

April 2026

UNRAVELLING MYTHS

The hidden truths of Emerging Markets Debt

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The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

AT A GLANCE

Key takeaways

- ▶ The hard currency emerging market sovereign universe (EMD HC) is now a mature asset class spanning over 70 countries across the full ratings spectrum, with over 50% rated investment grade. The breadth of countries brings fundamental diversification of risk within an investor's portfolio.
- ▶ EMD HC provides investors with access to the EM 'risk premium' combined with the more defensive properties of bonds.
- ▶ Investment outcomes can be enhanced through active management due to the complexity of the asset class and prevailing market inefficiencies.

Emerging markets (EMs) as an asset class have been accessible for over two decades, yet misconceptions surrounding them continue to deter some investors. Despite EMs accounting for over 60% of global gross domestic product (GDP)¹ and being home to over 80% of the world's population,² investors are under allocated to the asset class. EMEA investors have on average a 5% allocation to emerging markets debt (EMD), while Latin American investors an average of 2%.³ Many miss the chance therefore to diversify their portfolios by not incorporating exposure to EMs.

Some of the key attributes of Emerging Markets Debt Hard Currency ('EMD HC') are:

- 1. Attractive yields:** EMD HC offers yields that are much higher when compared to developed market (DM) debt, with a significant portion of the universe rated investment grade (IG), presenting robust return potential over the long term.
- 2. Resilience and stability:** Despite preconceptions, EM countries have demonstrated marked improvement in economic fundamentals, making them more resilient to global economic shifts.
- 3. Diversification:** EMD HC provides fundamental diversification of risk by offering exposure to a multifaceted range of countries. It provides access to the EM risk premium combined with the more defensive properties associated with hard currency (HC) bonds.
- 4. Active management opportunities:** The complexity and inefficiencies inherent in the asset class necessitate active management strategies to successfully navigate and capitalise on opportunities that, in our view, passive strategies overlook.

In this paper, we address key misconceptions about EMs that may be preventing investors from embracing this asset class, with a specific focus on hard currency EM sovereign debt. We highlight how EMD has evolved into a rapidly growing and maturing asset class, one which we feel deserves closer attention from investors seeking diversified and resilient portfolios with attractive long-term return potential.

¹Source: IMF, DataMapper March 2026. GDP is in Purchasing Power Parity terms, US dollars.

²Source: United Nations, World Population Prospects, as at 2025.

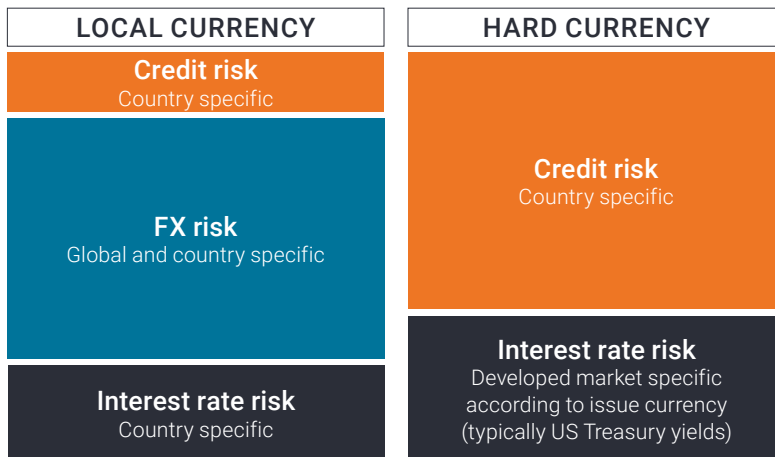
³Source: Portfolio Construction and Strategy team analysis on data from Janus Henderson EDGE™ for Europe incl. UK and Latin America from March 2025 to February 2026.

Myth #1: Currency and rate volatility erodes EM returns

The primary drivers of return for EMD HC are US Treasury (UST) yields and sovereign credit spreads – given it is a ‘credit’ asset class. Any significant impact from currency depreciation is typically linked to country-specific factors and has become much less important for the broader asset class as the share of domestic debt (within overall debt) has increased. US dollar moves result in secondary effects. Rather than being systemic to the asset class, these moves tend to impact credit quality only for smaller frontier countries where HC debt is the dominant source of funding and when there is a large and sustained depreciation in a country’s currency due to economic crisis (which makes it harder to service US dollar debt).

This contrasts with EM local currency (LC) bonds, where moves in EM currencies versus the US dollar are often the main driver of performance (c. 80% of the risk comes from EM currencies).⁴ As the US dollar tends to move in long cycles, this explains the disappointing returns over the last decade for LC EMD investors in US dollars (given dollar strength). This headwind has not been the case for EMD HC investors.

Figure 1: Return drivers in EM sovereign bonds

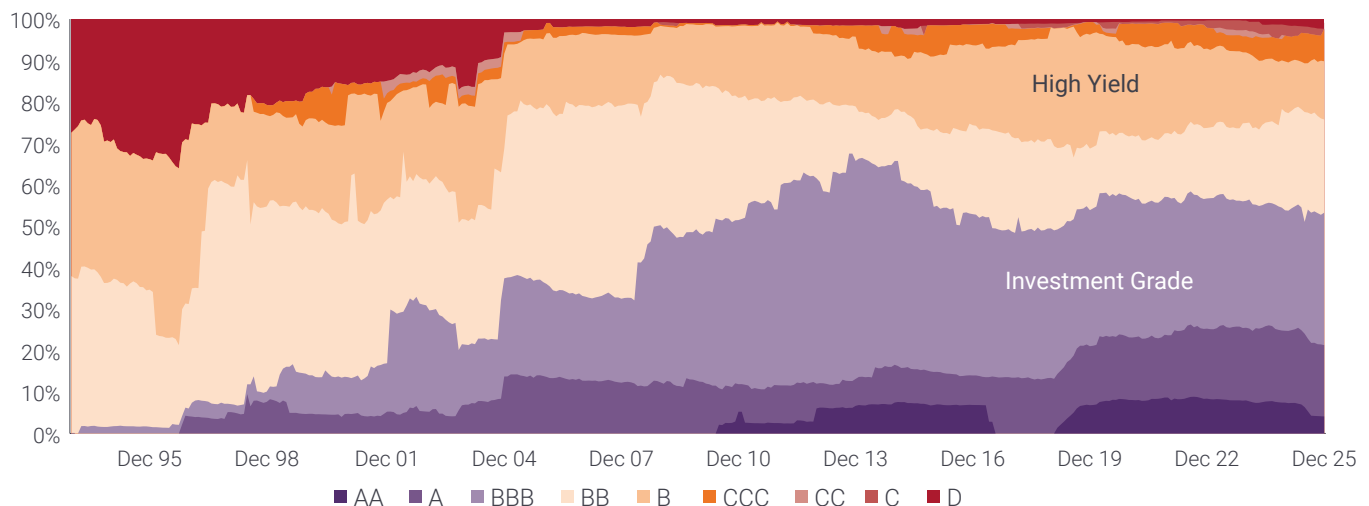


Source: Janus Henderson Investors.

