



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

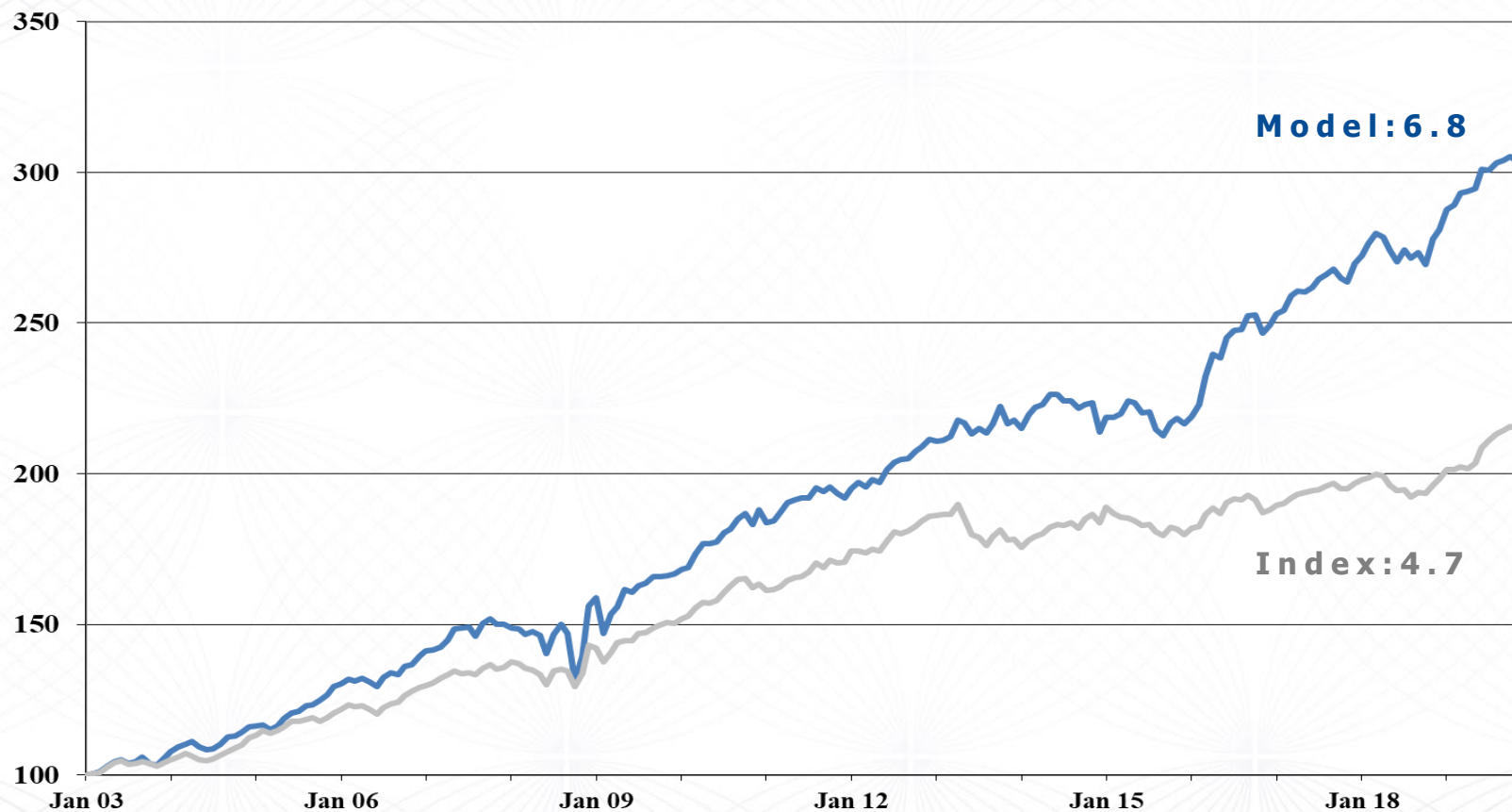
- No capacity constraints allowing ADGI to access the best opportunities in the universe.

