

EM Bonds Thrive in a Changing World



Eric Fine

Portfolio Manager, Head of Active Emerging Markets Debt

EM bonds show continued strength and greater than usual outperformance over DMs. Local trade ties and currency fundamentals matter more than broad dollar moves, supporting strength in local currency and high-yield EM debt.

The **VanEck Emerging Markets Bond Fund** returned -0.13% in July, compared to 0.26% for its benchmark, the 50% J.P. Morgan Government Bond Index - Emerging Markets Global Diversified (GBI-EM) and 50% J.P. Morgan Emerging Markets Bond Index (EMBI). Year-to-date, the Fund is up 10.4%, compared to 5.7% and 4.3% for the Global Agg and 10-year Treasuries, respectively. In July, local currency exposure in Brazil and the avoidance of local currency positions in India drove outperformance. The Fund has approximately 59% in local currency and 41% in mostly higher-yielding U.S. dollar-denominated bonds. Carry is 6.7%, yield to worst is 7.9% and duration is 5.3.

Average Annual Total Returns* (%) (In USD)

As of July 31, 2025	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A: NAV (Inception 07/09/12)	-0.15	5.40	10.34	10.82	9.58	3.75	3.68
Class A: Maximum 5.75% load	-5.89	-0.66	4.00	4.45	7.44	2.53	3.07
Class I: NAV (Inception 07/09/12)	-0.13	5.52	10.40	11.12	9.94	4.07	3.99
Class Y: NAV (Inception 07/09/12)	-0.31	5.45	10.47	10.96	9.87	3.98	3.92
50% GBI-EM/50% EMBI	0.26	4.17	9.21	9.93	8.24	1.26	3.01

As of June 30, 2025	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A: NAV (Inception 07/09/12)	3.71	6.87	10.51	13.04	10.68	4.77	3.35
Class A: Maximum 5.75% load	-2.25	0.73	4.16	6.54	8.51	3.54	2.74
Class I: NAV (Inception 07/09/12)	3.76	7.00	10.54	13.33	11.04	5.08	3.64
Class Y: NAV (Inception 07/09/12)	3.91	7.12	10.82	13.51	11.03	5.04	3.59
50% GBI-EM/50% EMBI	2.60	5.47	8.94	11.93	8.72	1.89	2.88

*Returns less than one year are not annualized.

Expenses: Class A: Gross 1.83%, Net 1.21%; Class I: Gross 1.37%, Net 0.86%; Class Y: Gross 1.33%, Net 0.96%. Expenses are capped contractually until 5/01/26 at 1.20% for Class A, 0.85% for Class I, 0.95% for Class Y. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes, and extraordinary expenses.

The performance data quoted represents past performance. Past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

The "Net Asset Value" (NAV) of a Fund is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total asset of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV is not necessarily the same of the ETF's intraday trading value. Investors should not expect to buy or sell shares at NAV.

We maintain our core views. EM debt's resilience and continued outperformance of DM bonds is based on superior fiscal and monetary policies; crudely, low debts and deficits and high real interest rates on the part of the EMs – the opposite on the part of the DMs. The fact that UK Gilts (bonds issued by the UK government to finance public spending) are yet again facing fiscally related turmoil is another reminder, as is EM bonds' even greater than usual outperformance of DM bonds in a tumultuous 2025. Asset price implications are upside risks to EM bonds, particularly local currency bonds and high yield sovereign bonds, and that remains our core view and positioning.

USD depreciation is the "hook" for many investors' interest in EM bonds; we believe that is wrong, but we'll take it. "The dollar" is primarily measured against EUR and JPY (via DXY, for example), which happen to also be very low-yielding currencies. We don't look at "the dollar", rather we look at every individual currency cross (like BRL) and the currency's yields (mid-teens for Brazil). Moreover, most EMs trade far more with China than with the U.S., so CNY is arguably more important than USD. In fact, we just published a piece on this topic titled "The Curiously Unpopular Case for RMB Appreciation".