Myth #2: Emerging markets are hampered by low credit ratings

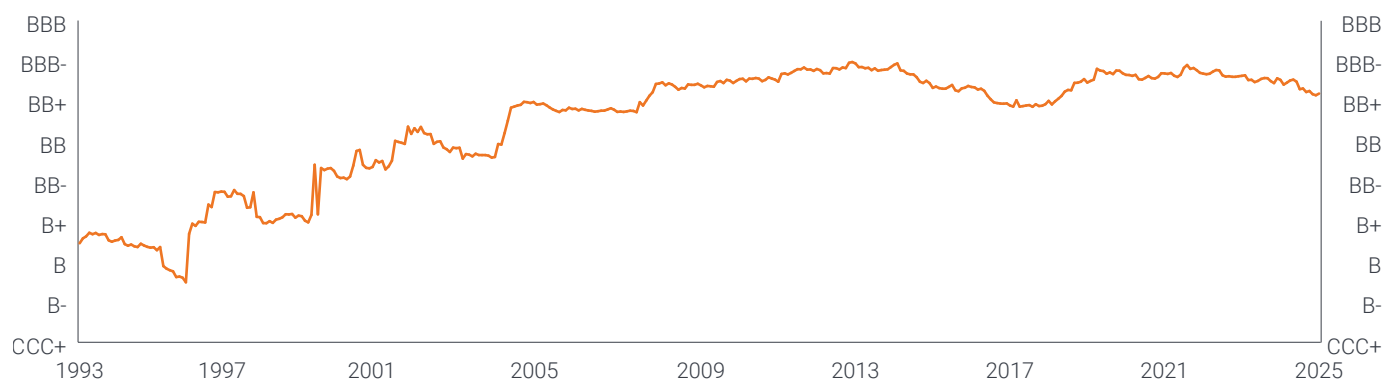
The EM sovereign universe looks very different to the 1990s when the asset class was in its infancy, reflecting growth and economic development. The percentage of IG bonds in the major benchmark indices has risen from under 10% in the mid-1990s to over 50% (Figure 2). The IG portion has a bimodal distribution, with bonds clustered around BBB and AA/A+, with the addition of highly-rated countries in the Middle East in 2019 while Oman and Azerbaijan, for example, were upgraded to IG in 2025. Alongside this expansion, credit quality has improved; the average credit quality of the index has risen four notches, from BB- in 2000 to just above BB+ in 2025 (Figure 3).

Figure 2: EMD HC breakdown by credit rating over time



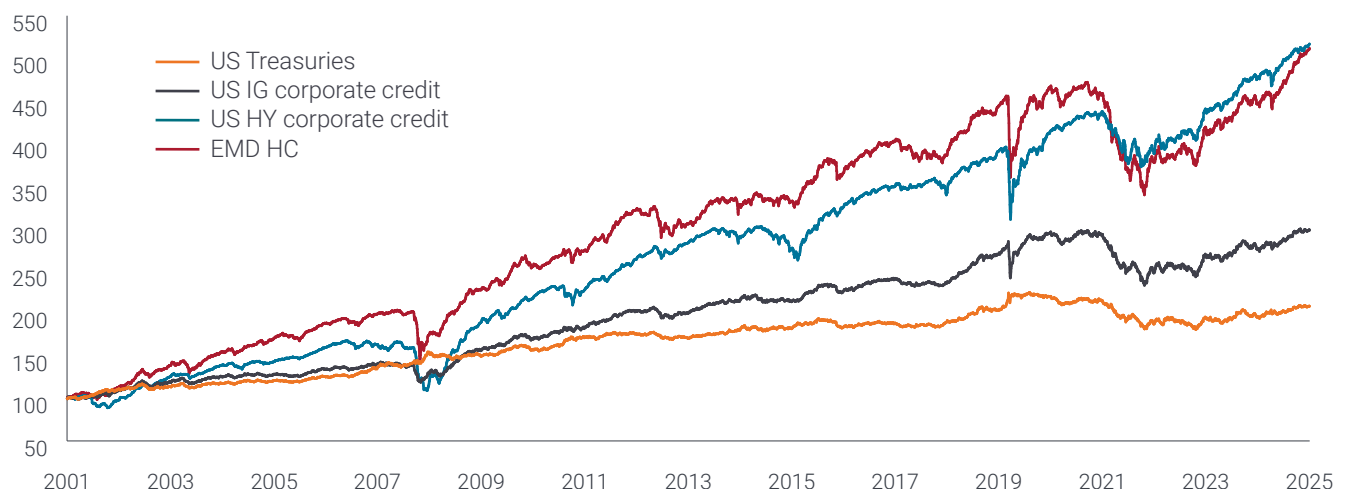
Source: Janus Henderson Investors, JP Morgan EMBI Global Diversified Index, as of 31 December 2025.

⁴Source: State Street, Q3 2024.

Figure 3: Average credit rating of the index over time

Source: Janus Henderson Investors, Bloomberg, JP Morgan EMBI Global Diversified Index, 31 December 2025.

Putting this in perspective, the long-term return profile for EMD HC has been comparable to US high yield (HY) corporate debt, as shown in Figure 4. However, the credit quality is multiple notches higher, with over half of the EMD HC investment universe rated IG as explained earlier. It is also worth noting that the inflation shock of 2022 had an outsized impact on total returns in EMD HC due to the relatively long duration of the asset class.