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

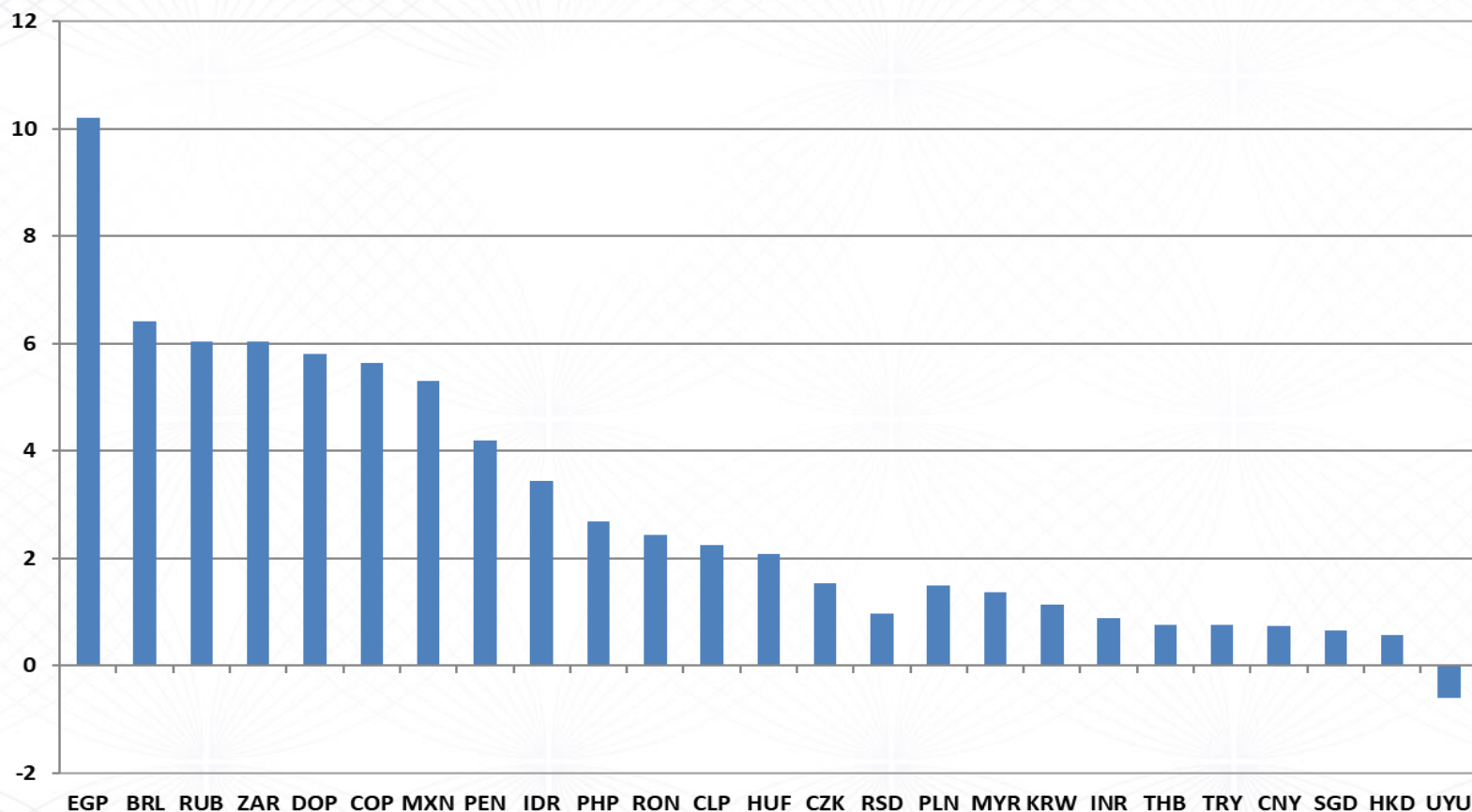
Real Yield

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



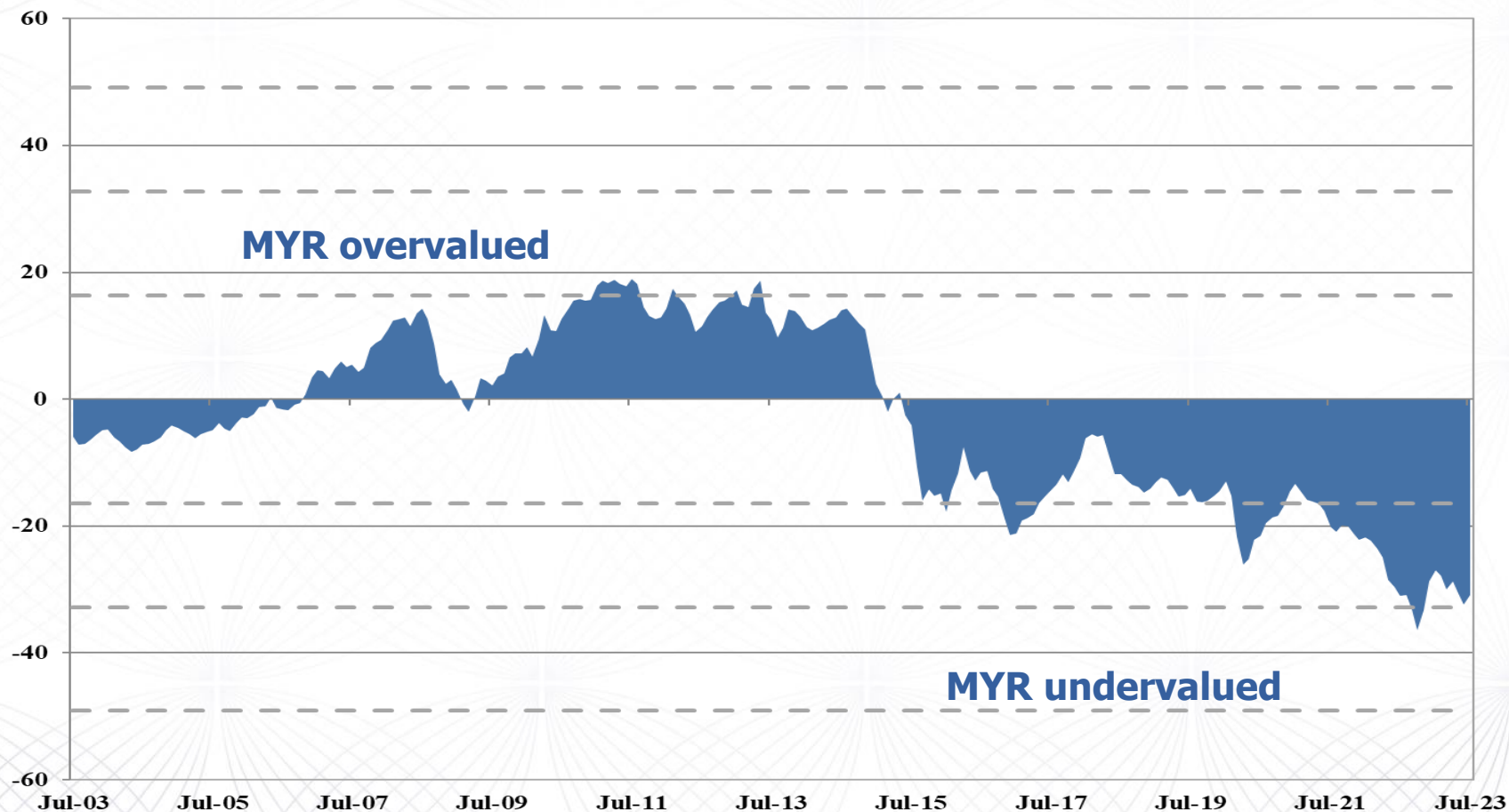
Sources: Bloomberg and ADGI. BRL: Brazil, CLP: Chile, COP: Colombia, CZK: Czech Rep., DOP: Dominican Rep., HUF: Hungary, IDR: Indonesia, MYR: Malaysia, MXN: Mexico, PEN: PERU, PHP: Philippines, PLN: Poland, RON: Romania, RUB: Russia, ZAR: South Africa, THB: Thailand, TRY: Turkey, UYU: Uruguay, KRW: South 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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