

Emerging Market Credit Overview

November 2025.

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DIGITAL TRANSFORMATION
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Market Overview

Deal Flow- Issuance 2025

Pick up in issuances across the segments before anticipated volatility in US policies.

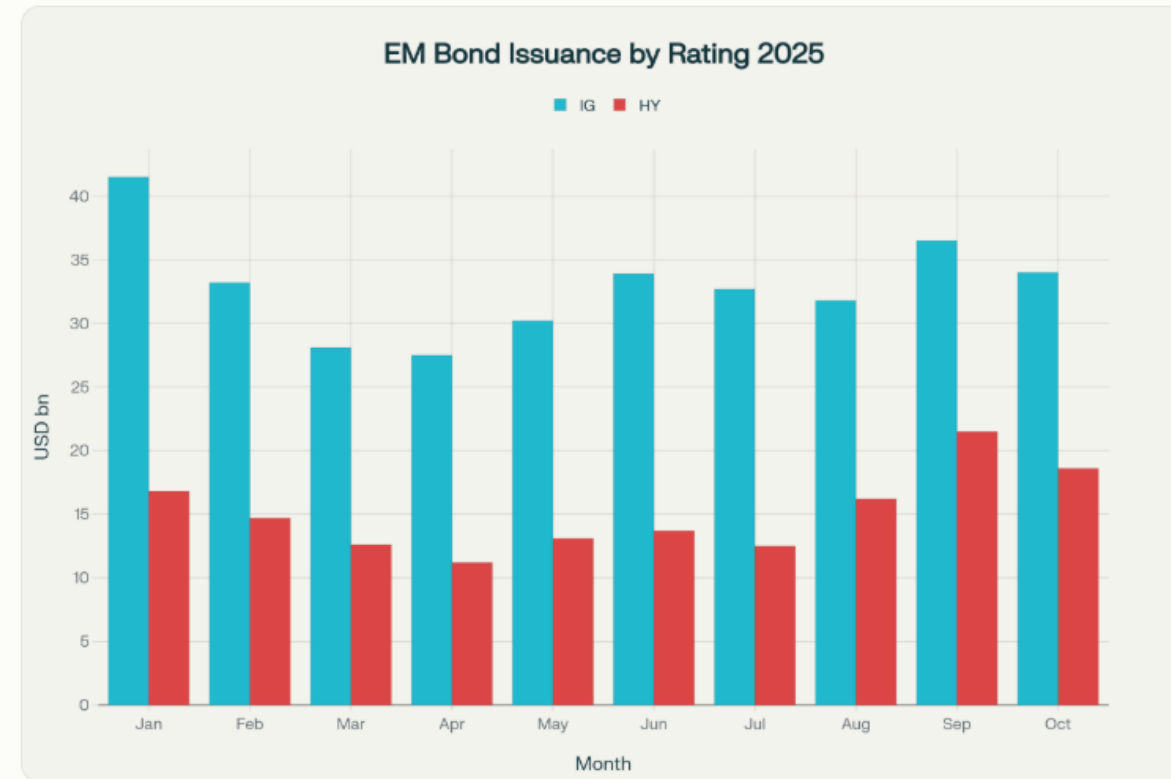
Year-to-date, EM borrowers have issued over **\$500 billion (as of Oct 2025)** in international bonds, marking the highest pace in several years and exceeding last year's early volume by a substantial margin.

There is notable front-loading of issuance as EM borrowers move ahead of potential turmoil surrounding the Federal Reserve rate decisions. Saudi Arabia issued \$12 billion, followed by Mexico with \$8.5 billion, Chile with more than \$3 billion, and a mix of European, Asian, and Latin American sovereigns and corporates.

Hard currency bond issuance has dominated so far in 2025, but local currency markets are also gaining traction as a funding source, particularly for sovereigns as these markets mature and deepen.

Returns on hard currency EM bonds have remained robust, supported by tightening spreads, foreign investor demand, and supportive global factors such as a weaker US dollar and anticipation of US rate cuts.

Recent ratings changes and fiscal policy adjustments have impacted issuance plans and spreads—examples include upgrades for El Salvador and Argentina and downgrades for Gabon and Bolivia.