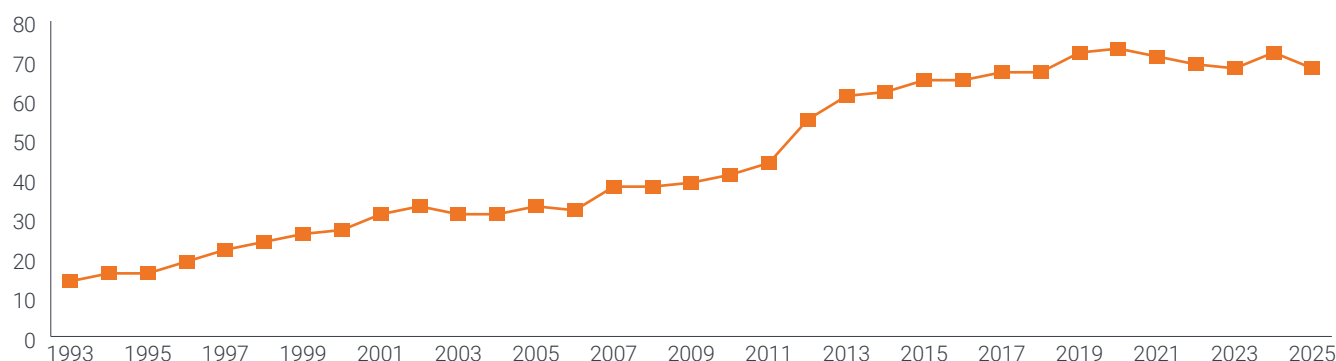
Figure 4: Growth of US\$100 over more than two decades

Source: Janus Henderson Investors, Bloomberg as of 31 December 2001 to 31 December 2025. US Treasuries: ICE BofA US Treasury & Agency Index; US IG corporate credit: ICE BofA US Corporate Index; US HY corporate credit: ICE BofA US High Yield Index; EMD HC: JP Morgan EMBI Index.

Note: **Past performance does not predict future returns.** Emerging market investments have historically been subject to significant gains and/or losses. As such, returns may be subject to volatility.

Myth #3: EM countries lack investment stability

The roots of EMD HC go all the way back to 1989, with the creation of Brady bonds by then-US Treasury Secretary Nicholas Brady. This was part of a debt-reduction plan that enabled commercial banks to exchange their claims on EM governments (mainly from Latin America) and convert them to more readily tradeable bonds. The landscape of investable EM countries has expanded dramatically to over 80 countries today, of which 68 are included in the main EMD HC index (Figure 5). While EM crises were more common in the early days of the market, the last few decades have seen an unparalleled maturing of the market and increases in its breadth and diversity.

Figure 5: The number of countries in EM index has increased significantly since 2009

Source: JP Morgan, JP Morgan EMBI Global Diversified as of January 2026.

The outdated view that EM countries are plagued by political instability and economic volatility doesn't hold up against recent improvements in economic fundamentals, which are often overlooked. Over the past two decades, EM sovereign financial health, including debt levels and fiscal deficits, has shown relative improvement compared to DMs. With stronger growth potential and lower debt levels, EMs are in a better position to manage and sustain their debt.

Additionally, EM countries have been proactive and effective in their monetary policy responses to inflation, especially post-COVID showcasing their resilience. This is in stark contrast to the situation in DMs, where issues of long-term debt sustainability and political instability are becoming more apparent and driving volatility. The distinction between DM and EM bond markets is becoming increasingly blurred.

As shown in Figure 6, the EMD HC universe has offered an average spread of around 380 basis points (bps) above that of US Treasuries, which offers ample compensation for credit risk and expected default losses. Figure 6 also shows the mean-reverting nature of credit spreads, which is another feature of sovereign credit markets. When risk aversion hits global markets, all credit spreads widen, but this tends to be short-lived (i.e., 2-4 quarters), as EM countries' ability and willingness to service their debt is often not impacted. We believe this is evidence of a strong sovereign credit '**anchor**'.

Figure 6: EMBI Global Diversified spread versus US Treasuries

Source: Janus Henderson Investors, Bloomberg, JP Morgan, data from 1 January 2002 to 6 April 2026; spread shown of the JP Morgan EMBI Global Diversified.
Note: **Past performance does not predict future returns.**

Moreover, EM sovereign credit cycles are more idiosyncratic, and thus independent of each other, and less tied to the US business cycle compared to consumer and corporate sectors. This means that episodes of spread widening are typically good buying opportunities in sovereign EMD HC, because it is corporate defaults that tend to cluster in these periods. The fundamental diversity of countries in the investment universe is an important strength of the asset class.

The sovereign credit '**anchor**' in EMD HC has helped to limit drawdowns versus other EM asset classes, such as EM LC debt (driven by currency risk) and EM equities, which are more reliant on growth differentials. This is reflected in its higher Sharpe ratio (Figure 7 overleaf). In our view, EMD HC can act as a core allocation for investors because it provides access to the EM risk premium along with the more defensive properties associated with bonds.

Figure 7: Better risk-adjusted returns delivered by EMD HC

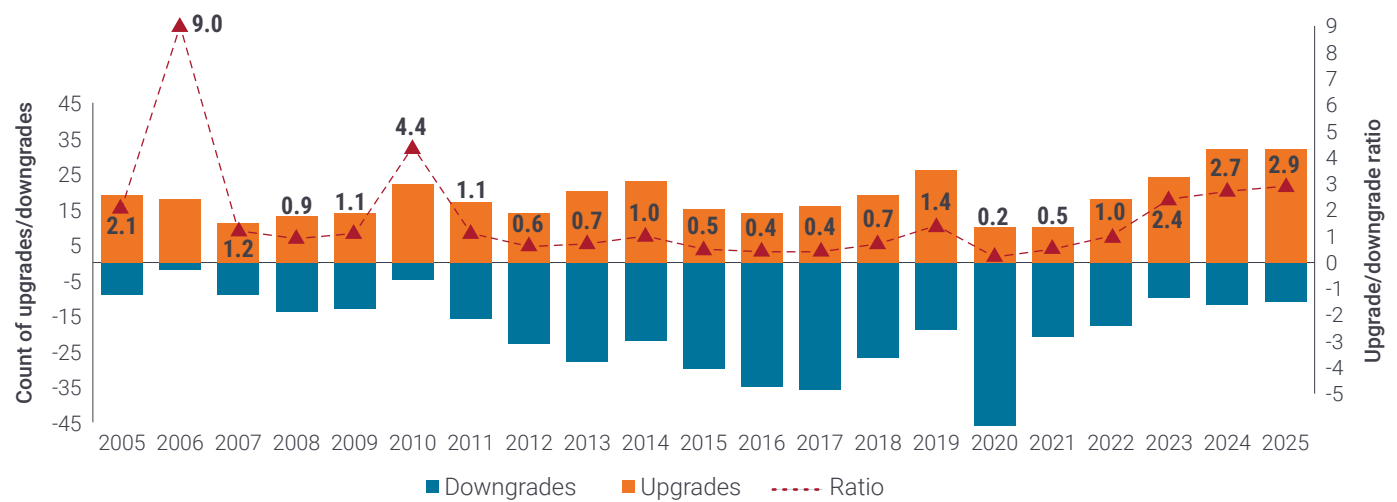
	EMD Hard Currency	EMD Local Currency (unhedged)	EM Equities
Sharpe ratio	0.44	0.25	0.09

Source: Janus Henderson Investors, Thomson Reuters Datastream, JP Morgan, as of 31 December 2001 to 31 December 2025. EMD Hard Currency: JP Morgan EMBI Global Diversified; EMD Local Currency (unhedged): GBI EM Global Diversified; EM Equities: MSCI EM Equity. Based on returns for a USD-based investor.

