



## **XI Cbonds Fixed Income Conference**

*Investment Ideas: Local Currencies*

**November 2024**

Regulated by the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM) with  
Financial Services Permission Number 180021

# Competitive Advantage

## **ADGI is a Specialist Fixed Income/ Sukuk manager based in Abu Dhabi**

- We do not have to compete against other asset classes within the firm allowing us to have greater focus than competitors.
- The only firm based in the Middle East managing EM Debt Local Currency, providing a different 'lens' to global EM as compared to US/UK/Europe/Asia managers

## **Proven performance track record**

- A well defined investment process delivering repeatable alpha through all market cycles.
- Experienced team of value oriented investors.

## **Clear ownership and responsibility of investment decisions**

- Tight decision making investment team, easy to "own" the decisions and positions, emphasis on quantitative screens for repeatability and efficiency.

## **Nimble investor**

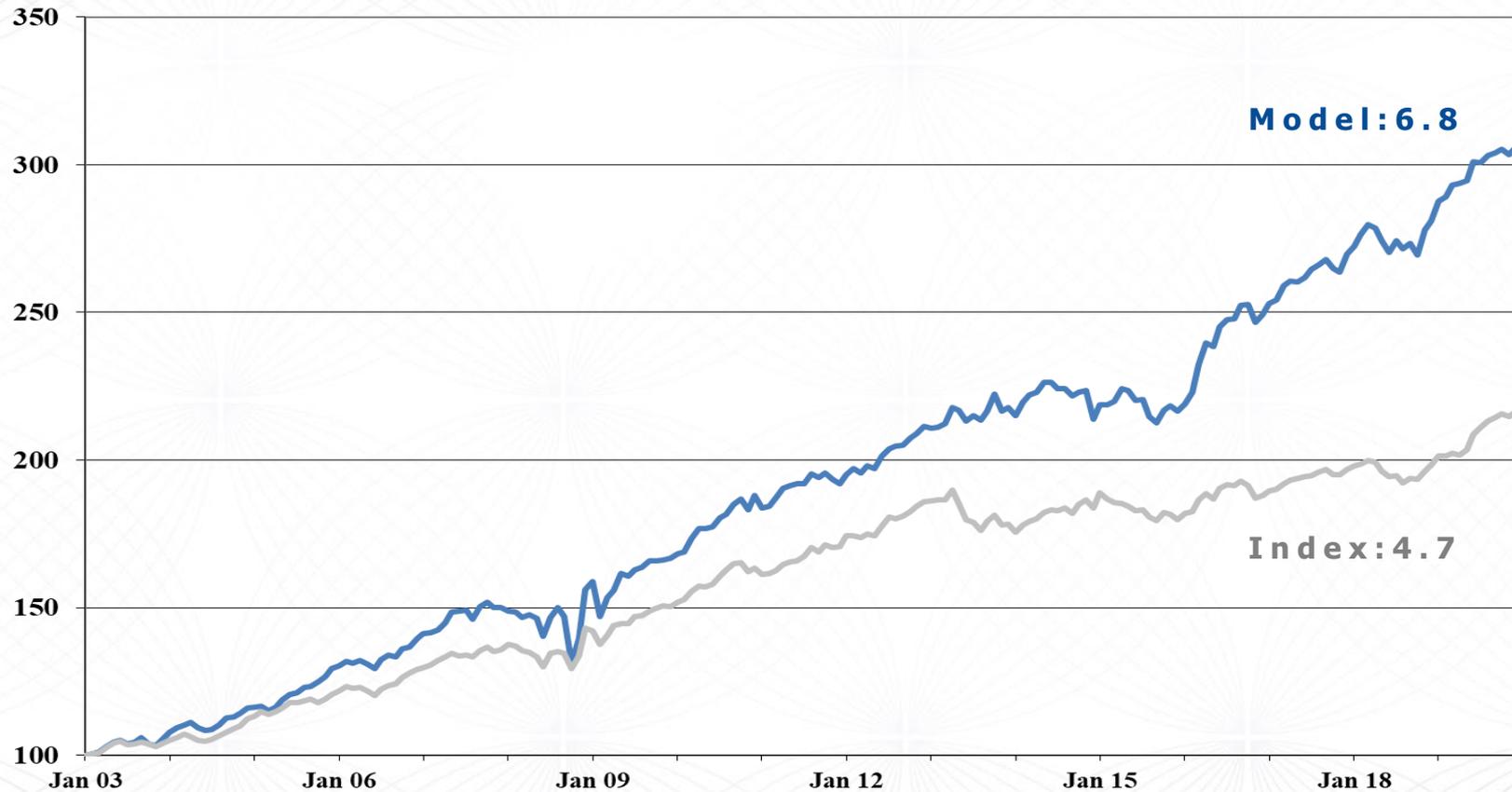
- No capacity constraints allowing ADGI to access the best opportunities in the universe.