Monthly EM international bond issuance by rating (IG vs HY), Jan-Oct 2025, USD bn

Liquidity Dynamics

Stable owing to strong issuance volumes , funds inflow and resilient trading conditions

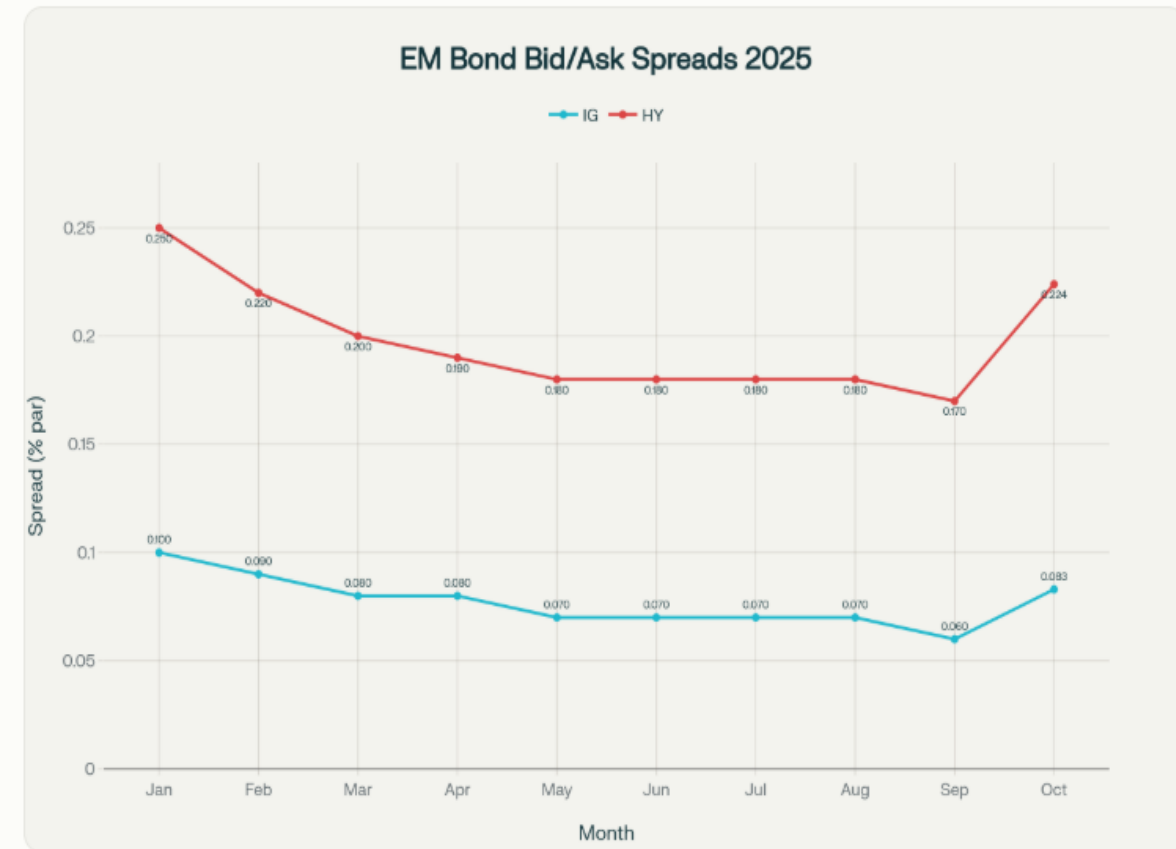
Average daily trading volumes for EM hard currency debt are up nearly 20% year-on-year, with the MarketAxess platform reporting a steady increase across both sovereigns and corporates.

Bid-ask spreads for EM bonds have remained tight but exhibit some volatility, with IG bid-ask spreads in the 0.06–0.10 price % of par range and HY spreads in the 0.17–0.25 price % of par range, reflecting a healthy two-way market and efficient price discovery.

Trading costs temporarily increased in October, but the move was largely a reversion to recent means, without signalling a wider market breakdown.

Despite robust liquidity, occasional stress events (such as broader rates volatility or geopolitical shifts) have led to temporary spikes in bid-ask spreads and lower trading volumes. However, most EM credits recover quickly, and market depth allows active managers to adjust positions efficiently.

Longer-dated and smaller-issue EM bonds remain less liquid than core sovereign or larger corporate deals.

