QANTARA AFRICAN SOVEREIGN BONDS
UCITS under French law

Reporting December 2024

QANTARA
ASSET MANAGEMENT

Investment objective

The Fund's objective is to outperform the JP Morgan EMBI Global Diversified Africa over the Fund's recommended investment horizon of 3 years. It offers investors geographic diversification of their bond investments and exposure to African transformation through a portfolio of debt securities issued by African countries, state-owned companies and supranational organizations, denominated in Hard currencies (USD, EUR) and listed on international markets.

Investment team

frontoffice@qantara-am.com

James KUATE - CIO & Fund manager

25 years' experience as proprietary trader & fund manager in Fixed income and convertible Bonds.

Martin Ley

Senior Fund manager - Analyst

8 years' experience as Fixed income Fund manager.

Perrine GUERIN

Chief Economist- Strategist

6 years' experience as country risk economist on Africa

key elements

Risk indicator (*)

1	2	3	**4**	5	6	7

Lower risk — Higher risk

Minimum recommended investment period : 3 years

Benchmark: JPM EMBI GD Africa
Yield to maturity: 9.1%
Duration: 5.2
Average rating: BB- (linear)
Average coupon: 7.0%

SFDR Classification : Article 8
Domiciliation : France
Legal form: UCITS - FCP
Launch date: 22/12/2023
Assets under management: 3.7 M€
Fund currency: EUR
Nav Calculation : Weekly

Isin code: FR001400FLD9
Bloomberg code : QAMABID FP Equity
Income distribution: Capitalization
Date of 1st NAV: 22/12/2023
Original NAV: 100
NAV at 31/12/2024 : 111.9
Currency: USD

Minimum % of Taxonomy alignment: 0%
Minimum % of sustainable investments: 0%

(*) The risk indicator assumes that you hold the product for 3 years. The real risk may be very different if you opt to exit before maturity, and you may get less in return. The synthetic risk indicator enables you to assess the level of risk of this product compared with others.

Management comments

Financial conditions tightened considerably in December. Since the US elections, the risk-friendly environment gave way to concerns about the Trump administration's future policies. These concerns, combined with the resilience of the US economy, led to a rise in US long-term rates and a stronger dollar. The Fed also adopted a more cautious tone and revised downwards its rate cut outlook for next year, with now only 2 cuts in its dot plot in line with market' scenario. This context was unfavorable to risky assets, which fell overall.

The African Eurobond asset class saw a decline of -1.1% due to spreads' resilience, which tightened slightly over the month. Qantara ASB fund proved more resilient, with a limited decline of -0.2%. The fund's outperformance can be explained by its shorter duration, the high weighting of euro-denominated securities, which proved more resilient, and its underweighting of the index's heavyweights, Egypt and South Africa.

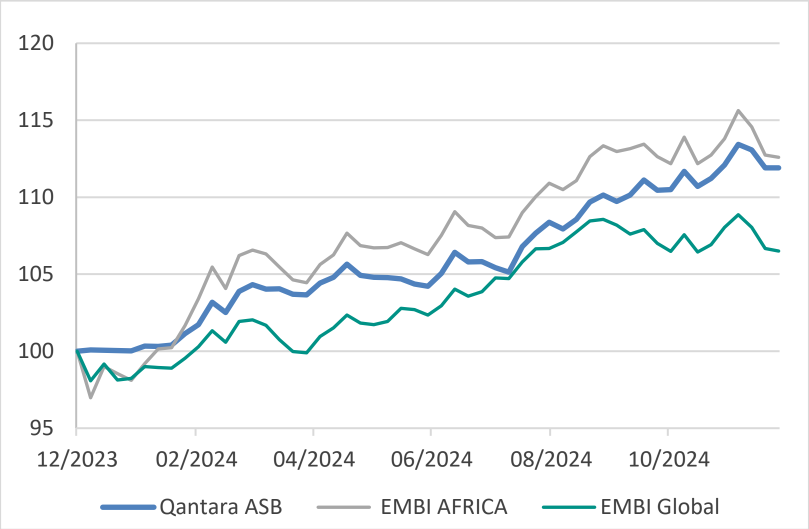
Primary market saw 2 new issuers in December: **Nigeria** issued 2 securities for a total of $2.2 billion, with maturities of 6.5 and 10 years and coupons of 9.625% and 10.375%, respectively. **Angola** also issued $1.2 bn with a maturity of 2030 and a coupon of 10.95%. This issue served as collateral for a $600 m loan granted by JP Morgan.

