



## NIKKO ASSET MANAGEMENT EMERGING MARKET DEBT

The Nikko AM Emerging Market Debt team operates an actively managed investment approach using both top down asset allocation and fundamental bottom up security selection, and implementing their ideas through a diversified portfolio. The team draws upon fundamental emerging market analysis as the primary contributor of returns and complements pure issue selection with other drivers, including currency and interest rates.

### Our Philosophy

The investment team believes the key to outperformance in Emerging Market Debt is centred on a scenario investment approach which combines deep local intelligence with a broad global perspective.

### Key Differentiators

- Our offering combines the strengths of a Global Emerging Market Debt manager with our position as an Asian headquartered organisation, giving a unique perspective on emerging markets
- Our belief that outperformance is based on a scenario investment approach which combines a broad global perspective (Top-Down) and deep local intelligence (Bottom-Up)
  - o Our unique Top-Down forward-looking analysis of the global drivers in the economy coupled with a dynamic asset allocation tool allows us to navigate in a turbulent global environment
  - o Our fundamental Bottom-Up approach is thematic as opposed to a regional approach, which assists in making more informed investment decisions
- The Emerging Market Debt Research Team comes from diverse backgrounds with each individual having their own geographical speciality



**Insight**



**Collaboration**



**Diversity**

*Positive returns captured through...*

Quality  
Research

Issue Selection

Interest Rate  
Forecasting

Currency  
Management



## Our Team

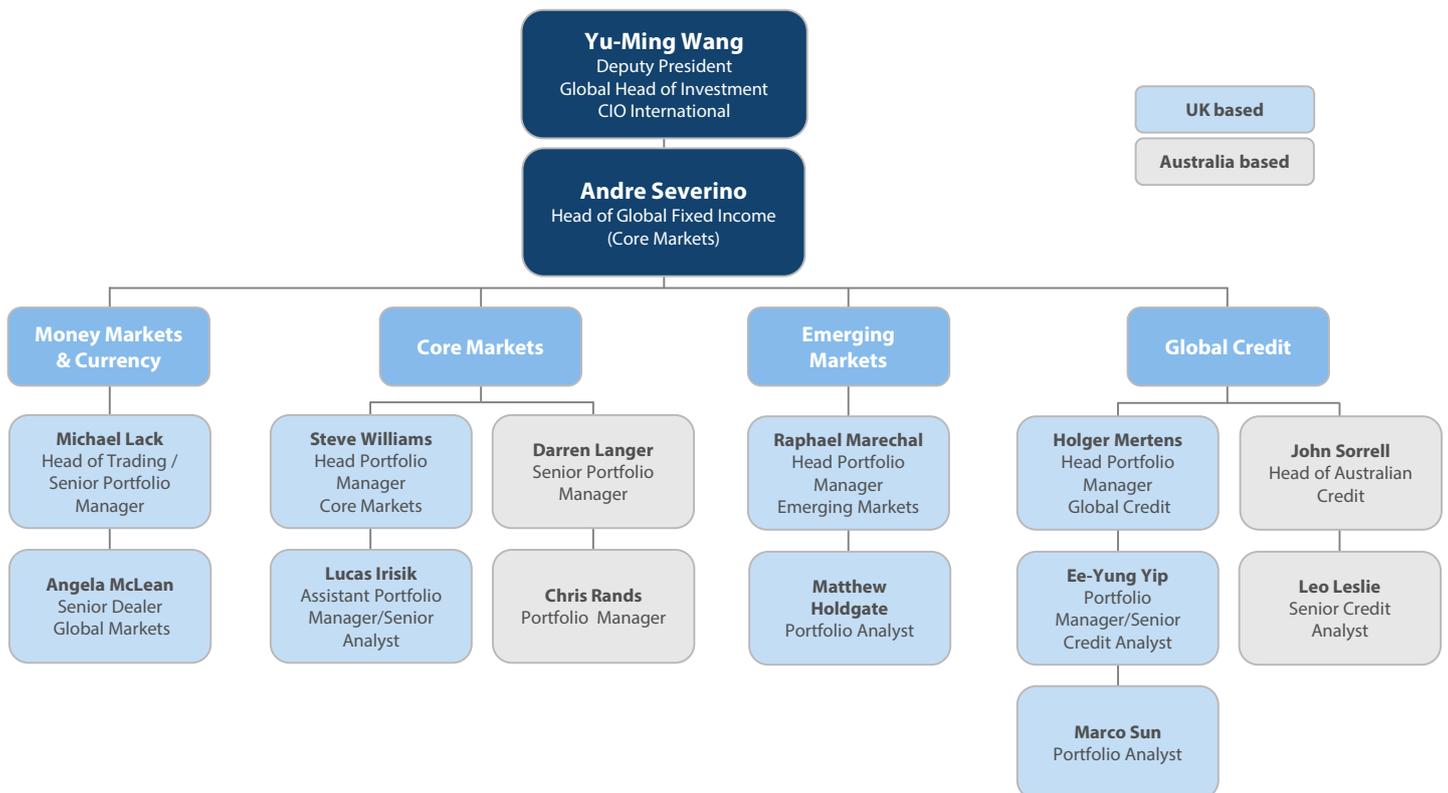
### Raphael Marechal, Head Portfolio Manager – Emerging Markets