# Real Yield

- An investment framework based on a long tradition and has been applied successfully for many years using key actuarial principles
- It had its conceptual origins in the 1960s from Hill Samuel
- The framework has at its core, inflation-adjusted income and principal present valuing techniques
- The real yield techniques were supplemented with a real exchange analysis of currencies

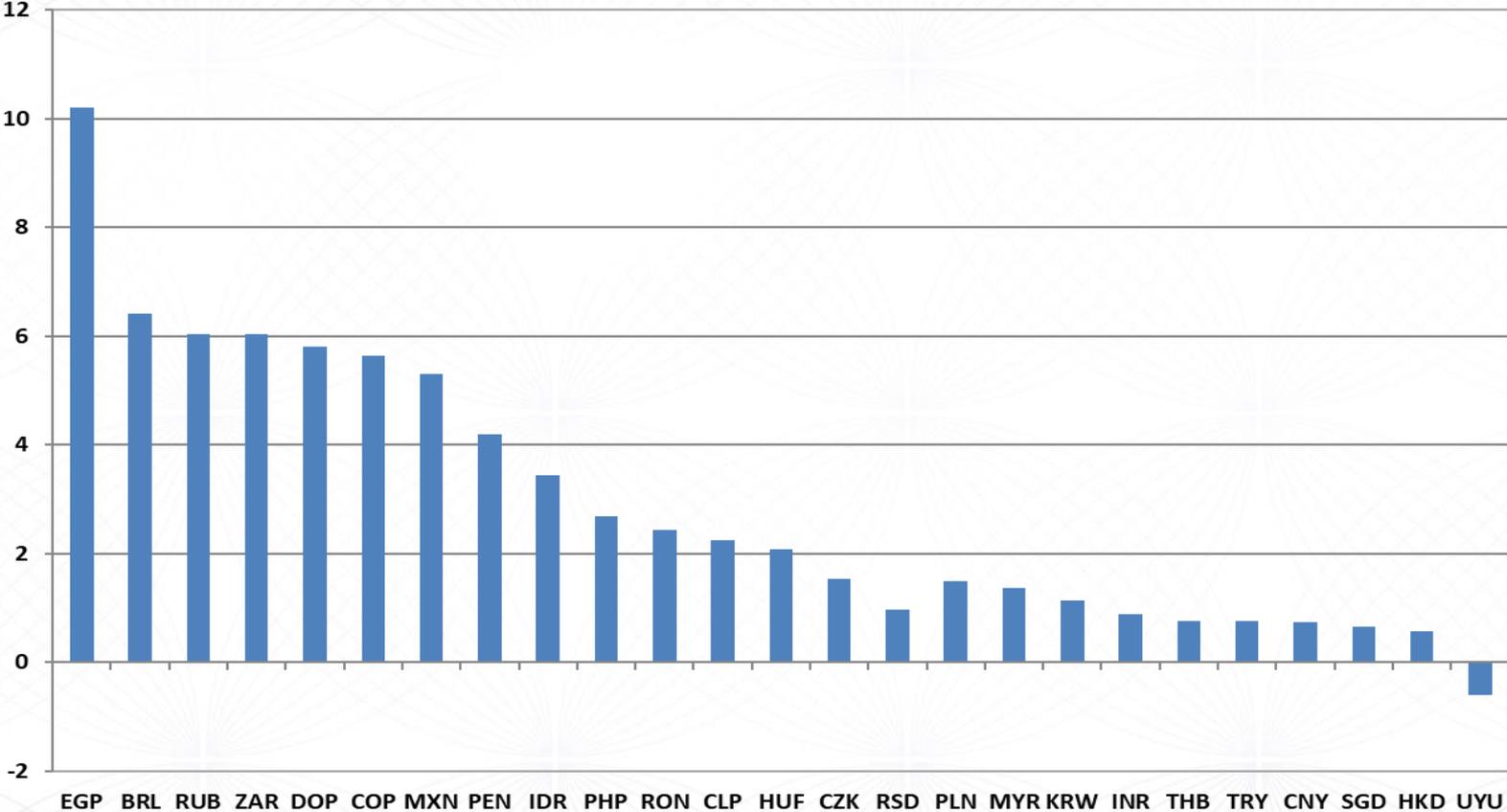
# Real Yield

*A repeatable alpha strategy*



**Footnote:** Investing in top 3 real yielding EM countries using past inflation as an indication with mid cycle timeframe (3 years).  
Index: JP EM GD hedged in USD. End: Dec 2019.

