QANTARA AFRICAN SOVEREIGN BONDS
UCITS under French law

Reporting September 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: 9.0%
Duration: 5.1
Average rating: BB- (linear)
Average coupon: 6.7%

SFDR Classification : Article 8
Domiciliation : France
Legal form: UCITS - FCP
Launch date: 22/12/2023
Assets under management: 3.3 M€
Fund currency: EUR

Isin code: FR001400FLD9
Income distribution: Capitalization
Date of 1st NAV: 22/12/2023
Original NAV: 100
NAV at 30/09/2024 : 110.1
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

In September, the combination of resilient growth and the start of the interest rate cut cycle in the USA provided a favorable environment for African sovereign credit and risky assets in general. The US, European and Chinese central banks have each eased monetary conditions. The start of a rate-cutting cycle in the USA has encouraged rate cuts in several African countries, such as South Africa, Ghana and Mozambique.

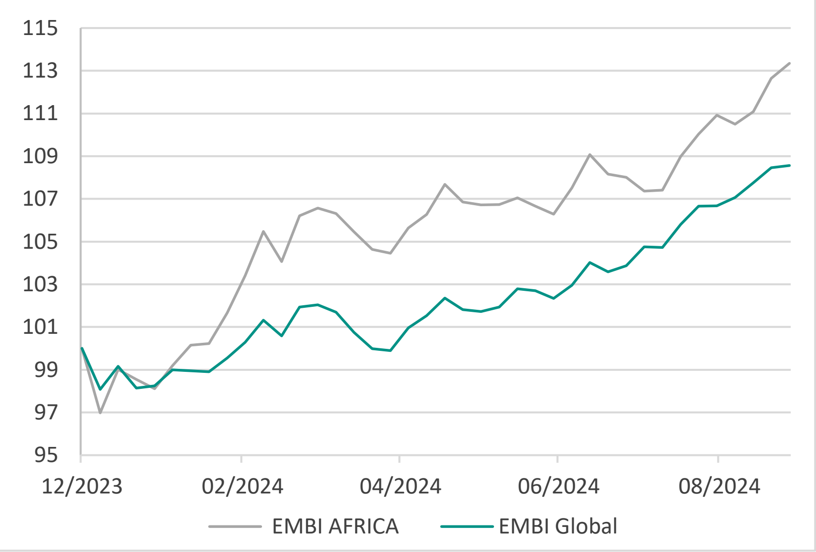
The asset class posted a solid performance over the month (+2.3% for the index), driven by the tightening of spreads (-19 bp for the index) and the fall in interest rates in the US. Qantara ASB fund performed less strongly, due to its more defensive profile and its issuer risk limits. Performance from yield curve movements was also lower on the euro curve.

The month had abundant news for our issuers: **Nigeria's** central bank continued its monetary tightening cycle with a 50 bp increase (850 bp since the start of the year) in response to persistently high inflation. Nigeria, which successfully tested a new source of financing via the issue of a 1.8 times oversubscribed “diaspora bond”, remains one of our favorite picks (trade balance is improving, reserves are up slightly, oil production is increasing, and the Dangote refinery should significantly reduce the country's need for foreign currency). **Ghana** began exchanging its Eurobonds and recorded its highest growth rate in 5 years, with real GDP up 6.9% y-o-y in Q2. The country also lowered interest rates by 200 bp as inflation fell to 20.4% (after peaking at 54% in Dec. 2022). The trade balance has improved on the back of higher gold and cocoa prices, but debt ratios remain high, although restructuring has lightened the burden. We brought our Ghanaian shares to the tender. In **Senegal**, an audit commissioned by the new government revealed distorted figures provided by the previous administration. The debt/GDP ratio would be 10 pt higher at 83% by the end of 2023, and the budget deficit over the period 2019/23 would be 10.4% instead of 5.5%. Senegalese Eurobonds fell 2.5 pt on the news, but recovered all the way, as investors were reassured by statements from the IMF, which welcomed the transparency effort and was expected to discuss corrective measures with the new government. We had halved our position on Senegal prior to the announcement of the audit results, and now judge the country's debt profile as aggressive, even if its growth profile remains attractive. **Kenya's** spreads tightened sharply following news of discussions on a USD 1.5 billion loan, which would be partly guaranteed by Abu Dhabi and would help the country bridge the gap in its deficit financing following the withdrawal of tax increase measures. Growth in **Rwanda** remains dynamic at +9.8% yoy. **BOAD, AFC** and **TDB** have all benefited from an improved outlook from the agencies.

