

Update: SEI lifts internal restriction on purchase of hard-currency Ukrainian bonds in EMD portfolios



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Shortly after Russia invaded Ukraine, SEI took action to limit further security purchases of securities issued by Russia, Ukraine and Belarus. This action was taken to ensure prudent risk management in light of a wide range of unpredictable outcomes to the conflict.

SEI has now lifted the restriction on the purchase of Ukrainian hard-currency bonds (U.S. dollar and euro) in our emerging-market debt portfolios. This change will permit hard-currency managers Marathon and Stone Harbor and blended debt manager Neuberger Berman to purchase Ukraine hard-currency bonds. As at the end of April, 2022, the J.P Morgan EMBI Global Diversified index (Hard Currency) held a 98 basis points exposure to Ukraine and the blended benchmark to which SEI's emerging-market portfolios are managed carried 49 basis points of exposure, all of which was denominated in U.S. dollars.

Rationale

Governments and corporations have severed relationships with Russia and Belarus and restricted Russia's access to previous funding sources. Conversely, it has become clear that Ukraine will turn to capital markets and multi-national organizations to help finance the rebuilding of the nation's infrastructure. To date, Ukraine has remained current on all its debt obligations.

Ukrainian bonds currently trade in the 40-60 cents range for each U.S. dollar or euro outstanding. This market pricing reflects the potential requirement for the Ukrainian government to restructure its debt obligations at a point in the future. The broad range of pricing and the potential restructuring can present investment opportunities, along with the ability to lend to a nation in deep need of financing and support.

Index definition

The JP Morgan EMBI Global Diversified Index (Hard Currency) is a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China and India).

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