



China corporate Eurobonds trading above 10% threshold yield

Company	YTW	Maturity
GREENLAND GLOBAL INVESTMENT LTD RegS	17.02	Jul 03, 2024
HUARONG FINANCE II CO LTD MTN RegS	15.96	Jan 16, 2025
HUARONG FINANCE II CO LTD MTN RegS	20.2	Dec 31, 2049
FRANSHION BRILLIANT LTD RegS	12.82	Dec 31, 2049
HUARONG FINANCE 2017 CO LTD RegS	50	Dec 31, 2049
HUARONG FINANCE 2017 CO LTD MTN RegS	13.43	Apr 27, 2027
KAISA GROUP HOLDINGS LTD RegS	18.36	Jun 30, 2024
CHINA EVERGRANDE GROUP RegS	50	Jun 28, 2023
CHINA EVERGRANDE GROUP RegS	37.34	Jun 28, 2025
SINO-OCEAN LAND TREASURE III LIMIT RegS	18.65	Dec 31, 2049
HUARONG FINANCE 2017 CO LTD MTN RegS	12.16	Nov 07, 2027
HUARONG FINANCE 2017 CO LTD MTN RegS	38.17	Dec 31, 2049
EASY TACTIC LTD RegS	29.51	Feb 13, 2023
SCENERY JOURNEY LTD RegS	50	Nov 06, 2023
YUZHOU PROPERTIES COMPANY LTD RegS	16.79	Feb 26, 2024
CHINA EVERGRANDE GROUP RegS	50	Apr 11, 2024
HUARONG FINANCE 2019 CO LTD MTN RegS	17.11	May 29, 2024
HUARONG FINANCE 2019 CO LTD MTN RegS	11.89	May 29, 2029
AGILE GROUP HOLDINGS LTD RegS	10.35	Dec 31, 2049
KAISA GROUP HOLDINGS LTD RegS	19.21	Jul 23, 2023
AGILE GROUP HOLDINGS LTD RegS	10.03	Dec 31, 2049
KAISA GROUP HOLDINGS LTD RegS	18.71	Nov 12, 2023
YUZHOU PROPERTIES COMPANY LTD RegS	17.74	Jan 13, 2026
KAISA GROUP HOLDINGS LTD RegS	19.11	Jan 15, 2025
KAISA GROUP HOLDINGS LTD RegS	18.5	Jul 23, 2025
KAISA GROUP HOLDINGS LTD RegS	19.44	Sep 28, 2023
SUNAC CHINA HOLDINGS LTD RegS	9.24	Jul 09, 2025
KAISA GROUP HOLDINGS LTD RegS	18.91	Apr 16, 2025
YUZHOU GROUP HOLDINGS CO LTD RegS	15.47	Jan 13, 2027
EASY TACTIC LTD RegS	29.25	Aug 02, 2023
KAISA GROUP HOLDINGS LTD RegS	18.88	Nov 11, 2025

Source: Midlincoln

ML August Fixed Income Strategy

- **At least 31 Chinese construction companies and property companies including SOEs' bonds are trading at defaults levels. Additional problems in emerging markets universe debt is with Ethiopia, Sri Lanka, Tunisia and Lebanon in distress. At this point it looks like there is quite a bit of problems in the emerging markets debt universe to spill over into wider GEM Eurobond universe despite US and Europe overall favourable rates. Some of these countries are likely expect to see currency weakness and imported inflation spikes in a year when inflation is already a problem, exacerbating their economic problems.**
- **If there is any signs of future GEM debt problems they can be only drawn from emerging markets equity performance which is in red YTD with MSCI GEM index down 1.04% YTD (on Aug 1). Usually debt performance is a leading indicator for equities, however sometimes it is vice versa and perhaps this year it is equities which act as leading indicator for debt.**
- **Chinese yield expansion**
China onshore debt problems worsened. August started with at least 31 Eurobonds of Chinese large developers and construction companies trading above 10% yield. The value traded at default levels corresponds to roughly 2% of emerging market investor's holdings in GEM corporate Eurobonds sector. Consensus view is that yes, defaults will increase but nobody expects any major negative impact on China dollar corporate debt, mostly because everyone expects government to step in and help the market. The events unfolding are contradictory; on one hand everyone expects defaults to increase on the other hand everyone expects bailouts of troubled borrowers in China implying that select defaults will be allowed by the government which is negative in any case.