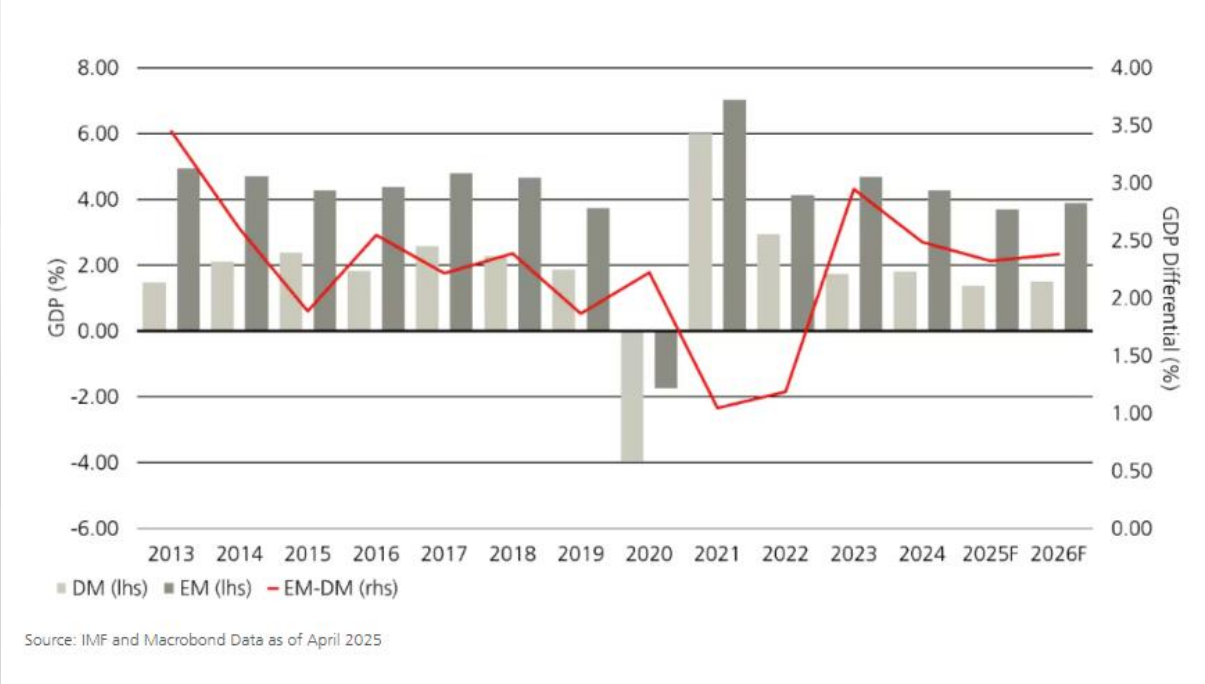


Historical bid-ask spread trends for EM international bonds (IG vs HY), Jan–Oct 2025

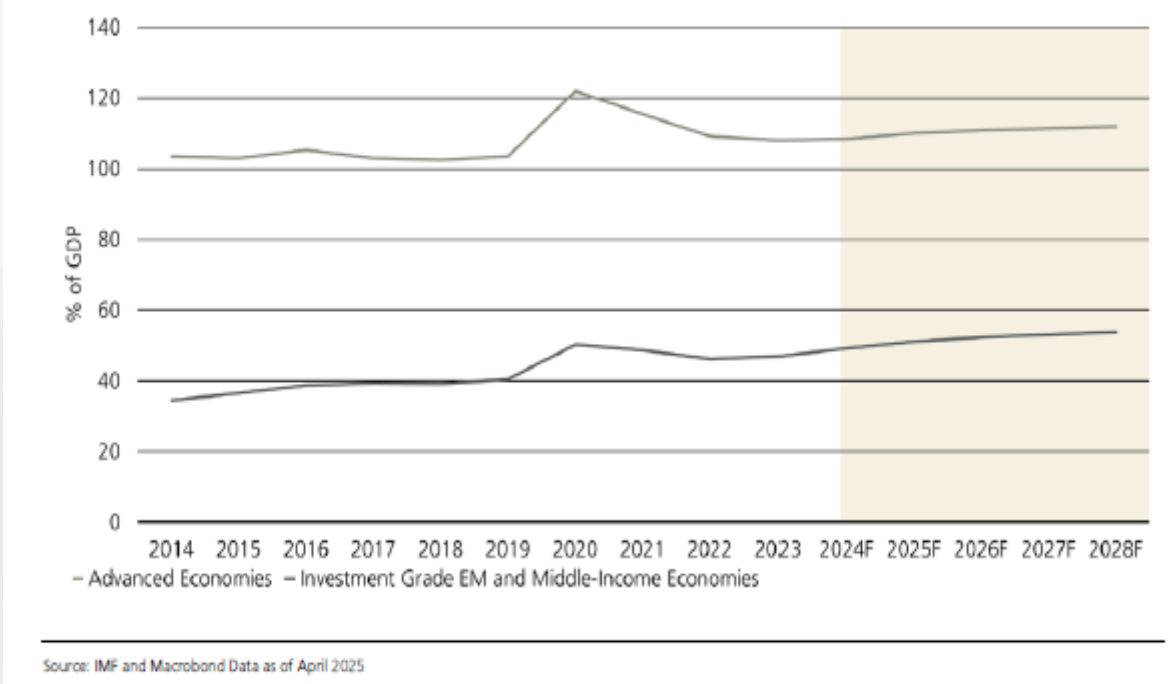
Why EM International Bonds ?