Is the Trump U.S. Federal Reserve (Fed) already here? Frankly, we were a bit worried about an August reversal of EM's strong 2025 performance. But the greater likelihood of Fed easing following the Trump administration's greater power (the popular media have followed these developments ranging from retirements to a pre-naming of Chairman Powell's successor), takes a big risk out of the way. We are not saying that the new Fed is good or bad, we are saying that non-resolution would have meant much tighter interest rate policy. The clearest winner from this is EM currencies, not duration, in our view. This is due to ongoing fiscal and sanctions concerns from the U.S. Also, as we noted in earlier publications, FX hedging costs for major financiers of U.S. debt (such as Japan and China) greatly discourage the purchase, or even ownership of, FX-hedged U.S. Treasuries, greatly favoring ownership of their unhedged local treasuries in their own currencies.

Exposure Types and Significant Changes

The changes to our top positions are summarized below. Our largest positions in July were Brazil, Malaysia, South Africa, Thailand and Indonesia.

- We increased our local currency exposure in Chile and Uganda. The Chilean peso underperformed vs. peers, and the country's assets should benefit from a more market-friendly outcome of the 2026 presidential elections. These developments improve Chile's technical and policy test scores. Uganda's economy and the fiscal performance are benefitting from higher commodity prices (gold, coffee), whereas a potential loan from the IMF should give a boost to its external position. In terms of our investment process, this improves the technical and policy test scores for the country.
- We increased our hard currency sovereign exposure in Saudi Arabia, Egypt, Bolivia, Guatemala, Nigeria and Bosnia and Herzegovina. Regarding Bosnia and Herzegovina, this was an attractively priced new issue (against the backdrop of solid fundamentals and policies). Guatemala's bond was also a new issue, and while there are some concerns about political risks, the macro backdrop is solid and improving. Nigeria is expected to benefit from higher oil and gas receipts, which improved the country's economic test score. Bolivia's improving political outlook supports its repayment capacity and has also boosted its policy and politics test score. Egypt's sovereign bonds have attractive valuations, and the country might benefit from the easing regional geopolitical tensions, which should strengthen its politics test score. Saudi Arabia's tight spread vs. U.S. Treasuries puts it in a good position to benefit from a rally in duration if the U.S. growth disappoints and the Fed turns dovish. In terms of our investment process, this improves the technical test score for the country.
- We also increased our hard currency sovereign exposure in Argentina and hard currency corporate exposure in Argentina and Singapore, as well as our quasi-sovereign exposure in Peru. Argentina's corporate bond was an attractively priced new issue, while Argentina's sovereign bonds were expected to benefit from a successful IMF review, which unlocked access to USD2bn, improving the policy test score for the country. With regard to the corporate bond in Singapore, we picked up a low-dollar price asset from a company with a good liquidity position and a debt-reduction trajectory. A major driver in Peru was a debt reprofiling plan, which is expected to ease the company's debt burden.
- We reduced our local currency exposure in Poland and Hungary on the back of concerns about a stronger momentum in the U.S. dollar – driven in part by the widening growth differential between the U.S. and Europe – against the backdrop of tighter end-of-summer liquidity, which worsened the technical test score for both countries. In addition, we now have greater concern about Poland's fiscal trajectory, which can weaken the policy test score for the country.
- We also reduced our hard currency sovereign exposure in Romania after the post-presidential election relief rally. The election outcome significantly lowered risks associated with the disbursement of the EU funds, but additional positive catalysts for this asset class might be limited right now. In terms of our investment process, this lowered Romania's policy/politics test score.
- Finally, we reduced our local currency exposure in Zambia. We don't believe that positive macro catalysts behind the original trade are fully exhausted, but we opted to take profits after a very sizable rally in the Zambian kwacha, which weakened the technical test score for the country.

