

Newsletter

Emerging Market

May 2026

Emerging markets saw volatility, though geopolitical risk eased after the extended U.S.–Iran ceasefire and Hungary’s pro-EU election outcome improved European sentiment. The Iran conflict’s impact remains limited, with PMIs and activity data showing resilient EM growth: Asia is supported by AI-driven investment, and Latin America by strong commodity exports.

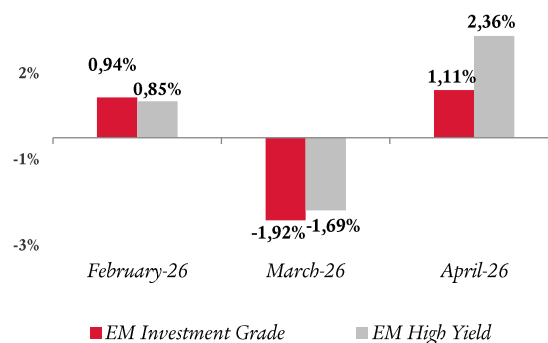
Inflation stays contained, enabling continued monetary easing, including in Brazil. With geopolitical pressures moderating and fundamentals still constructive, we have increased our tolerance for credit and rate risk, as stress remains confined to a few countries.

Monthly highlights

Performances: Investment Grade vs High Yield

Investment-grade bonds underperformed high yield in April, driven by a markedly stronger spread tightening in high yield and the added advantage of its shorter duration amid rate volatility.

Performance EM Investment Grade and High Yield Bonds

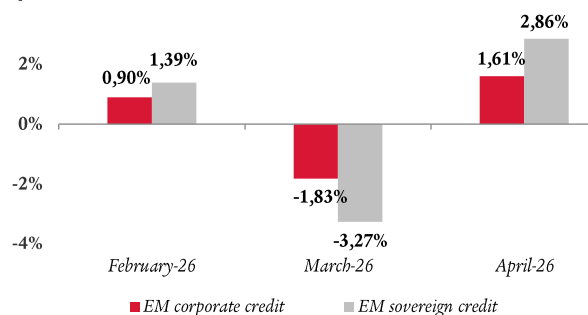


Source: Swiss Life Asset Managers, data as of 30.04.2026

Performance: Corporate vs Sovereigns

Sovereigns outperformed corporates in April, driven by their heavier exposure to the high yield segments where spread tightening was more pronounced. However, part of this outperformance was offset as rising U.S. Treasury yields weighed more heavily on sovereign bonds due to their longer duration.

Performance EM Hard Currency and Local Currency Corporates



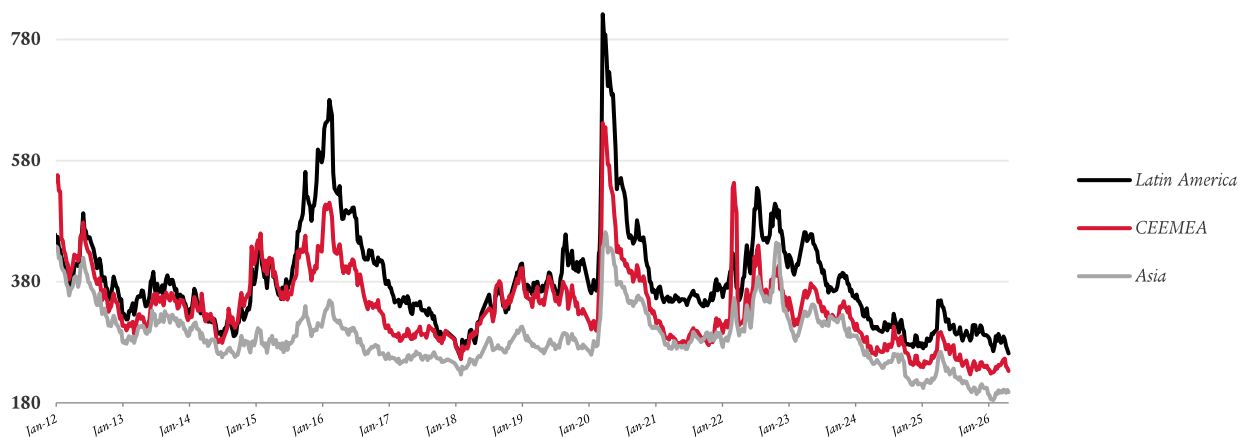
Source: Swiss Life Asset Managers, data as of 30.04.2026

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the updated data.