Balanced Economic Policies

EM-DM growth differential



Gross Government Debt forecast



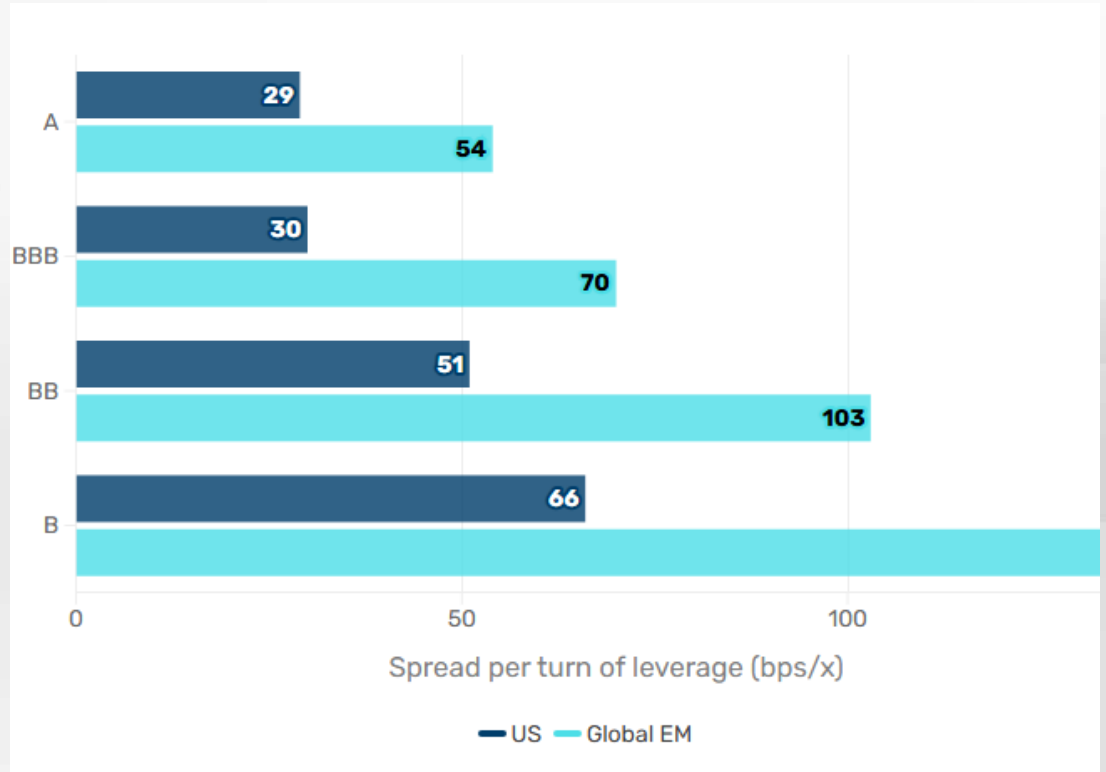
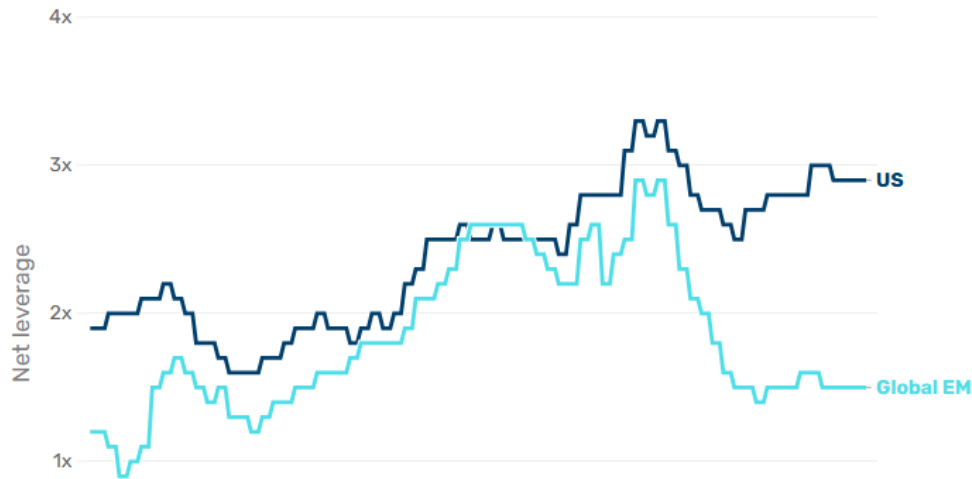
Over the past 50 years, many countries in Latin America and other emerging markets experienced recurring high inflation coupled with economic and financial crises. Certain countries adopted the inflation-targeting approach from developed markets that recognizes the key role of central bank monetary policies in determining the inflation rate.

Controlling inflation has been one of the drivers of rapid economic growth and stability in output and employment in several emerging market economies. This has enabled the Sovereigns to reduce their Debt-to-GDP ratio.

Such actions have played a large part in elevating the credibility of emerging market sovereigns.