The main spread widenings came from **Mozambique** (+135 bps), still beset by election and regime disputes, **Gabon** (+87 bps), whose partial redemption of Eurobond 2025 was not enough to reassure investors, and **Senegal** (+47 bps), which published a rectifying finance bill showing a deficit of 11.6% of GDP for 2024. The government is forecasting a lower deficit in 2025 (-7%), and has announced debt management measures, but has ruled out any restructuring. A new program with the IMF will be an important step in removing the uncertainty over financing requirements. The most significant spread tightening came from **Nigeria**, back on the primary market, whose balance of payments and reserves continue to recover. In **Ghana**, former president (2012/16) J.D Mahama won the presidential election on the back of a recovery from the economic crisis, with growth accelerating to +7.2% y/y in Q3. Two countries cut their key rates: **Kenya** (-75 bps to 11.25%) and **Namibia** (-25 bps to 7%).

Average spreads are historically low and close to pre-Covid levels. While this is justified by an improvement in issuers' risk profiles, it also calls for greater caution and selectivity. Yields in the asset class remain high, and carry should remain the main driver of performance over next year. Uncertainty over the impact of Trump's policies on inflation, the dollar and the rest of the world's economies should generate significant volatility in US long-term rates, favoring active management such as ours. We remain overweight on euro-denominated names, short duration on high-spread securities and long duration on top-rated securities, with a duration lower than that of the benchmark.

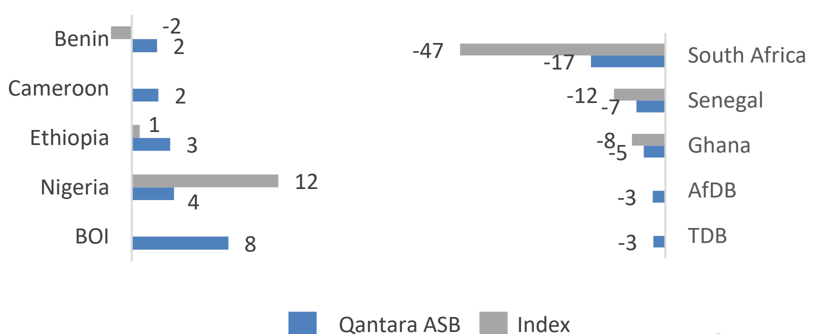
	MTD	YTD	3 M	6 M	1 Y	3 Y	5 Y	10 Y
Qantara ASB	**-0.2%**	**11.9%**	**1.6%**	**7.4%**	**11.9%**	-	-	-
EMBI GD Africa	-1.1%	12.5%	-1.0%	6.5%	12.5%	10.1%	17.0%	63.5%
Excess return	0.9%	-0.6%	2.6%	0.9%	-0.6%	-	-	-
EMBI GD Global	-1.4%	6.5%	-2.2%	4.8%	6.5%	-2.7%	0.6%	36.1%

Qantara ASB & Emerging indices



Fonds Top 5 contributions

Fonds Bottom 5 contributions

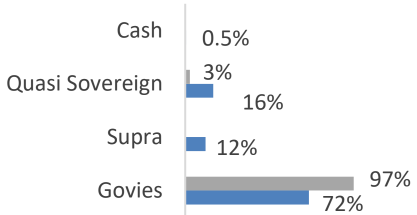


Source : Qantara AM, Bloomberg at 31/12/2024 – Performances in USD

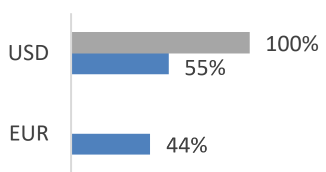
Disclaimer: Past performance is not indicative of future performance. *All performances are net of management fees.*

	Fund	Index
Yield USD	9.1	8.8
Yield EUR	7.2	6.3
Duration	5.2	5.6
Z Spread	508	466
Coupon yield	7.0%	7.7%
Cash	0.5%	0%
Rating (linear)	BB-	B
ESG Score (internal (*))	46.5	46
Volatility (1Y)	4.52	7.67
Sharp ratio	1.53	1.02
Max Drawdown	-1.37%	-3.57%
Tracking error	4.85%	