China Sovereign and corporate yield simple average Midlincoln China Eurobond index

China Average Sovereign+Corporate USD Bond Yield



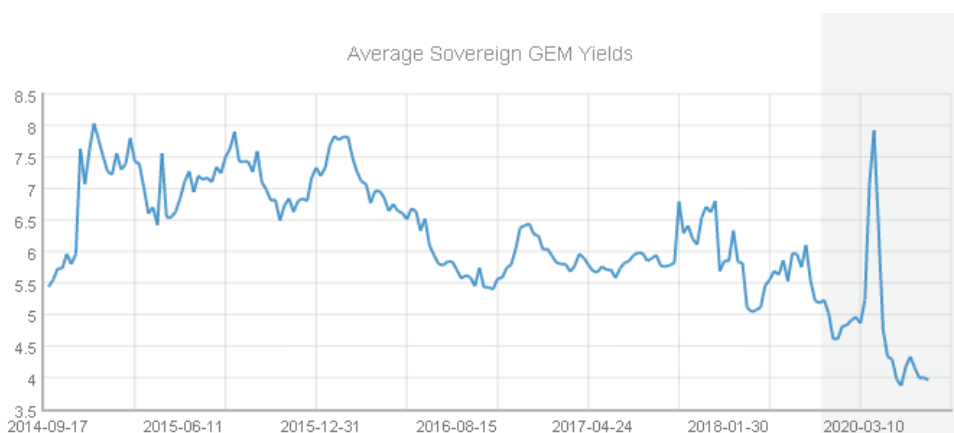
Country Average Sovereign+Corporate USD/Euro Yields Ordered by Current YTM

Country	Yield	Yield Change
Sri Lanka	19.57	-0.4
Argentina	15.03	0.13
Tunisia	11.23	3.16
Ethiopia	10.76	1.24
El Salvador	9.71	0.54
Ecuador	9.17	0.2
China	8.95	2.37
Ghana	8.19	0.33
Angola	7.81	-0.16
Cambodia	7.47	0.25
Zambia	6.95	-0.14
Bolivia	6.77	0.18
Jamaica	6.76	0.1
Togo	6.72	0.14
Iraq	6.56	0.25
Gabon	6.53	-0.03
Egypt	6.3	0.03
Ukraine	6.22	0.09
Costa Rica	6.12	-0.1
Senegal	6.04	-0.1
Nigeria	5.79	0.07
Pakistan	5.75	0.17
Kenya	5.68	-0.08
India	5.3	0.45
Cote D'Ivoire (Ivory Coast)	5.09	-0.4
Jordan	4.98	-0.02
Turkey	4.93	-0.24
Luxembourg	4.8	1.8
Brazil	4.73	0.08
Bahrain	4.69	0.11
Dominican Republic	4.66	-0.04
Mexico	4.6	-0.04
Peru	4.57	0.42
Oman	4.52	-0.1
Macau	4.51	0.59
Chile	4.46	0.39
Guatemala	4.25	-0.12
Democratic Rep of Congo	4.22	0.26
Israel	4.2	0.04
Canada	4.12	0.21

Source: Midlincoln

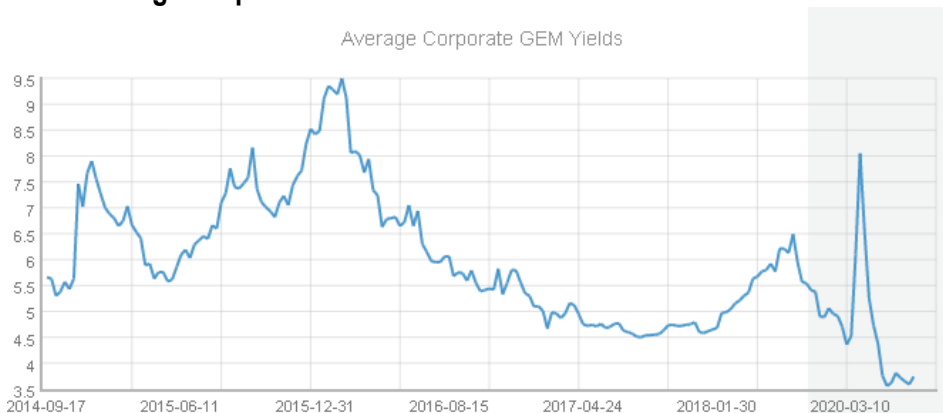
- Additional distressed situation in the GEM dollar debt universe is with Tunisia, Ethiopia, Argentina and Sri Lanka. While the latter 2 have been in distressed state for a while Ethiopia and Tunisia are cases which became distressed since the beginning of this year. A combination of Covid problems and political problems or sole political problems is reason for deterioration of credit risk.
- 5 countries in the emerging market universe are trading at above 10% average yield including Lebanon which was in restructuring sine last year.
- Neither corporate nor sovereign USD Yield GEM indexes show any significant yield expansion. These indexes show that both measures did consolidate at the bottom at around 3.7% levels. But this also implies that there is only up from here for yields to develop