Valuations continue to look cheap relative to DM

Figure 1. EM corporates offer better fundamentals yet trade wider relative to the US



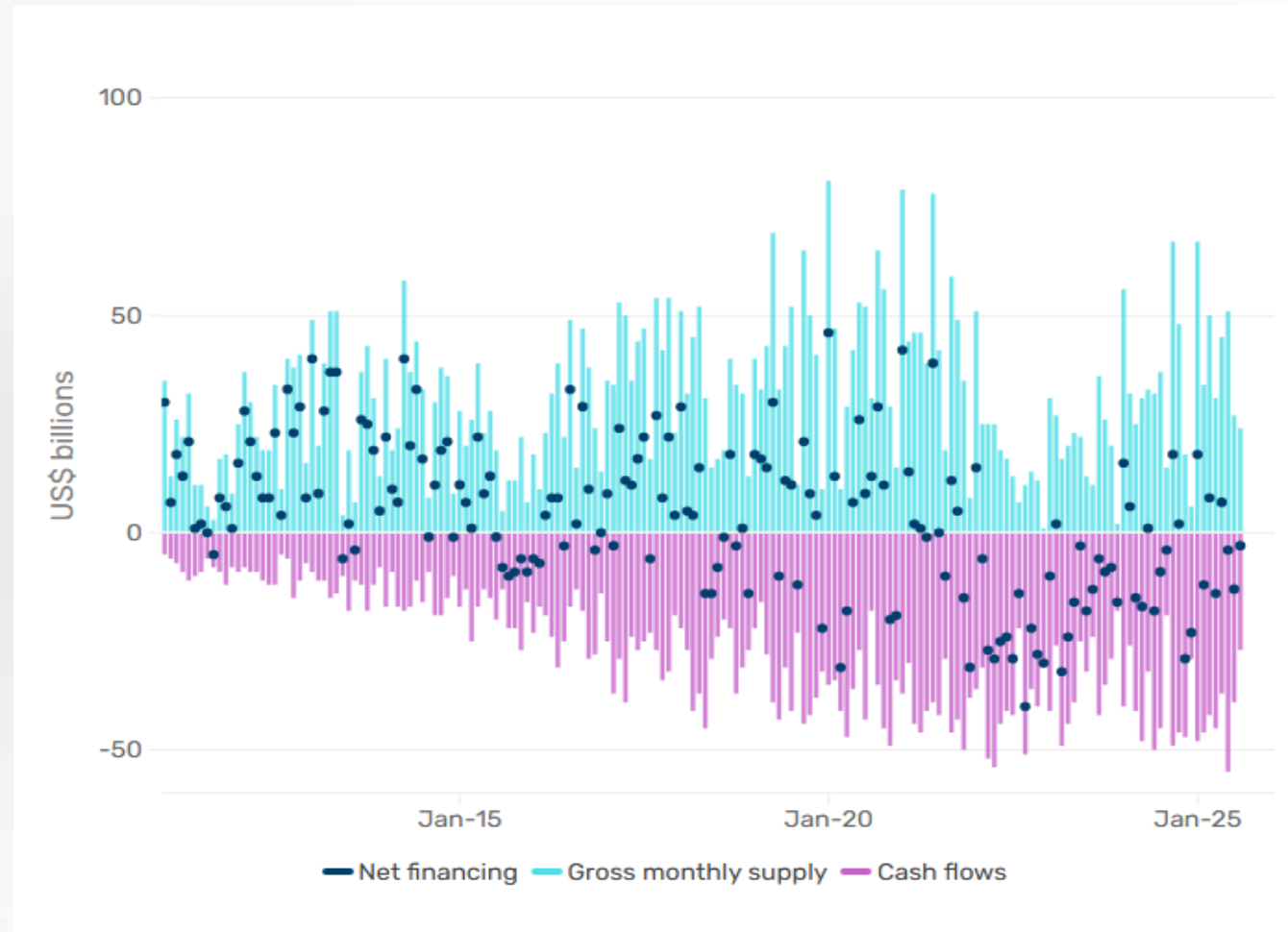
EM corporate credit offers notable value compared to developed markets, particularly the US. Since 2020, EM corporates have deleveraged in response to multiple pressures: the COVID shock, rising global interest rates, EM currency depreciation during 2021-2022, and volatile cash flows. This deleveraging has been facilitated by stronger post-pandemic earnings in certain sectors — particularly commodity exporters in Brazil, Chile, and Indonesia — which have benefited from higher inflation. These factors have led firms to prioritise resilient cash flows over cheap debt-funded growth, resulting in a what we view as a more diverse and fundamentally sound market, which we believe is yet to be fully reflected in valuation metrics.

Technical tailwinds from Supply constraints

Constrained issuance in EM corporate credit has resulted in negative net supply over the past three years – a dynamic that can create upward price pressure.