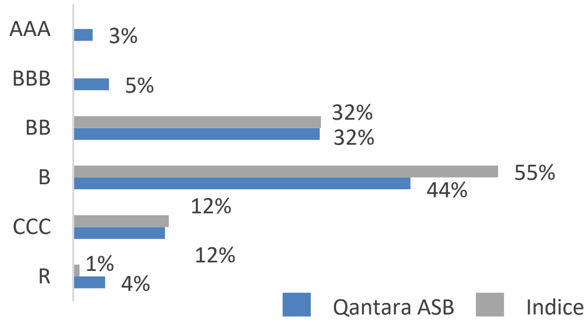
Breakdown by issuer



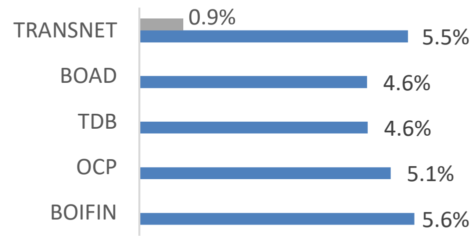
Breakdown by currency



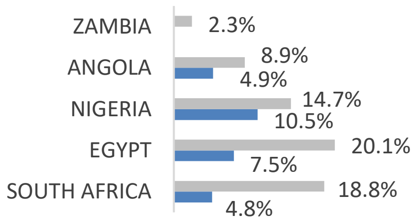
Breakdown by rating



Main overweight



Main underweight

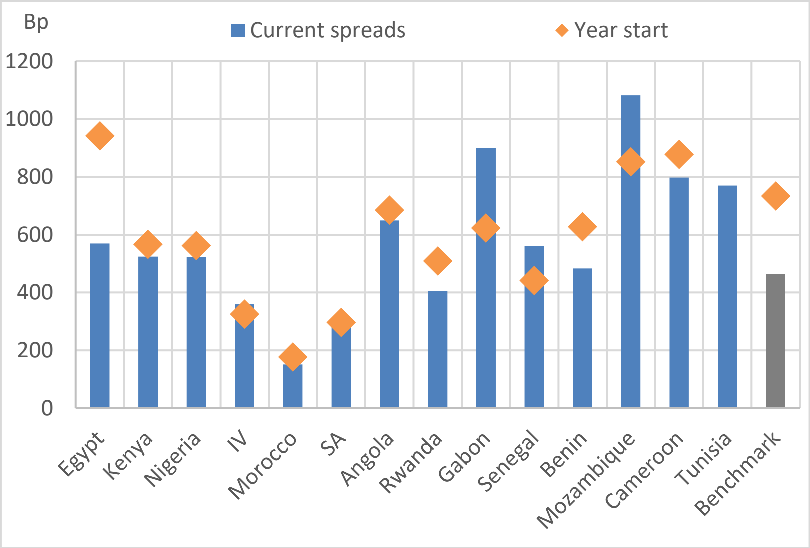


Top 5 Issuers

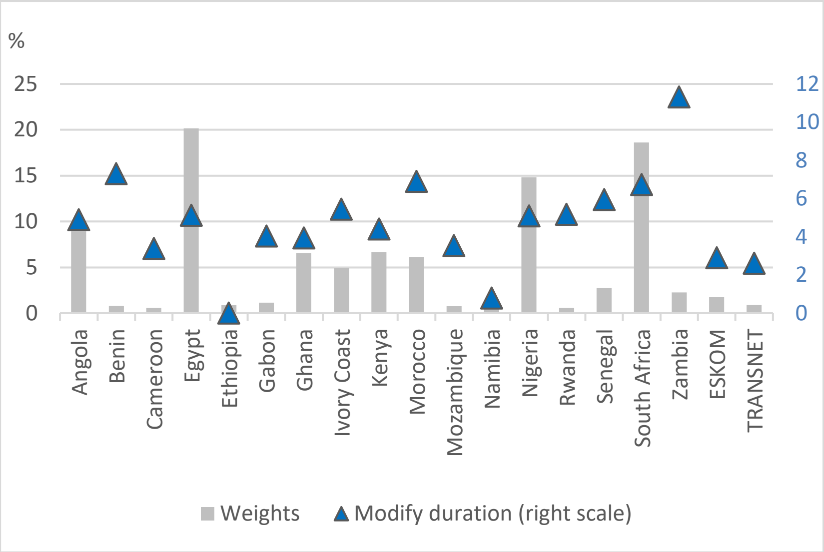
	Fund's weight	Active Weight
Nigeria	10.5%	-4.2%
Egypt	7.5%	-12.6%
Ivory Coast	7.3%	2.4%
Ghana	6.3%	-0.4%
Senegal	6.0%	3.1%

