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Reflections on 2022 and Research Retreat Highlights

By: *Emerging Markets Debt* | January 13, 2023

Boston - As we begin 2023, the Emerging Markets Debt team leadership wishes to thank you — our investors and partners in the investment community. Last year was a challenging one for almost all global asset classes, including EM debt, which contended with a "perfect storm" of rising rates, stressed fiscal policies and risk-off markets. Your continuing support is especially appreciated in that kind of environment.

Despite its difficulties, last year was notable for our renewed ability to resume travel and in-person meetings around the globe. These initiatives are essential to the kind of due diligence and on-the-ground expertise that drive our investment approach and help us identify the numerous opportunities arising in the sector following the dislocations of 2022.

We also wanted to share news of our December research retreat — an annual tradition for regrouping and reflecting on the key elements of successful sovereign and corporate EM research. It is an in-person extension of the team's weekly research meeting, bringing together research associates, analysts and portfolio managers from our offices in Boston, London, New York City, Singapore and Washington D.C.

The retreat is a major component of our ongoing efforts to incorporate wide-ranging outside expert perspectives into our analysis. Outside speakers included:

- An economist and market strategist who presented on U.S. monetary policy.
- An expert in distressed debt financing.
- A postdoctoral research fellow and European energy security expert discussed the impact of Russia's current energy strategy.
- A thematic investing strategist covering semiconductors, energy storage and emerging markets.

Research associates and analysts, who are country experts for the regions they cover, spearheaded regional research updates. Team members also shared insights about developed-market central banks, EM corporate bonds and different methodologies for generating and executing investment ideas. Intangibles like workplace productivity and positivity were part of the mix from internal and external presenters, as we have found them to be tangible contributors to alpha generation. The annual research retreat is a valuable tradition for the team to close out the year. It strengthens the channels of communication within the team and fosters in-person collaboration across seniority levels.

The EM landscape has changed in the wake of the pandemic, which made the conversations at our December 2022 retreat particularly timely. Following the strong rally that closed out the year, we are seeing investors differentiate based not just on their dependence on oil but on varied policy responses to the virus and the potential impacts on health care systems, social dynamics, economies and finances.

We believe this is an environment particularly suited to the strengths of the MSIM Emerging Markets Debt team in proprietary research, as we have refined it over three decades. The team builds portfolios by focusing on country-level macroeconomic and political research and stand-alone analysis of specific risk factors such as currency, credit spreads and interest rates.

We appreciate the support from our investors and partners, as we seek to generate alpha from the promising array of opportunities in the EM debt sector, and look forward to sharing our insights as the year progresses.

Sincerely,

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Portfolio Manager

John Baur
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