



## GRAMERCY EMERGING MARKETS DEBT FUND

### MONTHLY COMMENTARY

Global market sentiment soured in December with fixed income markets shaky on the back of U.S. policy uncertainty under a new Trump Administration and the related implications on monetary policy. Despite a 25 basis points (bps) cut by the Fed mid-month, the 10-year U.S. Treasury note ended the month at 4.57%, 40bps wider than where it started the month. Chair Powell's hawkish statements that the U.S. Federal Reserve (the Fed) was now at a point where it would be appropriate to slow the pace of rate cuts and the Summary of Economic Projections (SEP), which included meaningful revisions to growth (higher), inflation (higher) and unemployment (lower) for 2024, contributed to interest rate volatility; however, concerns regarding upside risks to the 2025 Core Personal Consumption Expenditures (PCE) forecast cemented the negative tone (with 15 out of 19 officials concerned in December vs only three out of 19 in September). During the month, the Chicago Board Options Exchange's CBOE Volatility Index (VIX) rose to 27pts, a level not seen since October of 2022, and the U.S. Dollar Index (DXY) ended the month above 108 as the dollar continued its rise.

In terms of return streams, unsurprisingly, Emerging Markets (EM) local currency sovereigns, as represented by the GBI-EM Global Diversified Index, underperformed with a total return of -1.93% during the month, taking this sub-asset class into negative territory on a year-to-date basis (-2.48% for 2024). EM hard currency sovereigns, as represented by the EMBI Global Diversified Index, and EM hard currency corporates, as represented by the CEMBI Broad Diversified Index, returned -1.40% and -0.80%, respectively in December. As expected, given the significant move in rates and the longer duration aspect of the investment grade components of both hard currency sovereigns and corporates, investment grade underperformed high yield by 158bps in hard currency sovereigns and 80bps in hard currency corporates in December. On an annual basis, EM hard currency sovereigns and corporates returned 6.54% and 7.63%, respectively, in 2024. Within the high yield space, sovereigns outperformed corporates, returning 13.00% vs. 7.63%, respectively, for 2024, driven by high yield sovereigns that emerged from restructurings with International Monetary Fund (IMF) support. Within the investment grade segment, corporates outperformed sovereigns, returning 4.93% vs. 0.32%, respectively, for 2024, given lower duration of 4.8 years vs 7.6 years, respectively.

During the month of December, performance benefitted from our underweight allocation to the EM local currency sovereign sub asset class, which was negatively impacted by the continued strength in the U.S. dollar. The portfolio also benefitted from overweight exposure to high yield corporates and select high yield sovereigns. These factors were partially offset by the Fund's underweight positioning in certain sovereigns in Latin America, including Argentina, as well as by our opportunistic positioning in certain local currencies that have sold off considerably and are starting to look very attractive.

***Past performance is no guarantee of future results. Index performance is not indicative of fund performance. For current standardized performance of the Fund, please see the [Fact Sheet](#), [the Fund's website](#), or call 800-207-7108.***

## IMPORTANT DISCLOSURES

**Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information about the Fund is in the prospectus and summary prospectus, a copy of which may be obtained by calling 800-207-7108 or by visiting the Fund's website at [www.libertystreetfunds.com](http://www.libertystreetfunds.com). Please read the Fund's prospectus or summary prospectus carefully before investing.**