Regional Performance

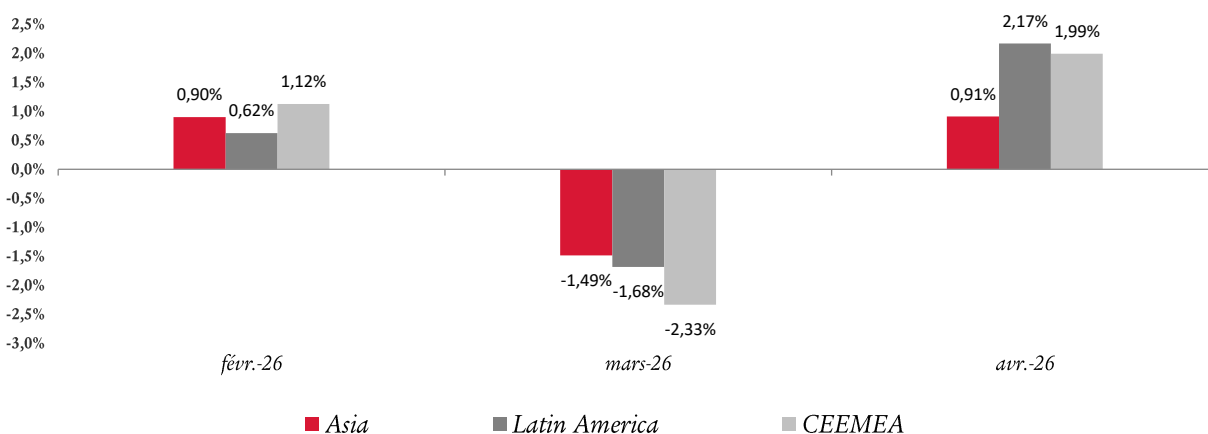
Absolute returns were positive across all regions in April, with LatAm outperforming. Performance was supported by its higher concentration in oil related issuers and a greater exposure to the high yield segment, where spread tightening was stronger. Asia lagged other regions, as its predominance of very highly rated issuers resulted in more muted spread compression compared with the broader market.

Regional Credit Spreads - EM Hard Currency Corporate Bonds



Source: Swiss Life Asset Managers, data as 30.04.2026

Regional Performance – EM Hard Currency Corporate Bonds



Source: Swiss Life Asset Managers, data as 30.04.2026

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The Figure of the month



5%

China's GDP growth for the first quarter 2026

Josipa Markovic
Emerging markets economist

Macroeconomic environment

At 5.0%, China's economic growth was stronger than expected in the first quarter. While private households continue to suffer due to falling property prices and an uncertain labour market outlook, economic activity is being supported by robust industrial production in the high-tech sector and corresponding exports, which grew by around 15% in the first quarter. The Iran war's economic impact on China has remained limited so far. The main effects were in higher import values due to increased commodity prices and higher import volumes, especially for coal in the context of strategic stockpiling. Nevertheless, Chinese decision-makers are aware of the risks should the conflict drag on. A protracted war could dampen global demand, jeopardising export momentum, which is currently a key pillar of growth. In addition, the Middle East is a major supplier of up-stream products for semiconductor manufacturing, including helium and sulphur. In this context, China has already announced that it will ban exports of sulphuric acid from May.