Myth #4: EM is too risky due to defaults and restructurings

Restructurings have historically resulted in reasonable recovery rates (more than 50%)⁵ as sovereigns cannot disappear (unlike corporates that can go into bankruptcy) and need to maintain good relationships with investors to keep market access. Generally, defaults have been concentrated among smaller issuers in the index, including during the COVID pandemic. Such ramifications of the pandemic were not by any means limited to EMs. Post COVID, the resilience of EM assets has been notable. Over the past three years, sovereign rating upgrades have exceeded downgrades (Figure 8).

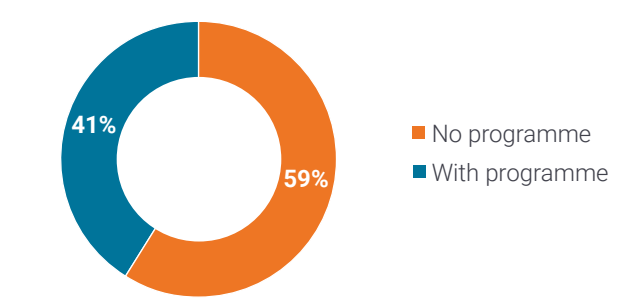
Figure 8: EM credit rating upgrades have been more than double the number of downgrades in 2025



Source: Janus Henderson Investors, JP Morgan; JPM EMBI index excluding CCC issues, as of December 2025. A positive upgrade/downgrade ratio denotes that upgrades outpace downgrades.

EM restructuring efforts also merit attention. Participation in International Monetary Fund (IMF) programmes encourages countries to implement structural reforms and specifically commit to disciplined fiscal planning and borrowing, facilitating sovereign development responsibilities. Notably, several countries in IMF programmes have completed their required restructuring in 2024-2025 and no longer require programme support or are in the process of renegotiation. This highlights both the discipline of EMs in securing and completing a programme and the value of IMF support. Several frontier economies have undergone a multi-year reform process in partnership with the IMF and are no longer in need of further funded programmes, but retain the option to go back to the Fund should future shocks were to emerge.

Figure 9: HY countries with IMF programmes



Source: Janus Henderson Investors, IMF, as of 31 March 2026. Calculation based on the count of countries in the JPM EMBI index that are HY rated with IMF programmes.

⁵Source: Cruces, Juan and Christoph Trebesch (2013): Sovereign Defaults: The Price of Haircuts, American Economic Journal. Updated by Morgan Stanley Research for recent restructurings, as of 31 December 2025.

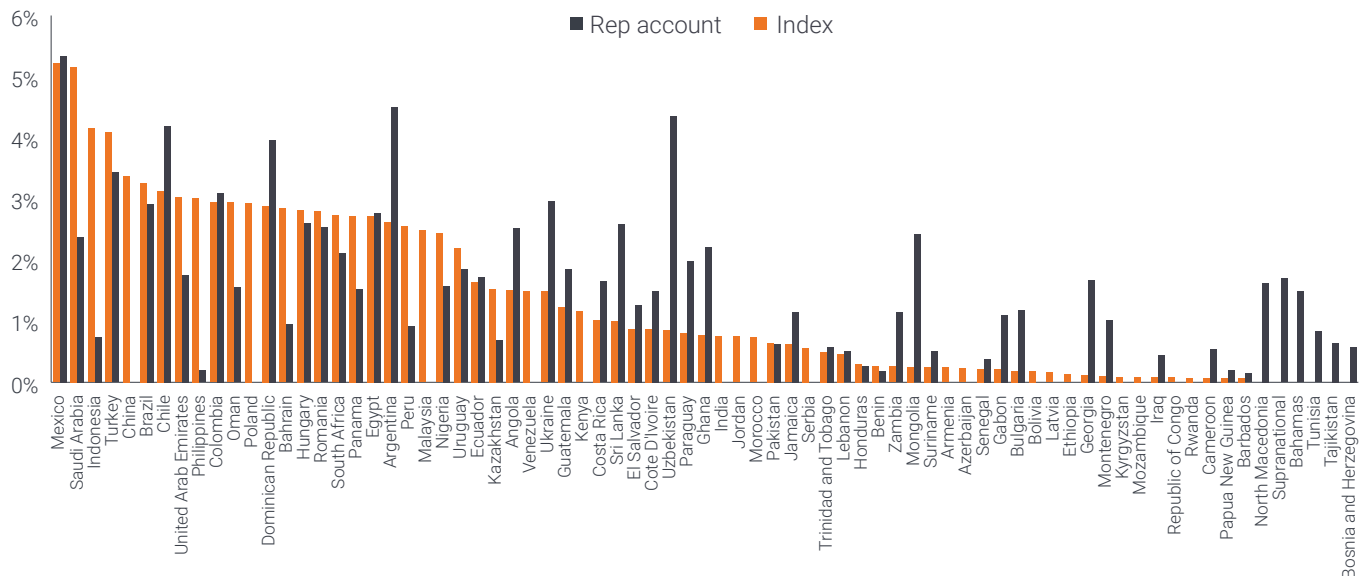
Given the role of the IMF, which is unique to the sovereign market, it is important to consider the channels through which it can influence sovereign credit risk and our assessment (as active investors) of the opportunity. These factors are as follows:

- **Financial support** probably has the most direct effect on short-term sovereign credit risk, as it reduces immediate liquidity risk.
- **Strong signal for willingness to pursue credit positive policies** when a country enters a programme and accesses funding. Markets often respond positively to this signal as there is a front-loaded improvement in financial conditions.
- **Improved policy quality and higher likelihood of economic stabilisation** as a result of programme participation, which have conditionalities that require credit positive policies, often orthodox economic policies and structural reform conditions.
- **Improved visibility and monitoring:** Programme reviews, typically quarterly or semi annual, enhance transparency on programme compliance and key issues, reducing investor uncertainty and the risk premium attached to the country's bonds as IMF findings are publicly disclosed.
- **Technical assistance:** IMF staff provide technical assistance that aims to strengthen a country's economic management.
- **Political capital:** In some cases, the IMF carries some of the political costs of adjustment. Country-specific history of the relationship with the IMF plays a role, as some populations are more positive about the presence of the IMF than others.