DISCLOSURES

This is not an offer to buy or sell, or a recommendation to buy or sell any of the securities, financial instruments or digital assets mentioned herein. The information presented does not involve the rendering of personalized investment, financial, legal, tax advice, or any call to action. Certain statements contained herein may constitute projections, forecasts and other forward-looking statements, which do not reflect actual results, are for illustrative purposes only, are valid as of the date of this communication, and are subject to change without notice. Actual future performance of any assets or industries mentioned are unknown. Information provided by third party sources are believed to be reliable and have not been independently verified for accuracy or completeness and cannot be guaranteed. VanEck does not guarantee the accuracy of third party data. The information herein represents the opinion of the author(s), but not necessarily those of VanEck or its other employees.

Duration measures a bond's sensitivity to interest rate changes that reflects the change in a bond's price given a change in yield. This duration measure is appropriate for bonds with embedded options. Carry is the benefit or cost for owning an asset. Yield to worst is a measure of the lowest possible yield that can be received on a bond with an early retirement provision. Averages are market weighted. The yields presented do not represent the performance of the Fund. These statistics do not take into account fees and expenses associated with investments of the Fund.

All indices are unmanaged and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made.

The Fund's benchmark index (50% GBI-EM/50% EMBI) is a blended index consisting of 50% J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified and 50% J.P. Morgan Emerging Markets Bond Index (EMBI). The J.P. Morgan GBI-EM Global Diversified tracks local currency bonds issued by Emerging Markets governments. The J.P. Morgan EMBI Global Diversified tracks returns for actively traded external debt instruments in emerging markets, and is also J.P. Morgan's most liquid U.S. dollar emerging markets debt benchmark.

The Bloomberg Global Aggregate Index measures the performance of global investment grade fixed income securities.

The FTSE Treasury Benchmark 10 year measures the return of the 10 year U.S. Treasury.

ICE BofA Global Broad Market Index tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities. ICE BofA Current 10-Year U.S. Treasury Index is comprised of the most recently issued 10-year U.S. Treasury note.

The MSCI ACWI Index is a global equity benchmark that captures large- and mid-cap stocks across 23 developed and 24 emerging markets, representing approximately 85% of the global investable equity universe.

The S&P 500 Index is a widely recognized U.S. equity benchmark that tracks 500 of the largest publicly traded companies, reflecting the performance of the core U.S. stock market.

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The index may not be copied, used or distributed without J.P. Morgan's written approval. Copyright 2025, J.P. Morgan Chase & Co. All rights reserved.

You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to risks which may include, but are not limited to, risks associated with active management, credit, credit-linked notes, currency management strategies, derivatives, emerging market issuers, energy sector, ESG investing strategy, foreign currency, foreign securities, hedging, high portfolio turnover, high yield securities, interest rate, market, non-diversified, operational, restricted securities, investing in other funds, sovereign bond, and special risks considerations of investing in African, Asian and Latin American issuers, all of which may adversely affect the Fund. Emerging market issuers and foreign securities may be subject to securities markets, political and economic, investment and repatriation restrictions, different rules and regulations, less publicly available financial information, foreign currency and exchange rates, operational and settlement, and corporate and securities laws risks. Derivatives may involve certain costs and risks such as liquidity, interest rate, and the risk that a position could not be closed when most advantageous.

Investing involves substantial risk and high volatility, including possible loss of principal. An investor should consider the investment objective, risks, charges and expenses of a Fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit vaneck.com. Please read the prospectus and summary prospectus carefully before investing.

© 2025 Van Eck Securities Corporation, Distributor, a wholly-owned subsidiary of Van Eck Associates Corporation.



Van Eck Securities Corporation, Distributor
A wholly-owned subsidiary of Van Eck
Associates Corporation

666 Third Avenue | New York, NY 10017
vaneck.com | 800.826.2333

Exchange-Traded Funds
Mutual Funds
Institutional Funds
Model Delivery
Separately Managed Accounts
UCITS Funds
UCITS Exchange-Traded Funds