Emerging Market Purchasing Managers' Indices (PMI) remain resilient despite Iran war disruptions

Emerging markets, particularly in Asia, are highly reliant on Middle Eastern oil, making them vulnerable to supply disruptions stemming from the ongoing closure of the Strait of Hormuz. April PMI data indicate that the Iran war is exerting pressure on supply chains and prices: input cost indices rose sharply across regions, while longer supplier delivery times point to mounting supply disruptions. Despite these headwinds, the composite PMI for emerging markets remained in expansionary territory, rising to 51.6 in April. This resilience reflects strengthening domestic and external demand, with both new orders and export orders improving. Part of this firm demand appears to be driven by companies front-loading purchases to hedge against future price increases and potential raw material shortages. In addition, robust demand for AI-related products is supporting activity, as reflected in particularly strong PMI readings among major technology exporters such as Taiwan, South Korea, and China.

OUR STRATEGY

“Ceasefire Calms Tail Risks, Reinforcing the Case for Selective EM Risk Taking.”

Dorthe Fredsgaard Nielsen
Emerging Market Senior Portfolio Manager

Gabriele Bartoletti, CFA
Emerging Market Senior Portfolio Manager

Strategy for Emerging Markets

The recent ceasefire between the United States and Iran has eased near term geopolitical tail risks from previously elevated levels. While the situation remains fragile, the de-escalation reduces the likelihood of prolonged energy supply disruptions, suggesting that elevated oil prices are more likely to prove temporary rather than structural.

High frequency indicators continue to point to contained downside risks to near term emerging market growth, with only limited spillovers from recent geopolitical tensions.

Asia remains underpinned by strong investment momentum tied to the AI cycle, while several Latin American economies continue to benefit from firm commodity demand. Against this backdrop, we are comfortable maintaining a higher tolerance for both credit and duration risk.

Overall, the combination of moderating geopolitical risks and resilient growth dynamics supports a constructive stance on emerging markets.

We continue to favor selective risk taking, focusing on countries and sectors with solid fundamentals and credible policy frameworks, while remaining alert to pockets of idiosyncratic vulnerability.

Magyar's landslide victory

Hungary's recent election marked a decisive turning point, ending Viktor Orbán's 16-year tenure and ushering in a new, EU oriented government under Prime Minister elect Péter Magyar.

Winning a landslide victory and a two thirds parliamentary majority, Magyar framed the result as a clear mandate to dismantle what he described as Orbán's increasingly authoritarian system and reconnect Hungary firmly with the European mainstream. He has already called for the resignation of key institutional leaders, arguing that political loyalty has eroded the independence of the state.

The outcome has been welcomed in Brussels, where Orbán's obstructionism, particularly over EU support for Ukraine, had strained relations in recent years. It also represents a setback for nationalist forces in Europe and for leaders such as Donald Trump and Vladimir Putin, who had viewed Orbán as a strategic ally within the EU. While Orbán was largely pragmatic during his first 14–15 years in office, voting with the EU on most legislation, his confrontational shift in the final two years proved decisive for voters.

Magyar now faces a challenging inheritance. Years of fiscal spending have left Hungary with a record deficit, raising the urgency of budget consolidation to avoid a sovereign credit downgrade. The success of his reform agenda, and Hungary's reintegration into the EU core, will depend on how effectively he balances political change with economic stabilization.

About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK, Italy and the Nordic countries.

As at 31 December 2025, assets under management for third-party clients amount to EUR 156.5 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 309.6 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe¹. Of the assets totalling EUR 309.6 billion, EUR 96.1 billion are invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 26.3 billion in value. Total real estate assets under management and administration at the end of December 2025 thus came to EUR 122.4 billion.

Swiss Life Asset Managers employs more than 2 300 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

¹#2 IPE Top 150 Real Estate Investment Managers 2025 Ranking Europe, #2 INREV Fund Manager Survey 2025

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If you have any further questions, please do not hesitate to contact us:

In France: service.clients-securities@swisslife-am.com,

Tel.: +33 (0)1 40 15 22 53

In Switzerland: info@swisslife-am.com

Swiss Life Asset Managers France

Portfolio Management Company

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Limited liability company governed by an executive board with capital of EUR 671 167

Registered office: Tour la Marseillaise, 2 bis, boulevard Euroméditerranée, Quai d'Arenc 13002 Marseille

Main office: 122, rue La Boétie, 75008 Paris