We also hear concerns about EM 'event risk', which is the potential impact that a country-specific issue can have on an investment portfolio. While there are fewer EMD HC issuers than in a corporate credit index, there are around 60 countries represented in our portfolio.⁶ And we firmly believe that country diversification is very important to mitigate event risk, which is why, in contrast to some other active managers, we do not believe in running a concentrated portfolio or subset of 'best ideas'. That way, we aim to be more resilient to event risk or sentiment swings in one country or another.

As Figure 10 shows, not only is the index diversified, with no country much more than 5% of the index, but our portfolio also has lower absolute weights, and a wider range of countries represented.

Figure 10: Country weight in Representative account versus index



Source: Janus Henderson Investors, Rep account: Janus Henderson Emerging Markets Debt Hard Currency; Index: JPM EMBI Global Diversified Index, as of 31 December 2025. For illustrative purposes only. Representative account data is based on the representative account in the composite and may vary from other accounts in the strategy, due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

Myth #5: Commodity weakness will be a big problem for EMD

Higher commodity prices are often viewed as uniformly negative for emerging markets, but this oversimplifies a highly diverse asset class. In practice, commodity price moves tend to drive differentiation across EMs given the different make-up of their economies, rather than creating a systemic headwind.

The impact of higher commodity prices varies significantly across countries and commodities:

- **Net energy trade position:** Commodity exporters can benefit from stronger fiscal revenues and improved external balances, while large net importers may see pressure through weaker trade balances, inflation pass-through and wider

⁶Source: Janus Henderson, Janus Henderson Emerging Markets Debt Hard Currency, Representative account, as of 31 December 2025.

spreads. Figure 11 overleaf shows the diversity in the EMD HC universe in terms of net energy trade, the balance between a country's energy exports and imports.

- **Exposure goes beyond oil:** EM commodity production spans energy, metals and agricultural goods, each with distinct demand drivers and price cycles. Energy exporters are the larger share of the JP Morgan EMBI Diversified Index, followed by metals and agriculture (Figure 12). Oman, for example, is the only Gulf State that doesn't depend on the Strait of Hormuz for oil exports. Oman is selling its crude oil at a huge premium to Brent, helping to keep its fiscal and external positions in surplus in 2026.⁷
- **Outcomes are country specific:** The net impact depends on trade balances, energy intensity, subsidy and tariff regimes, policy responses and macro resilience.

This dispersion reinforces the importance of active management. Assessing country level fundamentals and commodity sensitivities is key to distinguishing relative winners and losers during periods of elevated commodity price volatility, particularly in geopolitically uncertain environments.

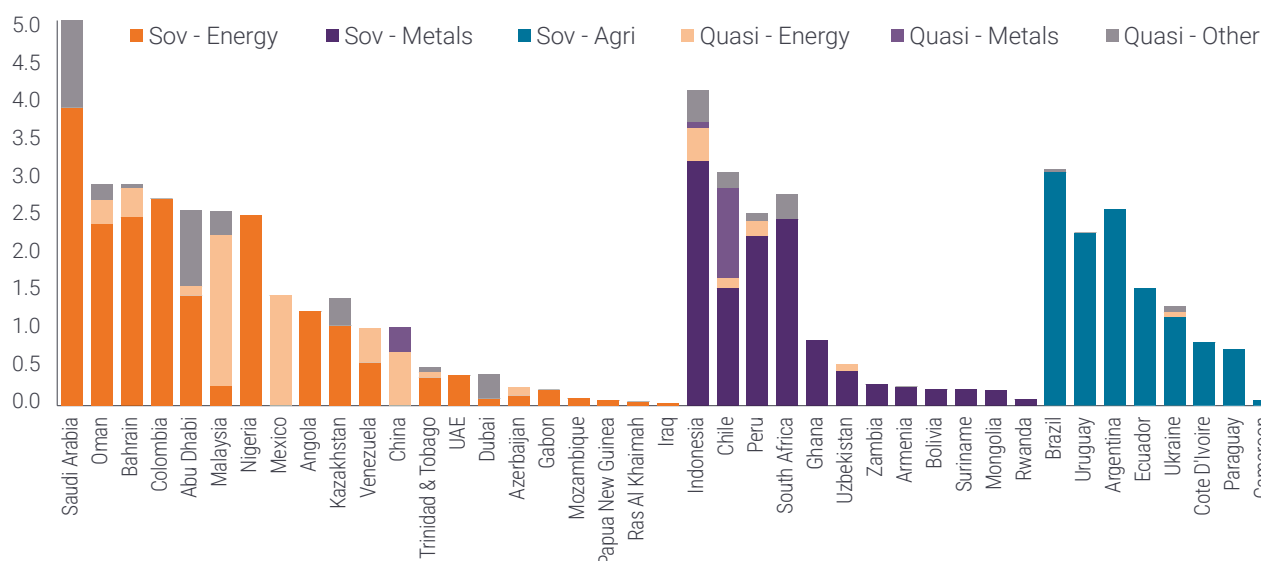
Figure 11: Net energy trade as a % of total trade

Country	% of Total Trade	Country	% of Total Trade	Country	% of Total Trade
Angola	45%	Brazil	3%	Ukraine	-7%
Congo (the)	39%	South Africa	1%	Tunisia	-8%
Gabon	37%	Ghana	1%	Rwanda	-10%
Trinidad & Tobago	35%	Côte d'Ivoire	0%	Senegal	-10%
Nigeria	31%	Mexico	-2%	El Salvador	-10%
Papua New Guinea	27%	Paraguay	-2%	Turkey	-11%
Venezuela	25%	Tunisia	-8%	Sri Lanka	-12%
Cameroon	17%	Rwanda	-10%	Dominican Rep.	-13%
Colombia	17%	Romania	-3%	Jordan	-15%
Mongolia	16%	Bolivia	-4%	Lebanon	-17%
Mozambique	15%	Benin	-5%	Kenya	-17%
Bahrain	11%	Egypt	-5%	Pakistan	-20%
Ecuador	8%	Costa Rica	-6%	Jamaica	-20%
Argentina	4%	Zambia	-6%		

Source: Stifel, 2 March 2026. 0% represents a neutral energy position.