Average Sovereign GEM Yields Midlincoln Index



Source: Midlincoln

Average Corporate GEM Yields Midlincoln Index



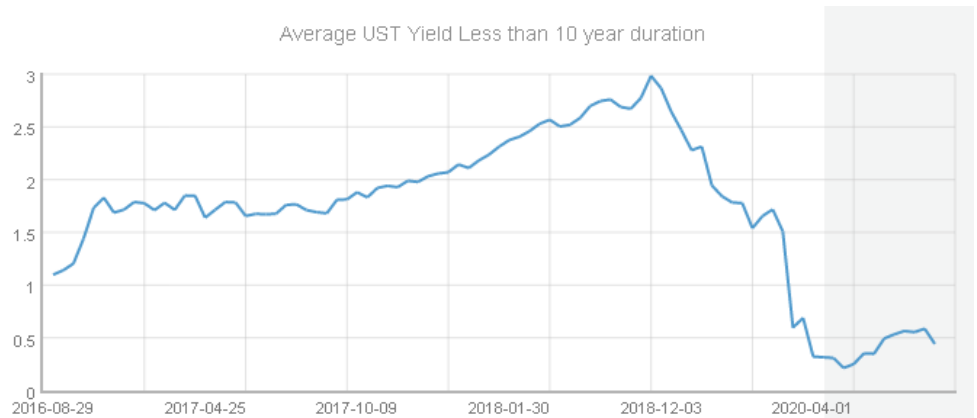
Source: Midlincoln

Colombia	4.02	0.02
South Africa	3.94	0.03
Paraguay	3.84	0.05
Kuwait	3.73	0.12
United Kingdom	3.71	-0.13
Philippines	3.7	0.08
United States	3.69	0.25
Morocco	3.67	-0.08
Panama	3.63	0.33
Indonesia	3.49	0.14
Vietnam	3.39	0.11
Trinidad and Tobago	3.3	0.01
France	3.27	1.11
United Arab Emirates	3.26	0.05
Hong Kong	3.25	-0.08
Italy	3.14	-0.09
Netherlands	3.12	0.08
Germany	3.08	-0.02
Thailand	3.01	-0.05
Russian Federation	2.85	-0.07
Saudi Arabia	2.73	-0.04
Kazakhstan	2.69	-0.03
Serbia	2.69	-0.07
Australia	2.65	-0.01
Romania	2.54	-0.01
Malaysia	2.52	-0.08
Azerbaijan	2.42	0
Supranational	2.37	-0.15
Uruguay	2.28	-0.08
Singapore	2.05	-0.14
Qatar	2.04	-0.1
Korea (South)	1.54	-0.12
Taiwan	1.5	-0.18
Hungary	1.1	-0.08
Poland	0.57	-0.11
Lebanon	0	0
Venezuela	0	0

Source: Ishares, Midlincoln

- US Treasuries remain depressed

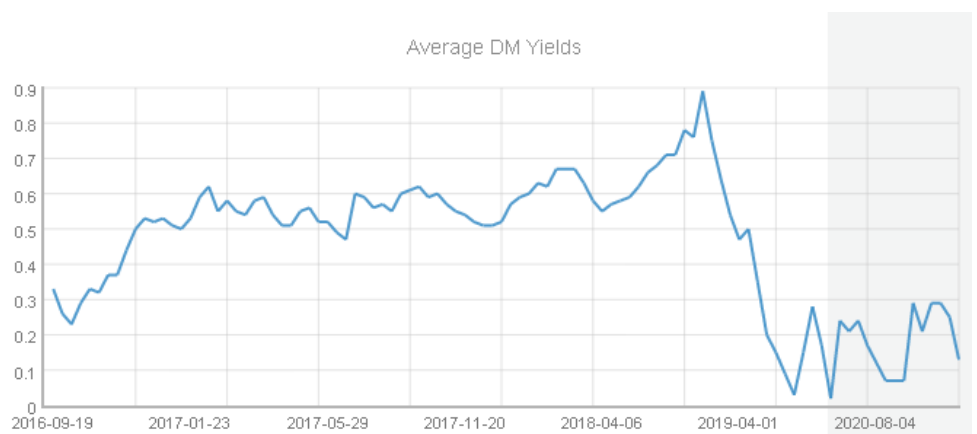
Average US Treasuries Yields (duration<10y) Midlincoln Index



Source: Midlincoln

- And overall developed market yields show no signs of any life

Average Developed Market (blended currency mostly USD and Eur) Midlincoln Index



Source: Midlincoln

The information contained in this document is neither an offer to sell nor a solicitation of an offer to purchase interests in any referenced investment nor does it represent a research report. Securities may not be offered or sold in the United States absent registration with the US Securities and Exchange Commission or an exemption from registration under the US Securities Act of 1933, as amended. This document is only directed at professional investors who have experience of investing in emerging markets and the referenced investments are unlikely to be suitable for most private individuals. The referenced investments are speculative and include a high level of risk, and investors may not receive back the original amount of money that they invested. The value of investments can fall as well as rise, and you may get back less than what you originally invested. Where an investment is made in overseas currencies, changes in currency exchange rates may affect the value of your investment. Investments in emerging markets can be more volatile than in other more developed markets. Past performance is no guarantee of future performance, and the value of investments can go down as well as up. Please consult your financial and tax advisers if you are considering investing in any of the referenced investments. This document may contain certain forward-looking statements with respect to MidLincoln Research's strategies or expectations. Forward-looking statements speak only as of the date they are made, and MidLincoln Research assumes no duty to, and does not undertake to, update such forward-looking statements. This document may not be reproduced, distributed, transmitted, displayed, published or broadcast by any recipient for any purpose without the prior consent of MidLincoln Research. This document has been issued by MidLincoln Research.