Supply has modestly increased year-to-date but remains supportive for the asset class.

While Federal Reserve rate cuts could eventually lead to a surge in issuance, for now, current supply constraints continue to provide meaningful price support.

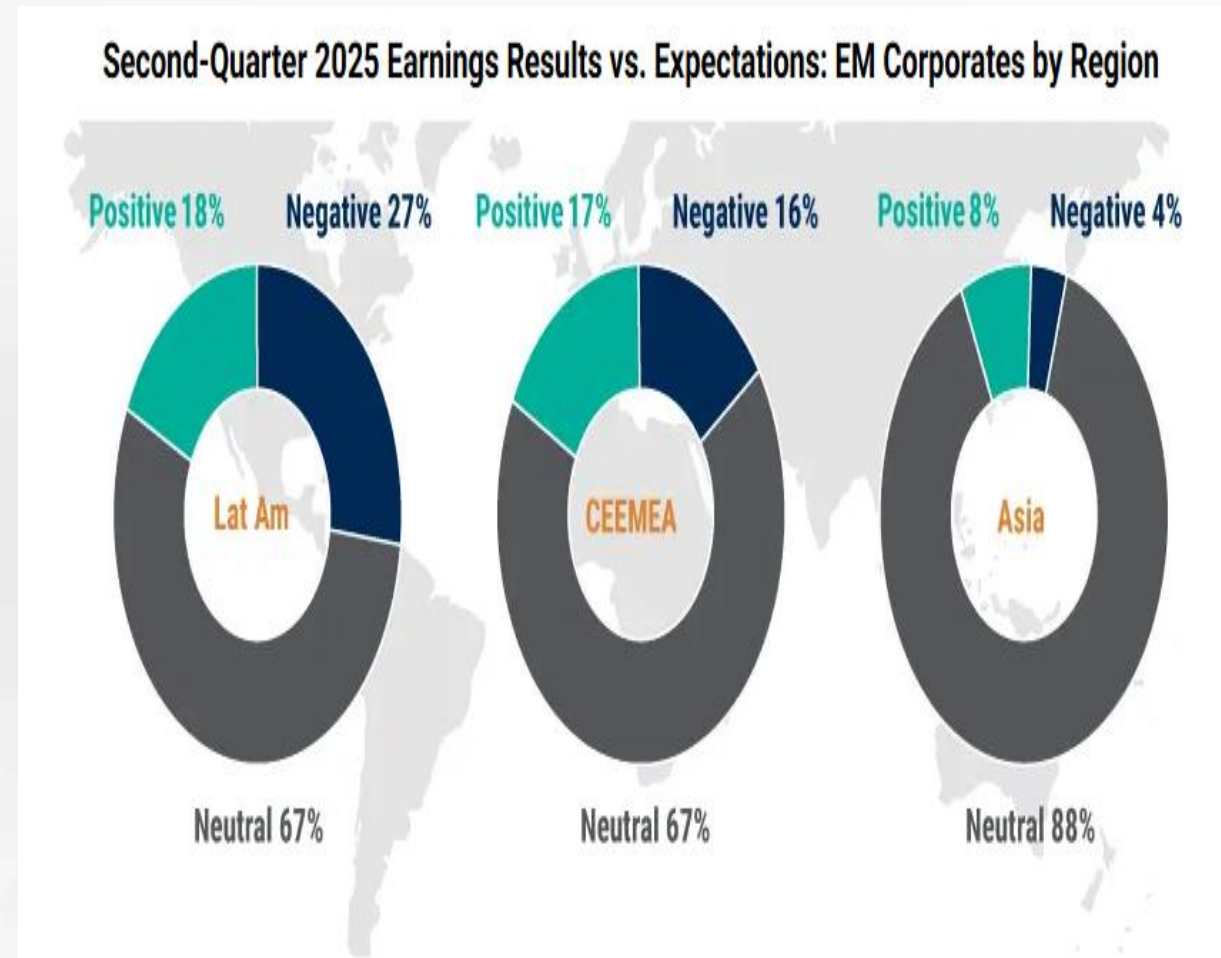


Source: Courtesy J.P. Morgan DataQuery, Copyright 2025. Data as of August 2025.

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Steady Earnings of EM Corporates

EM corporate earnings remain steady and are broadly in line with expectations across regions and sectors, supporting both the stable economic outlook that prevails throughout EM but also the fundamental creditworthiness of EM corporate issuers.



Source: PineBridge. Data as of Sep 19th, 2025.

Risks

Credit Selection is the Key

Returns in EM fixed income is now less driven by credit spread beta and much more by deep issuer selection and country calls, as performance spreads widen between strong and weak sovereigns and corporates.