Figure 12: Commodity mix in EM extends beyond energy/ oil

Commodity exporters on the EMBI Global Diversified index (% of market cap)



Source: UN Comtrade, Bloomberg, Morgan Stanley Research, Janus Henderson Investors, 2 February 2026. We have re-categorised Bahrain, as oil (and refined products) make up its biggest export category. The metals industry is not resource-based, as the country imports all its bauxite and alumina and processes it onshore using cheap energy.

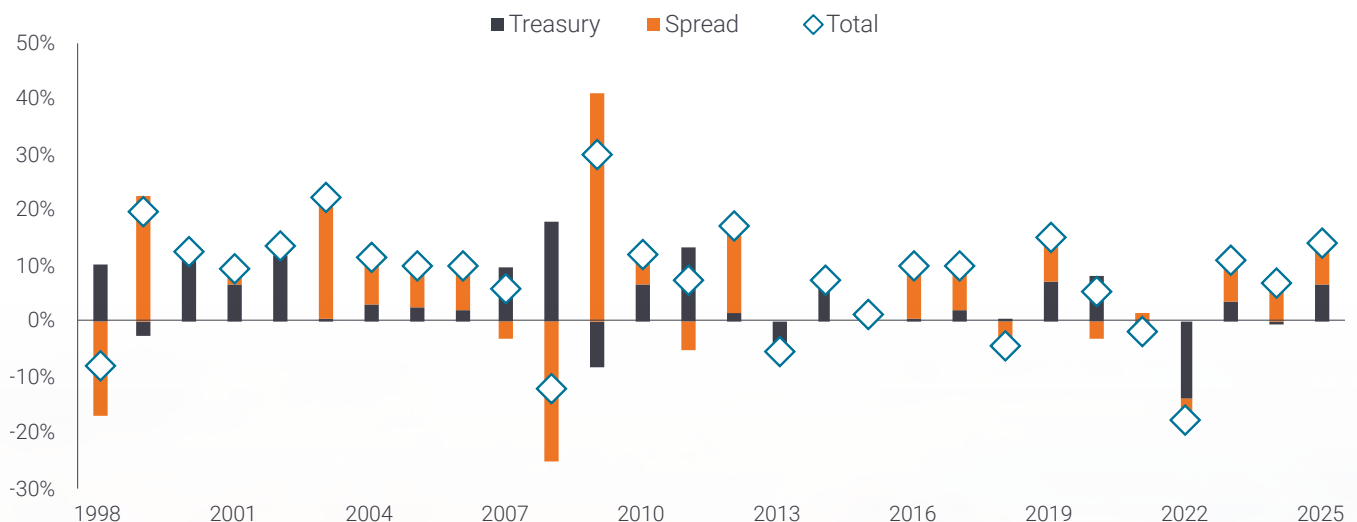
⁷Source: S&P Global, as at 27 March 2026.

Myth #6: Event risk and 2022 performance is a reason to avoid EMD

It is important to put 2022 performance in the right context, because EMD experienced a 'perfect storm' of events (in a negative sense) that combined to hurt the asset class. This mix of events makes a repeat unlikely, in our view. First, the impact of the COVID pandemic was hard for some of the smaller emerging markets to withstand, as vaccines came later to EMs, putting pressure on less advanced healthcare systems. Then in February 2022, Russia's invasion of Ukraine not only negatively affected the bonds of those countries (Russia, which a month before the invasion accounted for over 3% of the index was removed from the JPM index after being marked-down to zero), but it also accelerated the inflation problem. This pushed the US Federal Reserve to raise interest rates very aggressively and tighten financial conditions.

This confluence of events was negative for EMD HC. While some of the underperformance was driven by credit risk, by far the biggest driver of underperformance was the sharp rise in UST yields (see Figure 13).⁸ As sovereigns can issue at longer maturities on average than corporates, the JPM EMBI Global Diversified (EMBI GD) Index has longer duration (higher interest rate sensitivity). This was exacerbated by low UST yields at the time, which meant effective duration lengthened to eight years.⁹ An environment of sharply higher UST yields, a stronger dollar, and weakening EM growth (relative to the US) is an environment where we should expect EMD to be a relative underperformer. However, it is important to understand the uniqueness of that situation and the compounding nature of events. For context, the Bloomberg US Aggregate Index was down -13%, while the JPM EMBI GD Index was down -17.8%.¹⁰

Figure 13: Return composition: Spread and Treasury contribution to total index return



Source: JP Morgan Indices, JP Morgan EMBI GD, as of 31 December 2025.

The recent move higher in yields in 2026 may be concerning to some as reminiscent of the 2022 period. However, it is worth noting that UST yields also act as a buffer for EMD HC because credit spreads and underlying Treasury yields often move in opposite directions. In a risk-off environment, falling UST yields can offset widening spreads and vice versa, stabilising total returns in EMD HC. There are periods where correlation is positive between rates and credit spreads, but this tends to be temporary. EMs have improved their fundamentals and reduced external vulnerabilities, with economic growth outpacing that of the US and expected to continue to do so in the coming years.¹¹ In our view, a stronger USD now has more limited direct credit impact on EM assets because of increased domestic issuance in local currencies, larger FX reserve buffers, more credible macro policy frameworks, and diversified trade linkages away from the US – particularly toward China and intra-EM trade.

⁸Source: Bloomberg returns for the 2022 calendar year.

⁹Source: Bloomberg, JP Morgan EMBI Global Diversified Index, 2022.

¹⁰Source: Bloomberg, calendar year returns, 2022.

¹¹Source: Janus Henderson Investors and Macrobond, as at October 2025. IMF projections shared in the World Economic Outlook, GDP estimates, constant prices.

There is no guarantee that past trends will continue, or forecasts will be realised.

Myth #7: Passive funds provide efficient access to this market

Despite some passive funds offering EM exposure, the complexities and costs associated with replicating the index underscore the limitations of passive strategies. Index benchmarks are designed to serve as comprehensive and efficient metrics that accurately reflect a defined market, ensuring that they are investable, measurable, and clear. To achieve this, benchmark providers implement strict eligibility criteria for inclusion in their indices. Consequently, the construction of these indices is governed by rules that prioritise liquidity over maximising of returns. Such investors are constrained in buying USD bonds that are index eligible to **minimise tracking error**, which misses many potential opportunities.