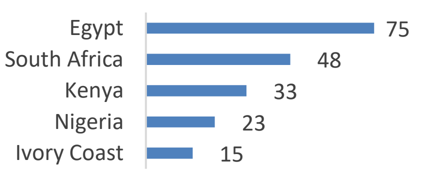
Slow but steady growth in the US, combined with the start of a rate-cutting cycle in the US and a weaker dollar, provide a favorable environment for the asset class. Spreads are still 150 bp higher than the average for B-rated emerging countries.

Perfs in USD	MTD	YTD	1 Y	3 Y	5 Y	10 Y
Qantara ASB (*)						
EMBI GD Africa	2.3%	13.4%	28.1%	8.5%	22.1%	64.7%
EMBI GD Emerging	1.8%	8.6%	18.6%	-1.2%	4.4%	38.1%
IBOXX High Yield USD	1.6%	7.8%	15.5%	9.4%	22.1%	55.6%
IBOXX Inv Grade USD	2.1%	5.3%	15.8%	-5.1%	5.2%	35.6%

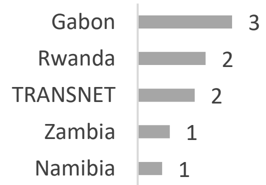
(*) As the fund is less than one year old, regulations do not allow performance to be published in periodic reports..



Emerging Africa and Global Emerging indexes



Top 5 contributors (benchmark)



Bottom 5 contributors (Benchmark)

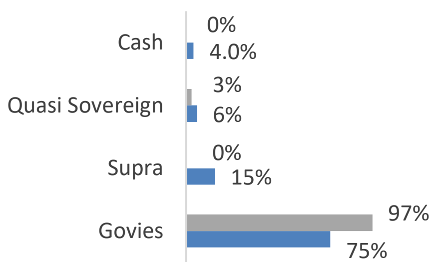
QANTARA ASSET MANAGEMENT

Source : Qantara AM, Bloomberg at 30/09/2024

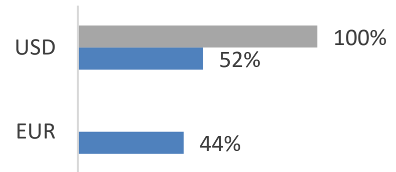
Disclaimer: Past performance is not indicative of future performance. *All performances are net of management fees.*

	Fund	Index
Yield USD	9.0	11.3
Yield EUR	7.6	8.4
Duration	5.1	5.4
Z Spread	576	902
Coupon yield	6.7%	8.1%
Cash	3.5%	0%
Rating (linear)	BB-	B
ESG Score (internal (*))	46.5	46