Raphael Marechal, joined Nikko AM in February 2016 to help spearhead the development of the firm's Global Emerging Market capability. He brings almost 20 years of experience in Fixed income, emerging market analysis and portfolio management to Nikko AM. Prior to Nikko AM, Marechal was at BlackRock where he co-managed a \$3.0 billion Emerging Market Local Currency Strategy, as well as a \$500 million Absolute Return strategy. Before BlackRock he held the position of Senior Portfolio Manager at a number of firms working in the Emerging Market space at FFTW and Fortis Investments and before that was Portfolio Manager at BAREP. He received a Master in Mathematics & Finance from the Grenoble Institute of Technology and also holds a DEA Finance from the IAE in Grenoble.

The Emerging Market Debt team is headed by Raphael Marechal. The team sits within the wider Global Fixed Income team based in London, led by Andre Severino which consists of 10 investment professionals with an average of 13 years of investment management experience.

The London team has significantly broadened over time to support the strategies' growth and cater to institutional portfolios. One of our biggest advantages is the fluid interaction across these four categories and the ability to execute decisions quickly. The diagram below illustrates the organisational structure in London.



The Emerging Market Debt team also draws upon insight from other Nikko AM investment teams. This allows the development of a holistic and balanced view, assisted by the local expertise and on-the-ground knowledge and research of these teams, who cover fixed income, equities and multi-asset.

**GLOBAL  
Insight**



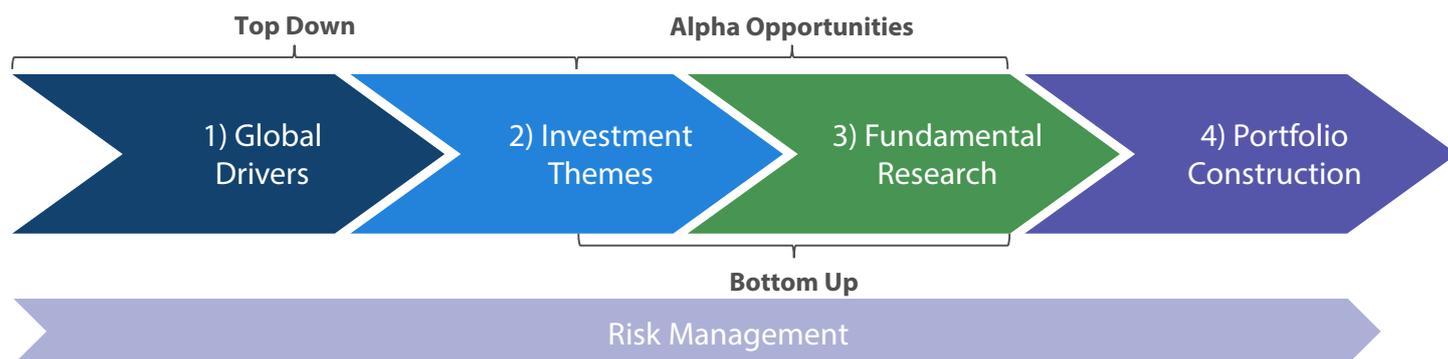
**LOCAL  
Knowledge**





## Our Process

The investment process draws upon a global team of research analysts that follows a consistent investment process that incorporates quantitative and qualitative inputs from experienced investment professionals. The process is disciplined and transparent, which engages the team in a collaborative process to generate ideas and construct a high quality emerging market debt portfolio.