An investment in the Fund is subject to risk, including the possible loss of principal amount invested and including, but not limited to, the following risks, which are more fully described in the prospectus: **Market Risk:** the market price of a security may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular issuer, company, or asset class. **Fixed income/interest rate:** generally, fixed income securities decrease in value if interest rates rise, and increase in value if interest rates fall. **Foreign Investment:** the prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, changes in the regulatory environments of foreign countries, and changes in U.S. laws regarding such countries. **Emerging Markets:** many of the risks with respect to foreign investments are more pronounced for investments in issuers in developing or emerging market countries. Emerging market countries tend to have more government exchange controls, more volatile interest and currency exchange rates, less market regulation, and less developed and less stable economic, political and legal systems than those of more developed countries. **High Yield ("Junk") bond:** involve greater risk of default, downgrade, or price declines, can be more volatile and less liquid than investment-grade securities. **Credit:** if an issuer or guarantor of a debt security held by the Fund or a counterparty to a financial contract with the Fund defaults or is downgraded or is perceived to be less creditworthy, the value of the Fund's portfolio will typically decline. **Convertible Securities:** are subject to market and interest rate risk and credit risk. **Contingent Convertible Securities:** subject to the risk of a triggering event occurring which may result in the issuer converting the security to an equity interest, canceling interest payments, or writing down the principal value of such securities, and are inherently risky because of the difficulty of predicting triggering events. **Foreign Sovereign Debt:** Foreign governments rely on taxes and other revenue sources to pay interest and principal on their debt obligations. The payment of principal and interest on these obligations may be adversely affected by a variety of factors. **Currency Risk:** the values of investments in securities denominated in foreign currencies increase or decrease as the rates of exchange between those currencies and the U.S. dollar change. Currency conversion costs and currency fluctuations could erase investment gains or add to investment losses. **Prepayment or Call Risk:** if interest rates fall, an issuer may exercise the right to prepay their securities, and the Fund will not benefit from the rise in market price that normally accompanies a decline in interest rates. The Fund may also lose any premium it paid on the security. **ESG Criteria:** the Fund's consideration of ESG criteria in making its investment decisions may affect the Fund's exposure to risks associated with certain issuers; the criteria can result in excluding securities of certain issuers; there are significant differences in interpretations of what it means for a company to have positive or negative ESG characteristics. **Inflation:** risk that as inflation increases, the real value of the Fund's assets can decline. This risk is greater for fixed-income instruments with longer maturities. **Derivatives:** Using derivatives exposes the Fund to additional or heightened risks, including leverage risk, liquidity risk, valuation risk, market risk, counterparty risk, and credit risk. **Liquidity:** the Fund may not be able to sell some or all of the investments that it holds due to a lack of demand in the marketplace or it may only be able to sell those investments at a loss. Liquid investments may become illiquid or less liquid after purchase by the Fund, illiquid investments may be harder to value, especially in changing markets. **Valuation:** the sales price the Fund could receive for any particular portfolio investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued by the Adviser using a fair value methodology. This may affect purchase price or redemption proceeds for investors who purchase or redeem Fund shares on days when the Fund is pricing or holding fair-valued securities. The value of foreign securities, certain fixed income securities, and currencies may be materially affected by events after the close of the market on which they are valued but before the Fund determines its net asset value. **Portfolio Turnover Risk:** active and frequent trading of the Fund's portfolio securities may lead to higher transaction costs and could negatively affect the Fund's performance. **No Operating History:** The Fund is recently organized and has no operating history. As a result, prospective investors have no track record or history on which to base their investment decisions. **Management and Strategy Risk:** the evaluation and selection of the Fund's investments depend on the judgment of the Fund's Sub-Adviser, which may prove to be incorrect. **Recent Market Event:** periods of market volatility may occur in response to market events and other economic, political, and global macro factors, and could adversely affect the value and liquidity of the Fund's investments.

The **JPM Emerging Market Bond Index Global Diversified (EMBI Global Diversified)** is a uniquely weighted USD-denominated emerging markets sovereign index. It has a diversified allocation scheme which allows a more even distribution of weights among the countries in the index. The **JPM Corporate Emerging Market Bond Index (CEMBI) Broad Diversified** is a comprehensive USD-denominated corporate emerging markets bond index, with broad issuer coverage (including small and short-dated bonds) and a diversified weighting scheme. The **JPMGBI-EM Global Diversified** version is a comprehensive global emerging markets index of local government bond debt offering a diversified weighting scheme and broad country coverage. The **Chicago Board Options Exchange's CBOE Volatility Index (VIX)** is a popular measure of the stock market's expectation of volatility based on S&P 500 index options. **U.S. Dollar Index (DXY)** is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies. **One cannot invest directly in an index.**

**Basis Point** is one hundredth of 1 percentage point. **Interest Rate** is the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding. The **Summary of Economic Projections (SEP)** sheds light on the central bank's expectations for economic growth, inflation, employment, and interest rates. The **Core Personal Consumption Expenditures (PCE)** it is a measure of goods and services targeted towards individuals and consumed by individuals. **Duration** is a measurement of a bond's interest rate risk that considers a bond's maturity, yield, coupon and call features.

The views expressed in this material reflect those of the Fund's Sub-Advisor as of the date this is written and may not reflect its views on the date this material is first published or anytime thereafter. These views are intended to assist in understanding the Fund's investment methodology and do not constitute investment advice. This material may contain discussions about investments that may or may not be held by the Fund. All current and future holdings are subject to risk and to change.

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