# Real Yield



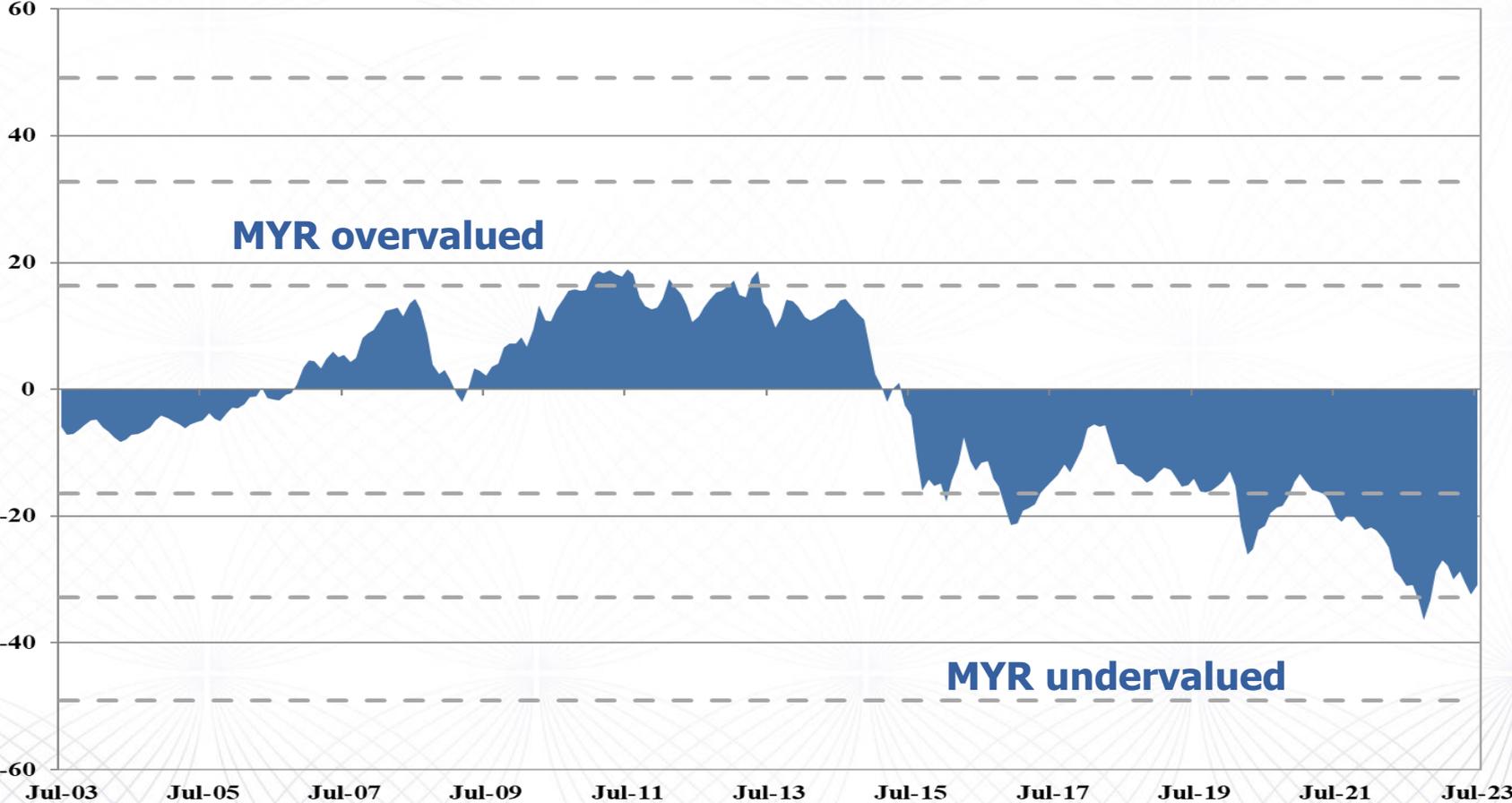
Sources: Bloomberg and ADGI. BRL: Brazil, CLP: Chile, COP: Colombia, CZK:Czech Rep.,DOP: Dominican Rep., HUF: Hungary, IDR: Indonesia, MYR: Malaysia, MXN: Mexico, PEN: PERU, PHP: Philippines, PLN: Poland, RON: Romania, RUB: Russia, ZAR: South Africa, THB: Thailand, TRY: Turkey, UYU: Uruguay, KRW: South Korea, SGD: Singapore, CNY: China, EGP: Egypt, HKD: Hong Kong, RSD: Serbia, INR: India. The graph is for illustrative purposes only.

# Real Exchange Rate

- A currency's deviation from fair value has repeatedly been a strong indicator of a currency's future movement
- The further and longer a currency moves away from fair value the greater the likelihood—and the faster the speed—of an adjustment back towards fair value
- Accordingly, we believe that higher returns are achievable over the medium term by being exposed to those currencies that are the most undervalued according to their real exchange rate

# Real Exchange Rate

*MYR is undervalued at current valuation*



# Balance Sheet Analysis

- Seek to recognise strong and penalise weak balance sheet
- Screen a country/corporate/currency out of the opportunity set if it is on an unsustainable path, or if it is inappropriate to have exposure
- Macro stability work, financial analysis and on-going monitoring is supplemented with country/corporate meetings and research trips
- Comprehensive qualitative and quantitative assessments determine “premium” or “discount”
- Qualitative assessment of ESG factors

# Additional Information

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