### Global Drivers:

Bi-weekly market assessment based on the following factors:

1. DM Monetary Policy
2. EM Growth
3. EM Dispersion
4. Flows, Supply, Liquidity
5. EU Stress
6. Risk Appetite

### Investment Themes:

Our Top Down market assessment helps to generate our investment themes.

Investment Themes are identified in FX, Rates & Credit

### Fundamental Research:

Fundamental country research performed by the team is the key in formulating high conviction FX, duration, yield curve calls.

This analysis is formally updated on a quarterly basis in order to form agreement on respective markets.

### Portfolio Construction:

The portfolio manager constructs a portfolio that seeks return from multiple sources including opportunities in the interest rate curve, carry, roll down, and currency appreciation.

The Investment Management team combine our top down and bottom up process to generate alpha.

## Embedded Risk Management

Ongoing risk management is integral to the entire investment process with constant dialogue between our investment and independent risk management teams in ensuring that risks are identified, evaluated, monitored and mitigated. For the Emerging Market Debt strategy the investment management team is responsible for Systematic and Unsystematic risk in the portfolio. The investment risk team is responsible for the monitoring and escalation of risk.

Nikko AME's risk management department closely monitors market, credit, operational and portfolio management risk and takes appropriate measures to minimise the impact of potential risk. The risk management process starts with Risk Budgeting and the Risk Management Department which conducts independent, detailed analysis of portfolio risk and characteristics, as well as performance attribution and peer group analysis. The risk process consists of risk budgeting and monitoring with clearly detailed escalation procedures at every step.

The Risk Management Department truly understands the investment management process and therefore feedback and a meaningful dialogue between the investment team and risk managers takes place as part of the firm's continuous communication flows.



## Emerging Market Local Currency Debt Strategy

The Nikko AM Emerging Market Local Currency Debt Strategy launched in December 2016. This is the team’s flagship emerging market investment strategy, aimed at institutional investors, with wide investment powers permitting Raphael to use his discretion and showcase Nikko AM’s Emerging Market Debt capabilities.

The strategy aims to achieve a positive long term total return by investing in emerging market bonds denominated in Emerging Market local currencies and seeks to achieve a relative return of +1.5% (gross) over the JP Morgan GBI EM Global Diversified.

The strategy is designed to recognise the asymmetrical risk profile of EMD and has a strong emphasis on capital preservation, to display lower volatility and drawdowns than the index.

The strategy seeks to:

- Invest globally drawing on a strong belief in the value of proprietary fundamental research from Nikko AM’s extensive research capabilities
- Actively managed through both top down and bottom up approaches, implemented through a diversified portfolio
- 2-4% target tracking error
- Analysis supported by proprietary fundamental research and quantitative tools



## Emerging Market Capabilities

The team is continually reviewing its product line up to cater for global demand and has been able to develop new Emerging market products. We believe our thematic process gives the ability to generate consistent alpha across a wide range of products and the ability to also combine EMD capabilities with other investment centres to offer blended products.

Emerging Market Debt		
	<p><b>Raphael Marechal</b> <i>Head Portfolio Manager</i></p>	<p><b>EM Debt</b></p> <ul style="list-style-type: none"> <li>- Liquid access to EM Debt</li> <li>- Key global drivers used to generate investment themes</li> <li>- Portable alpha – themes implemented across mandates</li> </ul>
		<p><b>Strategies Managed</b></p> <ul style="list-style-type: none"> <li>- EM Debt</li> <li>- EM Short Duration</li> <li>- EM External/Local Debt</li> </ul>

*“The current low yield global environment means investors have to be more proactive in their fixed-income portfolio allocation. Crucial emerging market reform and current market conditions make the case for a formidable entry point into emerging markets.”*

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