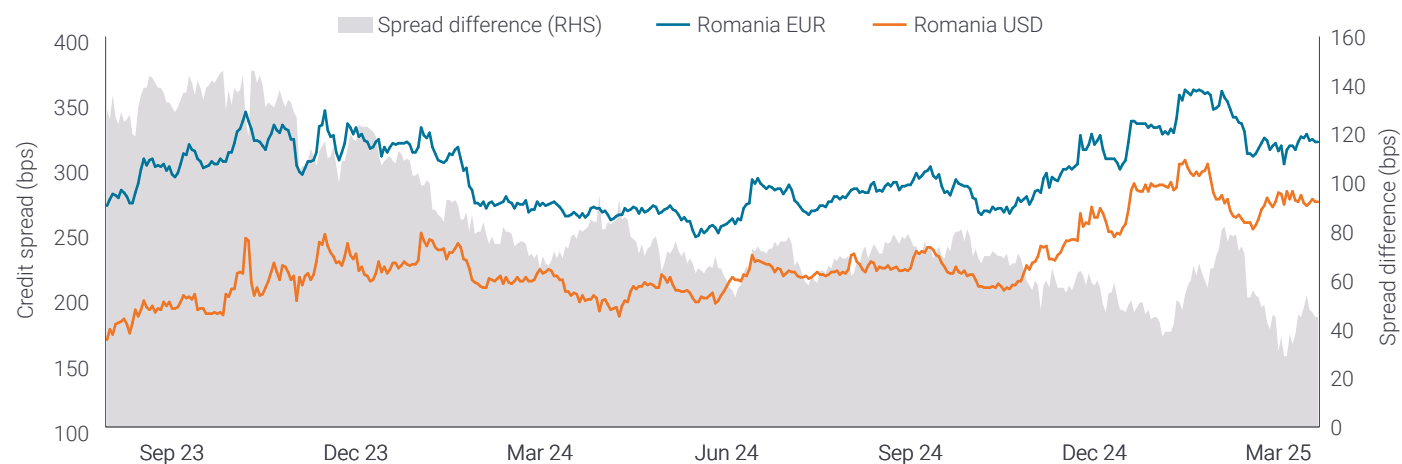
However, in the case of EMD, this screening process tends to exclude a significant portion of the investable universe within EMs. EMD is characterised by its high level of inefficiency, breadth, and complexity, featuring approximately 1,600 bonds from over 80 unique countries and a similar number of state-owned quasi-sovereign entities. Based on data from Broadridge, nearly 80% of EMD HC sovereign assets are managed actively.¹²

Active management can capture opportunities overlooked by passive strategies, such as:

- **Non-index eligible** bonds that do not meet the maturity/size/ratings criteria for index inclusion.
- **Off-benchmark sectors**, such as sub-sovereigns (provincial or municipal issuers), supranationals, majority-government-owned companies and corporates.
- **Non-USD denominated bonds** like euro-bonds (dominant in Eastern European and certain West African countries).

The existence of investor constraints and market segmentation enables us to often discover better risk-adjusted returns in non-benchmark eligible securities of the same issuer, or in smaller or less well-researched countries that are neglected by mainstream investors. We frequently find profitable opportunities to buy bonds denominated in other hard currencies, such as euros, of the same issuer and pick up an enhanced yield after factoring in FX and rates hedging. The recent increase in issuance of euro-denominated bonds from EM countries has expanded the opportunity set. Figure 14 shows one such example of the credit spread pickup available (from owning the EUR denominated bond over the USD bond that is in the index):

Figure 14: Romania EUR vs USD bond credit spreads



Source: Bloomberg, Janus Henderson Investors, as of 28 February 2025. Historical trade example where the strategy owned Romania EUR 2032 instead of USD 2032.

Myth #8: Bottom-up analysis works better for companies versus countries

Traditionally, debt investors have leaned toward corporates, perhaps attracted by the perceived higher alpha opportunities. However, the EM sovereign landscape, encompassing a broad array of countries at various stages of socioeconomic development and possessing distinct characteristics, offers a rich tapestry of investment opportunities (Figure 15 overleaf). This complexity and the inherent inefficiencies within the EM sovereign universe challenge the notion of viewing these entities as a homogeneous group.

¹²Source: Broadridge, February 2025.

Figure 15: Characteristics of key indices

Overview	EM Hard Currency	EM Corporate	EM Local Currency	US High Yield	US Investment Grade
Reference benchmark	JPM EMBI GD	JPM CEMBI BD	JP GBI-EM GD	ICE BofA US HY	ICE BofA US Corporate
Market capitalisation	US\$ 1.4tr	US\$ 1.17tr	US\$ 6.53tr	US\$ 1.47tr	US\$ 9.57tr
Yield to worst*	6.80%	5.90%	5.91%	6.56%	4.82%
Duration (yrs)	6.55	4.16	5.43	2.87	6.52
Number of countries	68	66	19	–	–
Number of issuers	157	729	19	863	1356
Average rating	BBB-/BB+	BBB-/BBB-	BBB+/BBB	B+	A-
AAA	–	0.24%	–	–	0.83%
AA	3.07%	5.80%	4.65%	–	8.39%
A	15.38%	20.64%	29.75%	–	45.77%
BBB	31.42%	32.68%	45.57%	–	44.79%
BB	25.74%	21.62%	19.21%	56.07%	–
B	16.46%	12.34%	0.00%	33.51%	–
CCC and lower	7.30%	2.05%	0.00%	10.06%	–
NR	0.60%	4.60%	0.81%	–	–