Main movements over the month

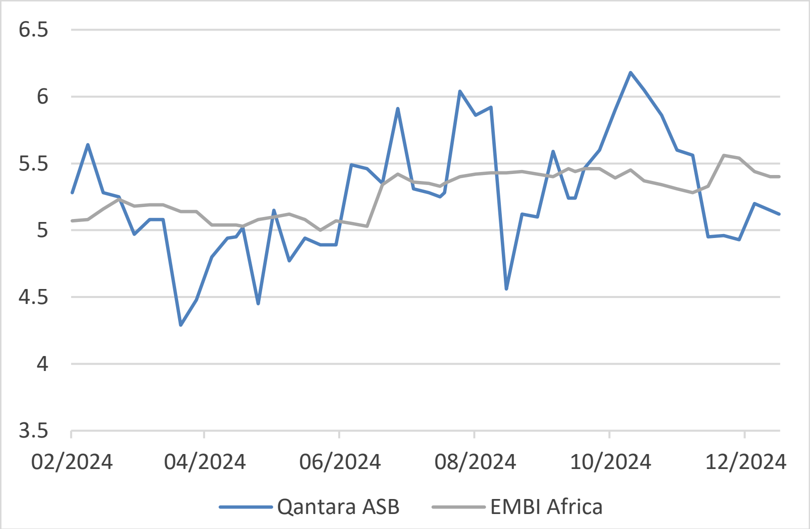
- Sold AFDB 3.5% 2029
- Bought Nigeria 10.375% 2034
- Switch Senegal: Bought Senegal 5.375% 2037 → Sold Senegal 4.75% 2028



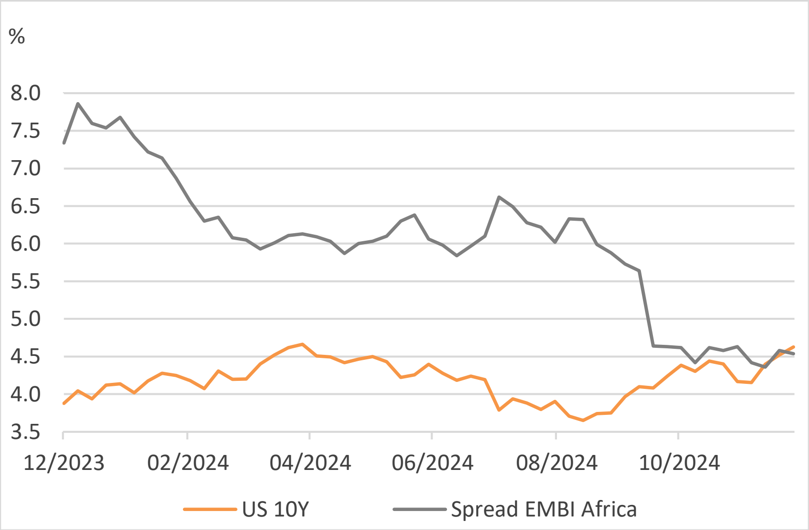
Spreads evolution year on year



Index breakdown by issuers & modify duration



Modified duration



Benchmark'spread and US 10Y

QANTARA ASSET MANAGEMENT

Source : Qantara AM, Bloomberg at 31/12/2024

SUMMARY OF FUND TERMS

Denomination	QANTARA AFRICAN SOVEREIGN BONDS
Domiciliation	France
Juridical form	UCITS FCP under French law
SFDR Category	Article 8
Classification	Emerging markets Bonds
Launch date / Original NAV	22 December 2023 / 100
Last VL	31st December 2024 : 111.9
Benchmark	JPM EMBI GD Africa
recommended investment period	3 years
ISIN Codes	FR001400FLB3 (Part I, EUR Hedged) FR001400FLD9 (Part ID, USD Hedged) FR001400FLC1 (Part R, EUR Hedged) FR001400FLE7 (Part RD, USD Hedged)
Management fees	1% (Share I) – 1,5% (Share R)
Performance fees	None
Front Load	4% Max
Redemptions fees	None
Nav calculation	Weekly
Income distribution	Capitalization
Custodian	CACEIS BANK
Fund administration	CACEIS BANK
subscriptions / redemptions	Orders centralized before 12 pm on Friday
Fund's auditor	PWC

Risk indicator

Potentially lower yields — Potentially higher yields

1	2	3	**4**	5	6	7

Lower risk — Higher risk

The risk indicator assumes that you keep the product for 3 years.

The real risk may be very different if you opt for an early exit, and you may get less in return. The synthetic risk indicator enables you to assess the level of risk of this product compared with others.