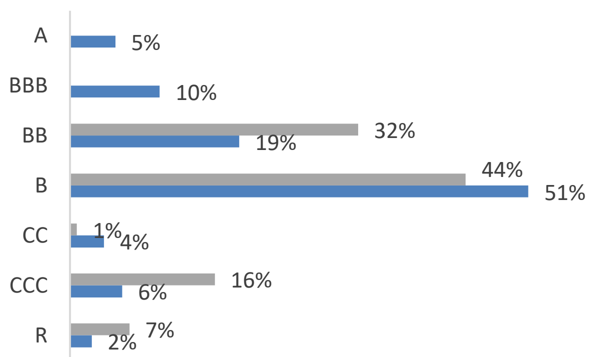
Breakdown by issuer



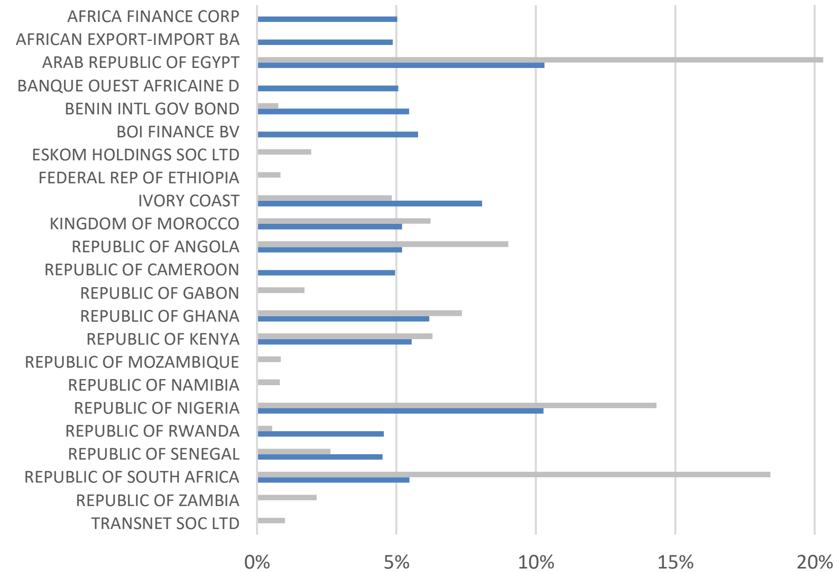
Breakdown by currency



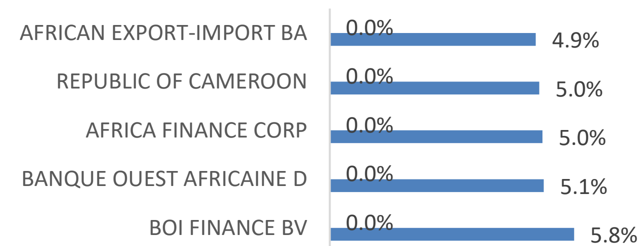
Breakdown by rating



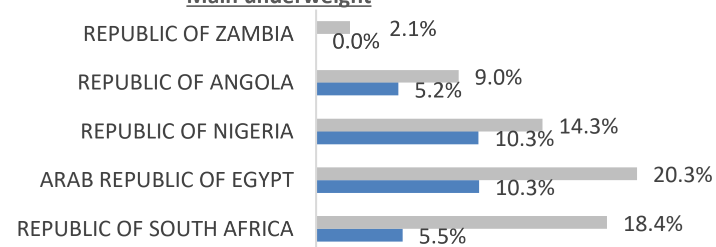
Breakdown by country



Main overweight



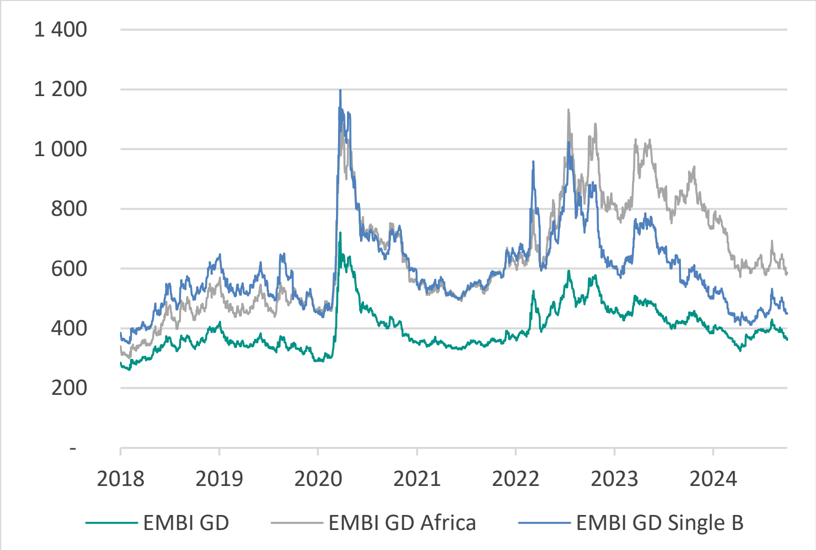
Main underweight



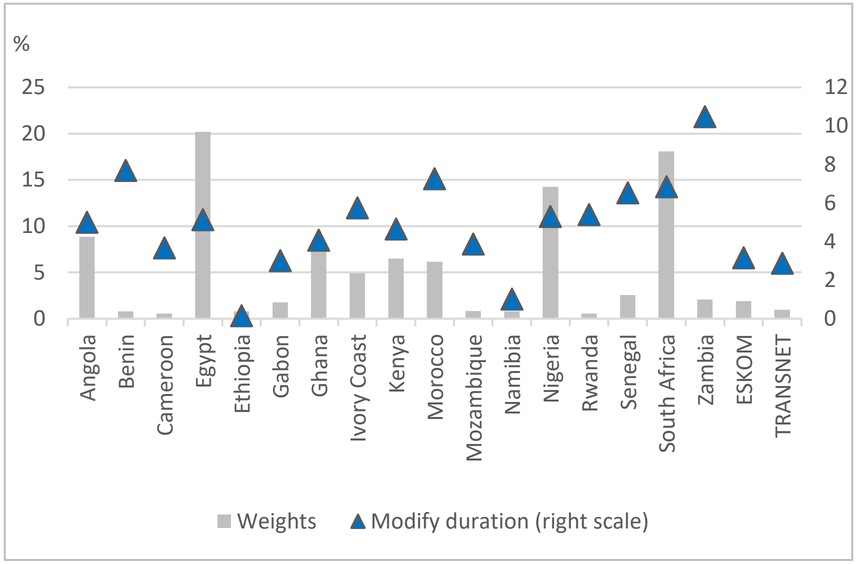
Fund
Index

QANTARA ASSET MANAGEMENT

Source : Qantara AM, Bloomberg at 30/09/2024
(*) More information on ESG methodology is available at www.qantara-am.com



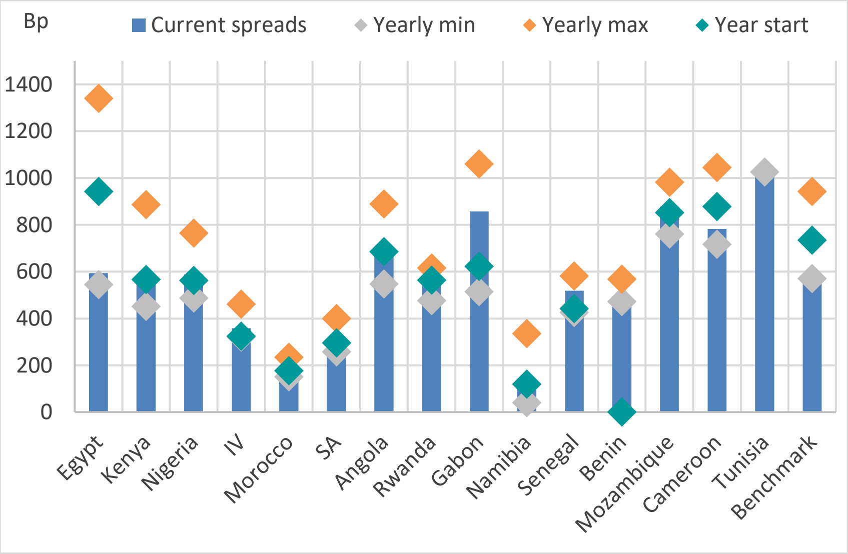
Spreads evolution (Indexes)



Index breakdown by issuers & modify duration

Issuer	Spread end of last month	Spread Variation
KENYA	633	-77
MOZAMBIQUE	928	-52
EGYPT	634	-40
RWANDA	538	-32
IVORY COAST	382	-27

Main spread movements: Tightening



Spreads evolution year on year

Issuer	Spread end of last month	Spread Variation
ANGOLA	642	41
SENEGAL	491	29
CAMEROON	753	24

Main spread movements: Widening

QANTARA ASSET MANAGEMENT

Source : Qantara AM, Bloomberg at 30/09/2024 Excluding countries in restructuring (Ghana, Zambia, Ethiopia)

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	30th September 2024 : 110.1
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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Approved by the autorité des Marchés Financiers on 04/01/2023 as an asset management company under the number GP-20230002

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