Quarterly Commentary

2023: A Bond Year to Remember

When financial history books are written, 2023 will be marked by unprecedented events, dramatic shifts in policy, and unexpected outcomes – including a late 4Q rally in most financial asset classes. Investors in Emerging Markets, which have prospered from three decades of US rate declines and China's meteoric economic rise, were forced to strap their seatbelts and hold on for a twisty ride.

2023 may remembered as "The End of the Easy Money Era." Central banks, particularly the US Federal Reserve, aggressively tightened monetary policy to combat inflation reaching multi-decade highs. Interest rates soared with the markets misreading inflation. Some of this misread was due to a new American industrial policy shift and unprecedented, targeted stimulus that led to a strong job market and resilient demand.

The nervousness over rates led to unprecedented volatility for 2-year US Treasury bonds, hitting a record 16% in October – a stark contrast to the previous decade. The US Fed interest rates hikes that began in early 2022 took its toll early in 2023. Two notable banks - Silicon Valley Bank and Credit Suisse – required rescues, showcasing the fragility of major players in a volatile environment. After a period of calm, bond investors were dealt another surprise on August 1st: Moody's downgraded the US sovereign credit rating from AAA, citing growing debt levels and political polarization in America. This move, while largely symbolic, raised questions over the country's long-held status as a financial safe haven and led to a sharp sell-off that ran through October.

Geopolitics also peppered the headlines. In addition to heated rhetoric between the US and China, Russia's invasion of Ukraine continued, and a new flare-up in Gaza also led to investor pauses for global investing.

Emerging Markets were also hurt by China's tepid recovery after abandoning its "Zero-Covid" policy in late 2022. While most analysts called for 2023 to be a big rebound year for China, its markets and economy disappointed. Concerns over China's slowdown, its cratered property sector, and a potential municipal debt crisis added fuel to financial fires. Chinese equities fell roughly 15%, which helped reduce the EM equity index gains to only 7% for the year.

Light at the End of the Tunnel?

Just when bond investors saw only doom and gloom through 3Q, the narrative shifted dramatically in the fourth quarter. As US recession worries grew with inflation showing signs of cooling, the Fed hinted at slowing the pace of interest rate hikes. This triggered a surprise rally, with asset prices rebounding and yields falling. By year-end, many hard-hit bond segments had recovered significantly, offering a glimmer of hope to investors battered by the early turbulence. All EM indices finished with gains for 2023.

It was certainly a bumpy market in 2023, but our long duration strategy cautiously managed the volatility. Core bond positions generally contributed positively, which included a US rate steepener, a bias towards BB credits, and from tactical positions in Pakistan and Egypt sovereign bonds. In addition, there were some rate receivers in Mexico, a Czech steepener, and long FX positions in Brazil, Taiwan, South Africa, and Indonesia.

Current positioning for the new year maintains our bias towards BB sovereigns, and overweights in major countries like India and South Africa. The portfolio also tilts towards select frontier markets such as Uzbekistan, Azerbaijan, Pakistan, Egypt, among others. The portfolio's average credit rating is BB+, a yield to maturity of 8.84%, and duration of 6.83 years, roughly in line with the benchmark.

All Eyes on 2024: The Year of the Ballot Box

While the late 2023 rally was certainly encouraging heading into the new year, a continued rally in 2024 is far from a slam dunk. Nearly half the world's population head to the ballot boxes this calendar year. This includes 8 of the 10 most populated countries—Bangladesh, Brazil, India, Indonesia, Mexico, Pakistan, Russia, and the US. Taiwan's highly watched election kicks off in mid-January, along with many others in EM.

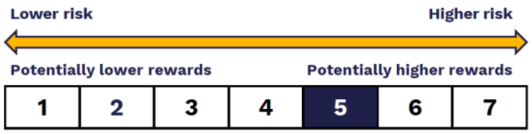
Going forward, navigating 2024's uncertainties will require continued vigilance and a keen understanding of the interplay between economic dynamics, policy decisions, and geopolitical forces. Expected US rate cuts may not come as soon as being priced in, which could lead to more volatility. EM asset prices vary in cheapness; the investment grade sector looks fair valued, while high yield offers a mix of corporate and country opportunities. EM currencies and equities look cheap, but those assets will need significant US dollar weakness to spur large rallies in those sectors. EM local bonds may provide opportunities in geographies where inflation dynamics have created space for monetary easing. We expect central banks to continue cutting or begin cutting rates in countries such as Brazil, Chile, Mexico, Hungary, Czech Republic, and Poland.

As always, please feel free to contact us should you have any further questions.

Peter Marber

Portfolio Manager, CIO of Emerging Debt Opportunities

Risk profile of Aperture Emerging Debt Opportunities Fund



The summary risk indicator ("SRI") level, as calculated under the PRIIPS methodology, is 5 (which is a medium-high risk class). Investments involve risks. Past performance does not predict future return.

The inherent main risks of the sub-fund (non-exhaustive list): interest rate risk; the Sub-fund may invest in securities rated below Investment Grade, which present greater risk of loss to principal and interest than higher-quality securities; Credit risk; Credit default swaps; Emerging markets; Derivatives; Foreign exchange; Liquidity risk; Short exposure risk; Equity; Rule 144A and/or Regulation S securities, Investment in CoCos.