Specific risks:

The value of investments and the income derived from them may go down as well as up, and the customer may not recover the full amount initially invested. This fund invests in emerging markets, which can be more volatile than more developed markets. This fund invests in bonds whose price is influenced by changes in interest rates, issuer credit ratings and other factors such as inflation and market dynamics. Generally, bond prices fall when interest rates rise. Default risk is a function of the issuer's ability to pay interest and repay the loan at maturity. Consequently, default risk may vary between issuing governments and entities. High-yield bonds are riskier. They present a greater risk of default, which can have a negative impact on the income and capital value of the fund investing in them. Given the greater risk of default, an investment in a corporate bond is generally less secure than an investment in a government bond. The fund may make greater and more complicated use of derivatives, which may result in leverage. In such situations, performance may rise or fall more sharply than in the absence of leverage. The fund may be exposed to a risk of financial loss in the event of subsequent default by a counterparty used for derivative instruments. The fund offers no guarantees or protection regarding performance, capital, net asset stability or volatility. Currency hedging is used to substantially reduce the risk of loss due to adverse movements in exchange rates on positions held in currencies other than the fund's trading currency. Currency hedging also has the effect of limiting the possibility of realizing foreign exchange gains.

GLOSSARY

Average rating : The average rating aggregates the ratings of issuers in the fund into a single rating by means of a weighted average.
Classification SFDR The Sustainable Finance Disclosure Regulation (SFDR) is a European regulation that requires asset managers to classify their funds as either "Article 8" funds that promote environmental and social characteristics, or "Article 9" funds that engage in sustainable investment with measurable objectives, or "Article 6" funds that do not promote environmental or social characteristics and have no sustainable objectives.
Credit sensitivity The Credit Sensitivity is a formula that expresses the measurable change in the value of a fixed income instrument in response to a change in credit spread. The credit sensitivity for the fund is calculated as the weighted average credit sensitivity of all underlying fixed income instruments
Duration The duration of a bond corresponds to the period after which its profitability is not affected by interest rate variations. Duration is defined as the average discounted life of all flows (interest and principal).
ESG : E- Environment, S- Social , G- Governance
ESG methodology: Qantara AM's ESG methodology is based on 3 pillars that represent major challenges for the African continent (Energy transition and adaptation to climate change, Education, Governance). A score is calculated using a proprietary method for each pillar, based on indicators from public sources.
ESG score calculation: Overall fund rating calculated according to Qantara AM's internal methodology: The final score ranges from 0 to 100, with 100 being the best score.
Exposure: The Exposure of a fund is expressed as a percentage of total portfolio holdings, considering the leverage of derivative instruments. It represents the amount an investor can lose from the risks unique to a particular investment.
FCP: “Fonds commun de placement” – Mutual funds
High Yield . An instrument is considered as a high yield instrument if its credit rating is below BBB-., because of its higher default risk. The rate of return on these securities is generally higher.
Investment grade : An instrument is considered as an investment grade instrument if its credit rating is above or equal to BBB- , indicating a generally relatively low risk of default.
Modified duration : The Modified Duration is a formula that expresses the measurable change in the value of a fixed income instrument in response to a change in interest rates The Modified Duration for the fund is calculated as the weighted average of all underlying fixed income instruments.
Net asset value (NAV) : Price of one share.
Rating : The rating is the financial rating used to measure the quality of the borrower's (bond issuer's) signature.
Ratio de Sharpe : The Sharpe Ratio measures the level of compensation an investment in the fund offered for the risk taken. It is calculated by subtracting the risk-free rate from the return of the fund and dividing that result by the volatility. The higher the Sharpe ratio the better, a negative ratio has no significance other than that the fund underperformed the risk-free rate.
Tracking error: Tracking error is a statistical measure of the dispersion of a fund's excess returns around the mean, which in effect is the volatility of the difference between the fund's performance and the performance of the benchmark index. A higher tracking error indicates a higher deviation from the benchmark.
UCITS Undertakings for Collective Investments in Transferable Securities is a European directive aimed at harmonizing markets (European passport).
VaR Value at risk (VaR) represents an investor's maximum potential loss on the value of a portfolio of financial assets, given a holding horizon (20 days) and a confidence interval (99%). This potential loss is represented as a percentage of the portfolio's total assets. It is calculated based on a sample of historical data (over a 2-year period).
Volatility : The Volatility is the statistical measure of dispersion of returns for a fund around the mean. A higher volatility means that a fund's value can potentially be spread out over a larger range of values and makes the fund a riskier investment. .
Yield to Maturity : Yield to is the actuarial rate of return. At the time of calculation, it is the estimated rate of return offered by a bond if it were held to maturity by the investor. Note that the indicated yield does not consider the effect of currency carry and the Fund's fees and expenses.

DISCLAIMER

QANTARA ASSET MANAGEMENT – QAM
Registered in Paris RCS number 912 686 672
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