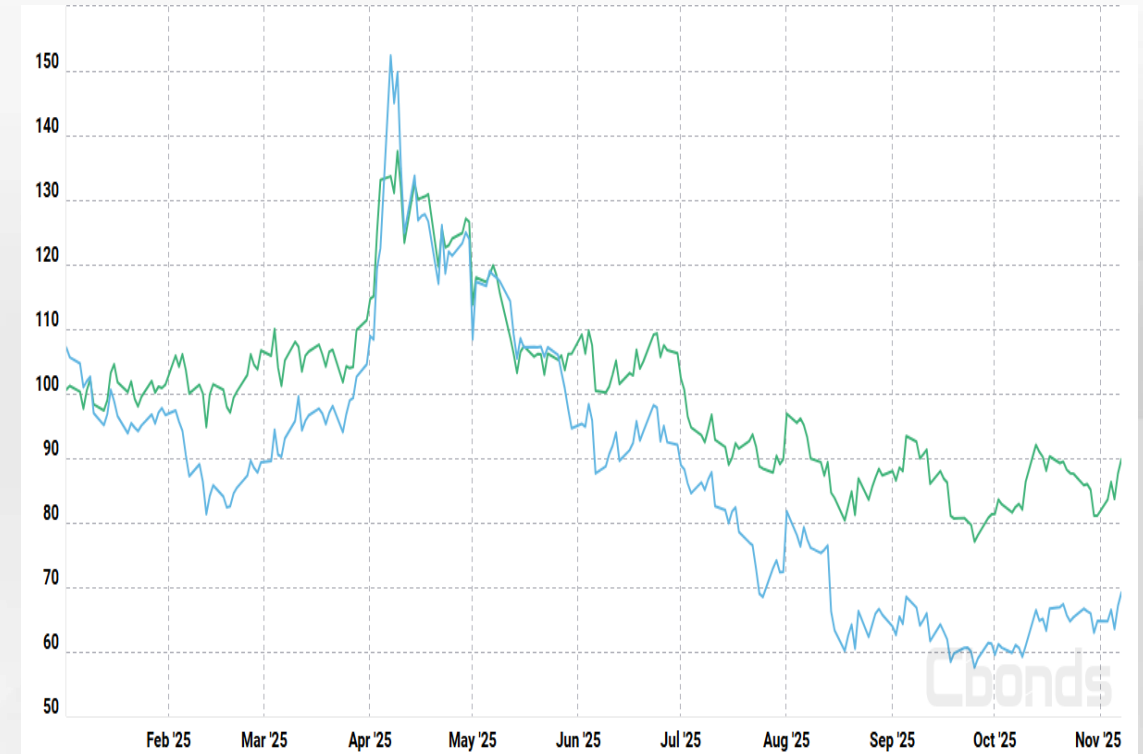
The asset class presents **vast fundamental dispersion**—ranging from reforming investment-grade sovereigns to highly-levered or distressed high-yield credits—making top-down allocation less effective than active issue selection.

Idiosyncratic events, such as policy changes, elections, and commodity price shifts, can sharply impact spreads and liquidity for individual bonds, highlighting the risk of holding less researched or marginal credits.

Regional Performance Notes

Africa and Latin America underperformed recently due to risk-off sentiment; Middle Eastern credits, including Lebanon, outperformed due to reform prospects and IMF engagement.

Within corporates, Eastern Europe showed resilience, while Latin Americans were pressured except for Argentina which rallied after political shifts.



● Cbonds EM Corporate IG USD T-spread Index ⓘ ● Cbonds India Corporate IG USD T-spread Index ⓘ

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About Lighthouse Canton

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Creating value through
Innovative investment solutions

5bn+ USD

Assets under Management and Advisory
(AUM) across our group, as of Oct 2025

200+

ENTERPRISING &
THRIVING PROFESSIONALS

200+ professionals with top-tier
experience and a proven track record,
dedicated to excellence.

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Private market funds
Public market funds