IMPORTANT INFORMATION

Investments involve risks. Past performance does not predict future return. There can be no assurance that an investment objective will be achieved or that there will be a return on capital. You may not get back the amount initially invested. Before making any investment decision, investors must read the Prospectus, and particularly the Risk Factors, as well as the Key Information Document (KID) or Key Investor Information Document (KIID) as applicable to their jurisdiction.

Costs (as at date December 31, 2023): (illustrative class: ISIN LU2475548314 – registered in AT, CH, DE, ES, GB, IT, LU) – Entry charge: up to 3%, Exit charge: none, Management fees and other administrative or operating costs: 0.80% per year, Transaction costs: 0.15%. For its services to the Sub-fund, the Investment Manager is entitled to a variable management fee ("VMF"), which is calculated and accrued daily, at a rate of 1.025% (the "VMF Midpoint"). The VMF Minimum portion of the VMF will be calculated and accrued daily based on the Sub-fund's NAV. The rest of the VMF amount, if any, will be calculated and accrued daily based on the Sub-fund's daily Modified Net Assets, adjusted upward or downward by a performance adjustment (the "Performance Adjustment") that depends on whether, and to what extent, the performance of the Sub-fund exceeds, or is exceeded by, the performance of the Benchmark plus 3.75% (375 basis points) (the "VMF Midpoint Hurdle") over the Performance Period. For a full description of the VMF please see the applicable section in Appendix A contained in the Prospectus.

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Please also consider all the ESG characteristics, approach, binding elements of the selection process and methodological limits contained in the SFDR Pre-contractual annex of the prospectus, as well as the Summary of the Website Product Disclosure, available in the "Sustainability-related Disclosure" section of the website fund page at: www.generali-investments.lu. Before making any investment decision, please read the **PRIIPs Key Information Document** (PRIIPs KID) / **UCITS Key Investor Information Document** (KIID) (as applicable to your jurisdiction) and the **Prospectus**. The PRIIPs KIDs are available in one of the official languages of the EU/EEA country, where the Fund is registered for distribution, and the Prospectus is available in English (not in French), as well as the annual and semi-annual reports **at www.generali-investments.lu** or upon request free of charge to Generali Investments Luxembourg SA, 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: **GILfundInfo@generali-invest.com**. The Management Company may decide to terminate the agreements made for the marketing of the Fund. For a summary of **your investor rights** in respect of an individual complaint or collective action for a dispute relating to a financial product at the European level and at the level of your EU country of residence, please consult the information document contained in the "About Us" section at the following link: **www.generali-investments.com** and **www.generali- investments.lu.** The summary is available in English or in a language authorized in your country of residence.

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Investors should note the specific risk warnings:

Credit Risk – The risk that the issuer of a security or the counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Emerging Markets/Foreign Investment Risk – The risk that non-U.S. securities may be subject to additional risks due to, among other things, political, social, and economic developments abroad, currency movements and different legal, regulatory and tax environments. These additional risks may be heightened with respect to emerging market countries because political turmoil and rapid changes in economic conditions are more likely to occur in these countries. The strategy's exposure to these risks is heightened as a result of the strategy investing primarily in emerging market countries.

Fixed Income Market Risk – The prices of the strategy's fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies. Generally, the strategy's fixed income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Declines in dealer market-making capacity as a result of structural or regulatory changes could decrease liquidity and/or increase volatility in the fixed income markets. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. In response to these events, the strategy's value may fluctuate and/or the strategy may experience increased redemptions from shareholders, which may impact the strategy's liquidity or force the strategy to sell securities into a declining or illiquid market.

Foreign Sovereign Debt Securities Risk – The risks that (i) the governmental entity that controls the repayment of sovereign debt may not be willing or able to repay the principal and/or interest when it becomes due because of factors such as debt service burden, political constraints, cash flow problems and other national economic factors; (ii) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling or additional lending to defaulting governments; and (iii) there is no bankruptcy proceeding by which defaulted sovereign debt may be collected in whole or in part. These risks are typically heightened with respect to emerging market countries.

Below Investment Grade Securities (Junk Bonds) Risk – Fixed income securities rated below investment grade (junk bonds) involve greater risks of default or downgrade and are generally more volatile than investment grade securities because the prospect for repayment of principal and interest of many of these securities is speculative. Because these securities typically offer a higher rate of return to compensate investors for these risks, they are sometimes referred to as "high yield bonds," but there is no guarantee that an investment in these securities will result in a high rate of return.

Corporate Fixed Income Securities Risk – Corporate fixed income securities respond to economic developments, especially changes in interest rates, as well as perceptions of the creditworthiness and business prospects of individual issuers.
Duration Risk – The longer-term securities in which the strategy may invest tend to be more volatile than shorter-term securities. A portfolio with a longer average portfolio duration is more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.

Extension Risk – The risk that rising interest rates may extend the duration of a fixed income security, typically reducing the security's value.

Rule 144A and Regulation S Risk – SEC Rule 144A provides a safe harbor exemption from the registration requirements of the US Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. Regulation S provides an exclusion from registration requirements of the US Securities Act of 1933 for offerings made outside the United States by both US and foreign issuers. A securities offering, whether private or public, made by an issuer outside of the United States in reliance on Regulation S need not be registered. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions is limited and might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular security.

For further information on risks related to the Fund please see the Prospectus.

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