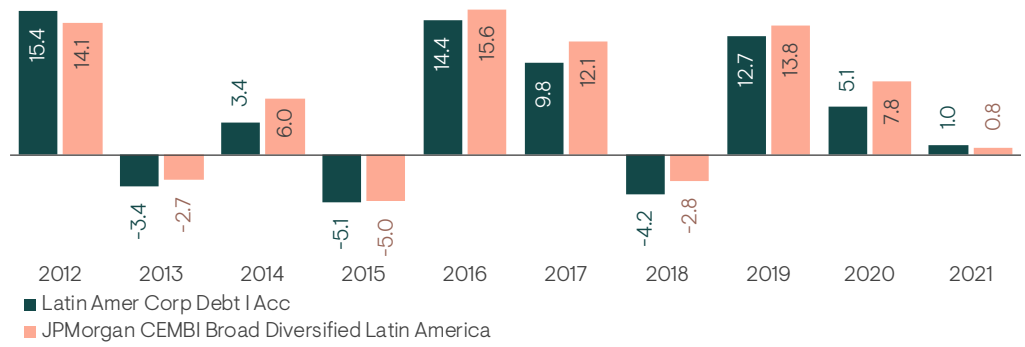


This is not a buy. sell or hold recommendation for any particular investment.
* Others include Finance & Investment
** Others includes Chile, Dominican Republic, El Salvador, Costa Rica, Guatemala, Panama, Barbados, Ecuador, Honduras, Jamaica, Paraguay, Trinidad and Tobago
Source: Ninety One. 30 April 2022.

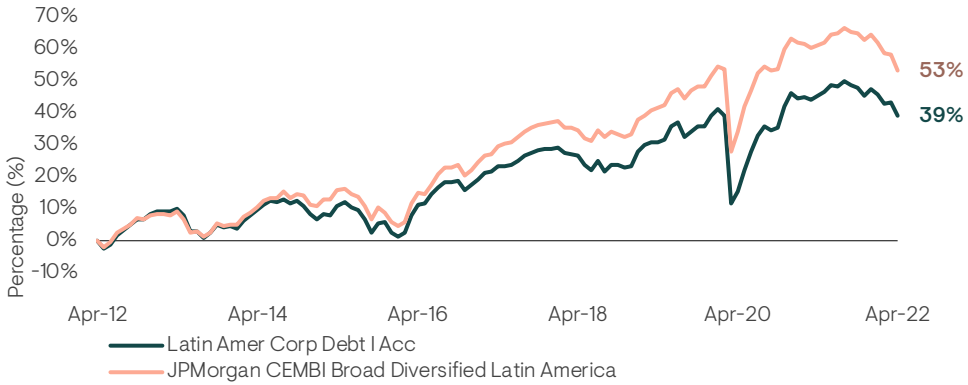
Ninety One Latin America Corporate Debt Fund

Performance

Annual NET performance in USD



Cumulative NET performance in USD



	YTD	6M	1Y	3Y Ann.	5Y Ann.	Since Inception* Ann.
Latin American Corporate Debt I Acc	-5.7%	-5.7%	-4.2%	2.1%	2.5%	4.4%
Peers (average)	-6.7%	-7.0%	-6.1%	1.0%	2.1%	4.4%
Ranking	3/10	3/10	2/10	2/7	2/6	2/2
JPM CEMBI Broad Diversified Latam	-6.8%	-6.9%	-4.7%	2.7%	3.5%	5.1%

Past performance is not a reliable indicator of future results, losses may be made.

Source: Morningstar and Bloomberg, 30 April 2022. Performance is net of fees (NAV based, including ongoing charges, excluding initial charges), gross income reinvested, in USD.

* Inception date 30 April 2010. The Fund is actively managed. Any index is shown for illustrative purposes only. Peers chosen are Funds, as at 31 March 2022, with assets under management in excess of $15m from the Morningstar categories Latin American Fixed Income and Fixed Income Miscellaneous, where the Investment Area is Latin America

Ninety One Latin America Corporate Debt Fund

Fund performance (I Acc USD)

	04.21 - 04.22	04.20 - 04.21	04.19 - 04.20	04.18 - 04.19	04.17 - 04.18	04.16 - 04.17	04.15 - 04.16	04.14 - 04.15	04.13 - 04.14	04.12 - 04.13
Fund	-4.2	25.9	-11.7	3.3	2.9	10.9	0.2	1.3	-0.5	9.9
Benchmark	-4.7	20.1	-5.2	5.0	4.1	12.6	-0.6	4.6	1.1	9.2
Active return	0.5	5.8	-6.5	-1.8	-1.2	-1.7	0.8	-3.3	-1.6	0.7

	04.11 - 04.12	04.10 - 04.11
Fund	4.9	14.6
Benchmark	8.4	9.9
Active return	-3.5	4.6

Past performance does not predict future returns; losses may be made.

Source: Morningstar, 30 April 2022. Performance is net of fees (NAV based, including ongoing charges, excluding initial charges), gross income reinvested, in USD.
Fund: Latin American Corporate Debt (I Acc USD). This fund is actively managed and is a sub-fund of the Ninety One Global Strategy Fund (GSF).
Benchmark: JPMorgan CEMBI Broad Diversified Latin America, is used for performance comparison.

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Performance Target

The target is based on Manager's good faith estimate of the likelihood of the performance of the asset class under current market conditions. There can be no assurances that any Fund will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance of Fund investments and the Fund overall may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns may be expected to change over time and may differ from previous reports.

Specific Portfolio Names

References to particular investments or strategies are for illustrative purposes only and should not be seen as a buy, sell or hold recommendation. Unless stated otherwise, the specific companies listed or discussed are included as representative of the Fund. Such references are not a complete list and other positions, strategies, or vehicles may experience results which differ, perhaps materially, from those presented herein due to different investment objectives, guidelines or market conditions. The securities or investment products mentioned in this document may not have been registered in any jurisdiction. More information is available upon request.

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Yield

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