AMUNDI FUNDS STRATEGIC BOND

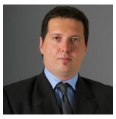
Monthly Portfolio Update

30/11/2025

Meet the Team

Paolo Pennati

Portfolio manager



Andriy Boychuk

Co-Portfolio Manager

Market Review

In November, EM debt was supported by a constructive global macro backdrop, broad-based disinflation and improving liquidity expectations.

US monetary-policy pricing and long-end moves dominated markets over the month. Fed-cut probabilities swung materially — falling to the mid-20s% intra-month before recovering to around an 80%+ probability by month-end — driving a bout of volatility across markets. After that two-way move, US Treasuries stabilised and the 10-year yield ended the month modestly lower, closing near 4.01% (down about 6bps on the month).

EM monetary policy stayed broadly supportive overall, but with regional differentiation. Asian and CEEMEA central banks were largely on hold. In LatAm, Banxico delivered a 25bp cut to 7.25% while the Brazilian central bank remained at a restrictive stance (Selic at 15%).

Political and geopolitical developments remained fluid, while sovereign credit trends continued to improve. The US draft peace framework for Ukraine revealed gaps with Russian, Ukrainian and European positions, making a near-term settlement unlikely. In idiosyncratic stories, S&P upgraded Ghana to B-, affirmed Qatar at AA with a stable outlook and shifted Uganda to a positive outlook.

Flows and performance stayed supportive, underpinned by improving technicals. Per JP Morgan data, YTD flows into retail EM Bond Funds are now at +$25.2bn. EM hard-currency sovereign debt (JP Morgan EMBI Global Diversified Index) returned 0.41% in November and 13.48% YTD, EM local-currency debt (JP Morgan GBI-EM Global Diversified Index) returned 1.35% in November and 17.51% YTD and EM corporates (JP Morgan CEMBI Broad Diversified Index) returned 0.24% in November and 8.21% YTD.

Portfolio Review

The portfolio delivered mild negative returns. Overall, returns were muted in November with limited performance contributors or detractors in the portfolio.

Interest Rates exposure contributed negatively to returns. This small drag came from our long end exposure to the EUR curve driven by a more cautious tone in the market.

In contrast, European High Yield delivered positive returns with Basic Industry and Healthcare sectors leading the trend. This was mainly driven by our exposure to these sectors in France

In EM, the main drag was Venezuela. The negative returns were driven by uncertainty surrounding US military intervention and a regime change. Should a US-backed government assume power, we would expect materially greater upside for Venezuelan bonds.

In terms of positioning, our global asset allocation remains broadly unchanged, however we actively managed our positioning across a number of regions and countries. The biggest changes include reducing our exposure to Argentina. We also actively managed our exposure in Germany were we increased our corporate exposure, this included some opportunities within the primary market. In fact, we were fairly active in the Primary market over the month as we participated in a number of attractive new issuances within the corporate space both in Developed Markets and Emerging Markets countries.

We finished the month featuring 7.97% yield, a duration profile of 4.01 years and an average credit rating of B+.

Outlook

We retain a positive outlook on EM debt markets as the worst of global trade tensions are largely behind us, and we do not expect a meaningful impact from the US government shutdown to growth. Tariff increases of around 18% will weigh on US growth and consumption, but the impact should be offset by further fiscal policy support and further Fed rate cuts through 2026. Furthermore, corporate earnings remain strong, AI and capex spending are supportive for activity and productivity gains. Given current market conditions, the asset class can continue to deliver mid-high single digit returns, supported by the resumption of inflows, record levels of money-market liquidity and lower US rates.

Emerging markets will remain the biggest driver of global growth in 2026, led by Asian countries like India and China, where activity is supported by stimulus measures and exports. Other countries also retain some flexibility to offset tariffs through monetary and/or fiscal stimulus. Some have also pursued IMF programs and/or debt restructuring subject to adherence to structural reform measures.

EM debt offers an attractive diversification opportunity away from the US with absolute yield levels still attractive, especially in an environment where global short rates are declining. Some of the higher yielding segments of the market still also offer attractive spread levels relative to their US equivalents. A Fed easing cycle, even if gradual, should reduce the attractiveness of US assets while supporting the duration and income component of EM debt. USD weakness and lower US treasury yields should also underpin EM local rates and currencies. Some countries still have room to cut rates, yet most are approaching the end of their easing cycle, while some (notably Brazil, Colombia, Turkey and Hungary) are more cautious.

Technicals also remain favourable. Investor flows have resumed for the first time since 2021, and hard currency debt net issuance should decline next year due to higher cash flows. Strong returns in 2025 and investors remain underweight the asset class. Strong returns this year and $8 trn sitting in global money market assets should support a pick-up in demand. Credit quality is also improving across the universe as upgrades outpace the level of downgrades.

Our base case is the ‘Goldilocks’ environment for carry is likely to be sustained. US growth is resilient but will slow below trend along with job growth, enabling further rate cuts from the Fed. The pass-through from tariffs has been modest, although a resurgence in US trade tensions is a risk. Other concerns include an escalation in the geopolitical landscape in the Middle East and/or the Russia/Ukraine conflict.

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