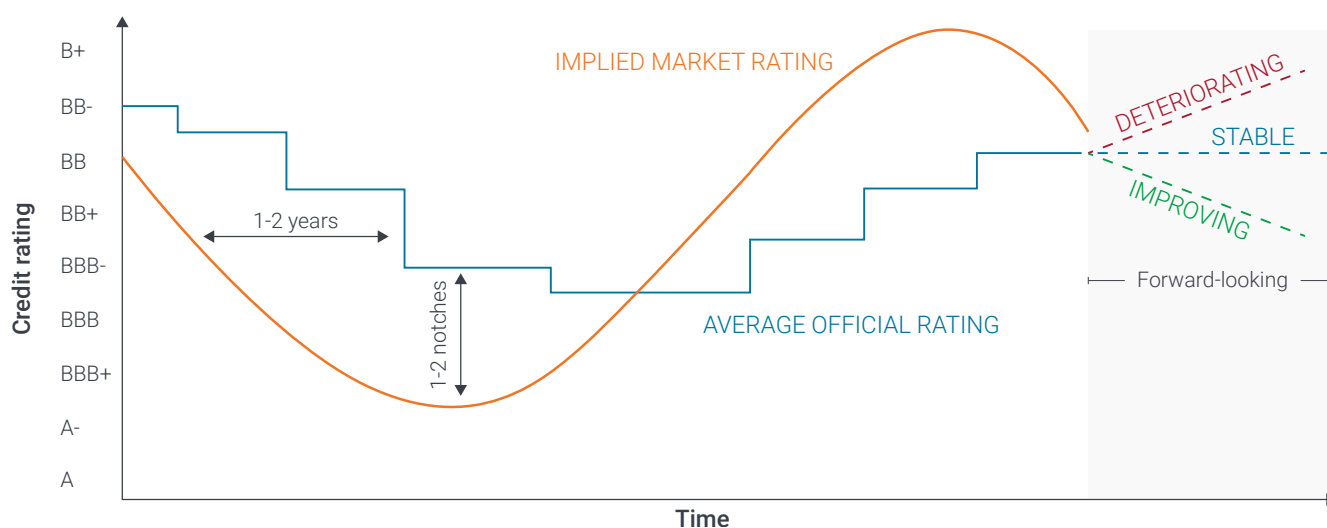
Source: Bloomberg, JP Morgan, ICE, as at 31 December 2025. *EM Indices based on yield published by JP Morgan. JPM Indices EMBI GD/CEMBI/GBI EM, ICE Indices US High Yield Index/US Corporate Index (Investment Grade).

This evidence underscores our conviction that the inefficiencies within the EMD HC sovereign space present substantial opportunities for capital compounding over time through the realisation of additional alpha. Moreover, while both EMD sovereign and corporate entities fall within the credit asset class, the sovereign universe's breadth provides a robust foundation for fundamental diversification within an investment portfolio.

The EMD HC team has identified various persistent behavioural trends in sovereign credit markets that form the basis of our investment philosophy:

- A systematic relationship exists between ratings and market behaviour.
- Sovereign credit risk typically exhibits a core component that follows a certain trend.
- The market is forward-looking and leads ratings by one to two years.
- Clear signs of market pricing over- and under-shoot by one to two notches (herding).

Figure 16: Sovereign credit risk and market behaviour



Source: Janus Henderson Investors. For illustrative purposes only.

From the systematic sovereign analysis, opportunities are identified based on:

1. The degree of **mispricing** in the market relative to our fair value assessment;
2. the **path** that we expect for the credit story (deteriorating, stable, or improving); and
3. the **level of progress** of the current country-specific credit cycle (how close are we to the peak/bottom?).

A comparison between the commonly referenced EMD benchmarks, the JPM EMBI GD Index for sovereigns and the JPM CEMBI Index for corporates, illuminates this perspective. While the larger number of individual issuers in the corporate indices might suggest greater opportunities for bottom-up alpha generation, empirical data indicates that the median manager in EMD HC has historically achieved higher alpha. Based on eVestment data,¹³ when comparing the 5-year and 10-year excess returns, the average EMD HC sovereign manager did better with alpha (before fees) of 1.05% and 0.83%, respectively. This is much higher than the median EM Corporate managers' excess returns of 0.30% and 0.68% and also above the median US High Yield managers' excess returns of 0.39% and -0.61% over the same periods.

A more resilient EM

In conclusion, the EMD HC asset class presents a compelling long-term investment opportunity, despite prevailing misconceptions. This paper has elucidated the robust attributes of EMD HC, such as attractive yields, resilience, diversification benefits, and the advantages of active management. By debunking common myths – from the exaggerated impact of currency volatility on returns to concerns about credit quality and event risks – we provide a clearer picture of the actual dynamics at play in EMD HC markets.

EMD HC has demonstrated remarkable growth and maturity over the decades, reflecting significant improvements in credit quality and economic fundamentals across EM countries. This evolution challenges outdated perceptions of EMs as unstable and risky. Instead, EMD HC offers diversification benefits with attractive long-term return potential. This can be further enhanced by the strategic use of active management to navigate and exploit market inefficiencies, as well as mitigate risks, through on-the-ground fundamental research.

Moreover, IMF involvement and structural reform momentum have materially strengthened policy frameworks, leaving EMs more resilient to global cycles and enhancing the foundations for durable growth. As investors seek to diversify their portfolios and capitalise on growth opportunities, EMD HC merits closer consideration.

Janus Henderson Emerging Markets Debt Hard Currency Team



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Portfolio Manager

Bent is a Portfolio Manager on the Emerging Markets Debt Hard Currency (EMD HC) Team at Janus Henderson Investors. Prior to joining the firm in 2022, he was a co-lead portfolio manager at Danske Bank Asset Management (DBAM) where he contributed to the launch of the EMD HC strategy in 2013. Bent began his career as a fixed income analyst at Andelsbanken (which later merged with Unibank and is now called Nordea) in 1986.

Bent has 40 years of financial industry experience.



Jacob Ellinge Nielsen
Portfolio Manager

Jacob is a Portfolio Manager on the Emerging Markets Debt Hard Currency (EMD HC) Team at Janus Henderson Investors. Prior to joining the firm in 2022, he was a co-lead portfolio manager on the EMD HC team at DBAM from 2013 where he contributed to the launch of the EMD HC strategy. Jacob began his career as an assistant analyst on the Danish mortgage and derivative research team at Nordea Markets in 2002.

Jacob has 24 years of financial industry experience.

¹³Source: eVestment, investment for period ending 30 March 2026 for the Global Emerging Mkts Fixed Income - Corporate Debt, Global Emerging Mkts Fixed Income - Hard Currency and US High Yield Fixed Income universe. Gross of fee data.



Thomas Haugaard
Portfolio Manager

Thomas is a Portfolio Manager on the Emerging Markets Debt Hard Currency (EMD HC) Team at Janus Henderson Investors. Prior to joining the firm in 2022, he was a senior portfolio manager at DBAM where he contributed toward the launch of the EMD HC strategy and served on the EMD HC team from 2013. Thomas has been an external lecturer in economics at the University of Copenhagen.

Thomas has 22 years of financial industry experience.



Sorin Pirău, CFA
Portfolio Manager

Sorin is a Portfolio Manager on the Emerging Markets Debt Hard Currency (EMD HC) Team at Janus Henderson Investors. Prior to joining the firm in 2022, he worked at DBAM from 2012, first as an analyst and then a portfolio manager on the EMD HC team from 2013 where he contributed towards the launch of the EMD HC strategy that same year. Sorin is a member of the Principles for Responsible Investment's Sovereign Debt Advisory Committee.

Sorin has 14 years of financial industry experience.

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