Wealth Management

Business Solutions
Advisory services
Portfolio management

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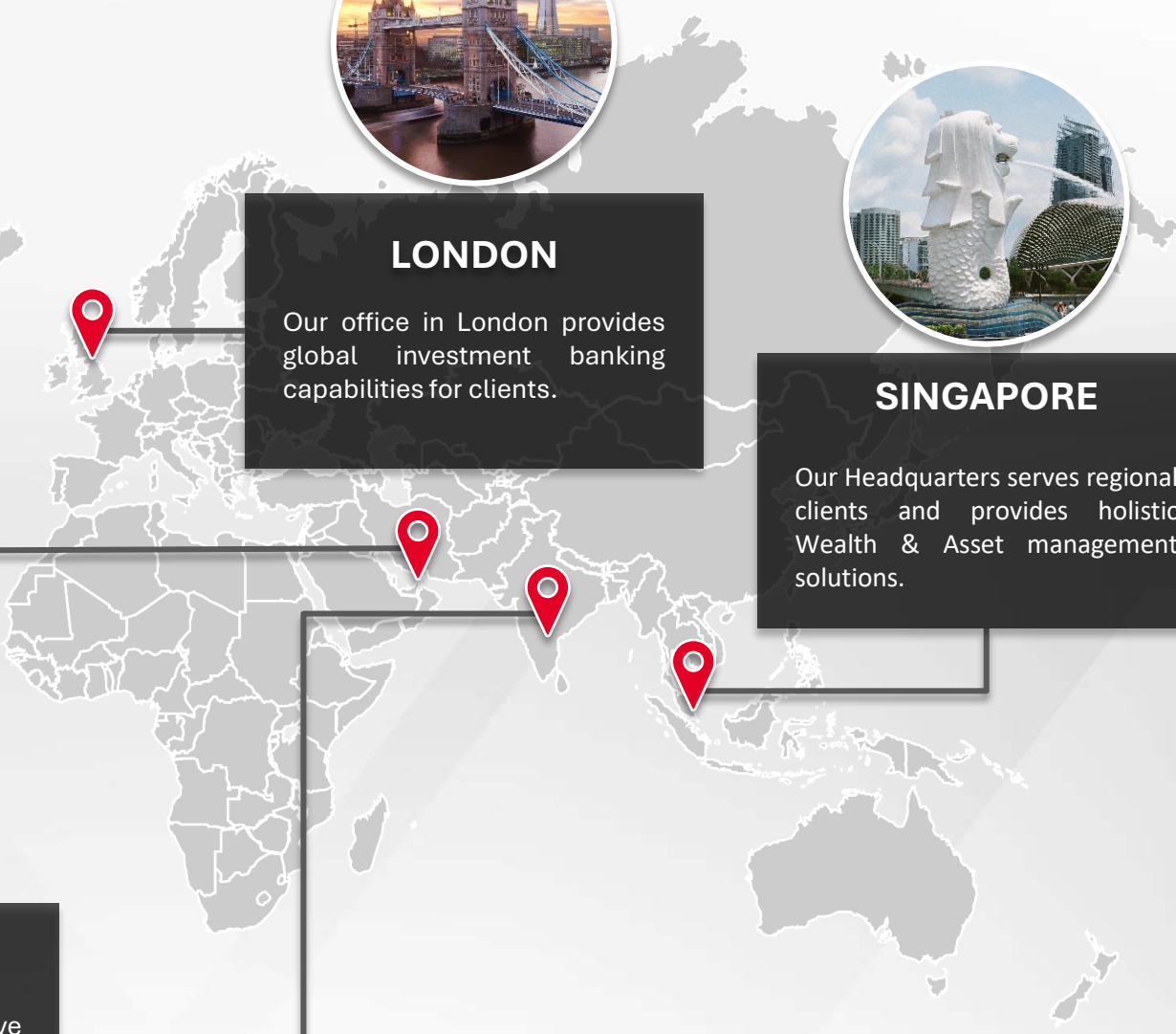
LONDON
Our office in London provides global investment banking capabilities for clients.



SINGAPORE
Our Headquarters serves regional clients and provides holistic Wealth & Asset management solutions.



INDIA
Offices in 5 major cities serve our Indian wealth and asset management clients.



Our Journey: 50x Growth in 10 Years

2014

Founded in
Singapore

2018

Dubai office, India
launch

2022

USD 3 billion AUM

2025

~USD 5 billion AUM
Launch of London
Office

2015

USD 100 million AUM

2020

USD 1 billion AUM
milestone

Launch of India
Operations

2024

USD 4 billion+ AUM

From USD 100 million to USD 5 billion; From a single office to four global locations.

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Awards & Industry Recognitions

Signatory of:



with.
Intelligence

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Winner

Macro (Below \$500m)
Lighthouse Canton
LC Beacon Global Fund

PREQIN

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Fund
SageOne India Growth Master Fund

Featured as one of the
Top performing Singapore-based hedge funds in Q3 2023

Honor Roll Q3 2023: Hedge Funds in APAC

PREQIN

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Featured as one of the
Top-performing Singapore-based hedge funds by net returns in Q2 2024

Preqin Honor Roll Q2 2024: Hedge Funds in APAC

RANKING AWARD

Top 10

SageOne India Growth Fund A
Emerging Markets Equity - Asia
For the year of 2023
Ranked by Net Return

BARCLAYHEDGE
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RECOGNITION AWARD FOR EXCELLENCE

TOP 10

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Net Return For Aug 2023.
Sector: Emerging Markets Equity - Asia

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Straits Times Singapore & Statista's
"Singapore's Fastest Growing Companies 2023"

Financial Times & Statista's
"500 High-Growth Companies Asia-Pacific 2023"

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