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DECEMBER 2024

VanEck Emerging Income Opportunities Active ETF (Managed Fund)

ASX Code: EBND

Investment objective

EBND aims to provide investors with a globally diversified portfolio of bonds and currencies in emerging markets. The fund aims to provide total investment returns, measured over the medium to long term in excess of the Benchmark.

Benchmark

A blended index consisting of 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified.

Performance as at 31 December 2024

	1 month	3 months	6 months	1 year	3 years (p.a.)	Since EBND inception (p.a.)
Price Return	0.30%	-0.89%	2.98%	1.42%	-1.85%	-3.14%
Income Return	0.54%	1.55%	3.16%	6.27%	5.71%	5.39%
Total Return	**0.84%**	**0.66%**	**6.14%**	**7.69%**	**3.86%**	**2.25%**
Benchmark	0.83%	0.96%	6.41%	6.46%	1.03%	-0.74%
Difference	**+0.01%**	**-0.30%**	**-0.27%**	**+1.23%**	**+2.83%**	**+2.99%**

Benchmark is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond Emerging Market Index Global Diversified. The table above shows past performance of the Fund from its Inception Date , 11th February 2020. Results are calculated to the last business day of the month and assume immediate reinvestment of distributions. Fund results are net of management fees and costs, but before brokerage fees or bid/ask spreads incurred when investors buy/sell on the ASX. Returns for periods longer than one year are annualised. Past performance is not a reliable indicator of current or future performance which may be lower or higher.

Key benefits

Emerging market income opportunities: Emerging markets bonds generally pay higher interest than developed markets bonds offering investors an opportunity to broaden their income horizon with elevated risk.

Active management: An actively managed benchmark-unaware approach that makes high conviction investments.

Potential for attractive income: Income from investing in emerging markets government, semi-government and corporate bonds that provides an attractive addition for investors' growing income needs.

Key risks

An investment in the Fund carries risks associated with: emerging markets bonds and currencies, bond markets generally, interest rate movements, issuer default, currency hedging, credit ratings, country and issuer concentration, liquidity and fund manager and fund operations. See the PDS for details.

Fundamentals[1]

Number of constituents	102
Number of issuers	68
Modified Duration (yrs)	5.5
Yield to Maturity (%)	9.1
Running Yield (%)	7.6
Weight of top 10 issuers (%)	41.8
Credit Rating Profile	BB+
Time to Maturity (yrs)	9.6
Top Holding Weight (%)	3.7
Investment Grade (%)	36.8

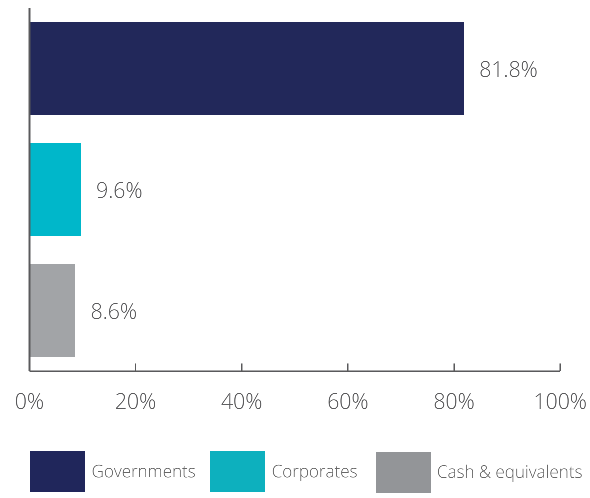
1. As at 31 December 2024

Monthly Dividends History (CPU)

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2025	5.0	5.0	5.0	5.0	5.5	5.5	-	-	-	-	-	-	31.0
2024	4.0	4.0	4.0	4.5	5.0	5.5	5.0	5.0	5.0	5.0	5.0	5.0	57.0
2023	4.5	5.0	4.5	4.5	4.5	4.0	3.5	3.5	3.5	3.5	3.5	4.0	48.5
2022	4.5	4.5	4.5	5.5	6.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	57.0
2021	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.5	4.5	-	-	-	44.0
2020	-	-	-	-	-	-	-	2.5	5.0	5.0	5.0	5.0	22.5

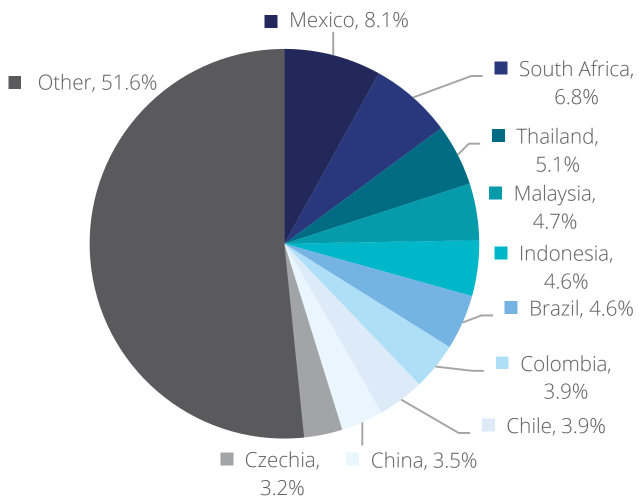
Source: VanEck. Past dividends are no indicators of future dividends. CPU is Cents per Unit. Since EBND inception, 11th February 2020.

Portfolio Allocation



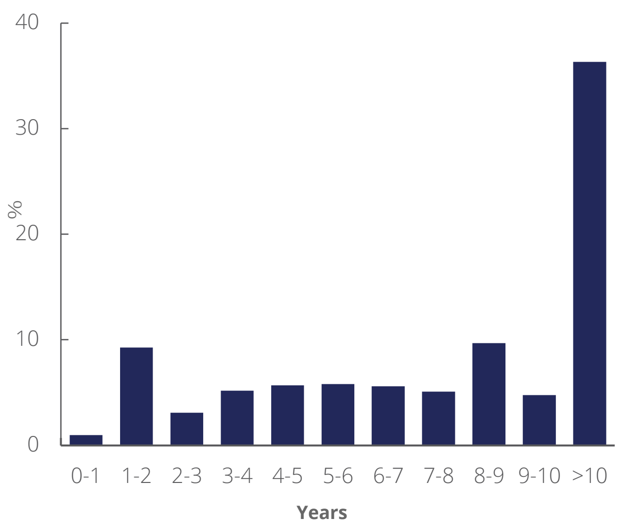
Source: VanEck, as at 31 December 2024.

Top 10 Country Breakdown



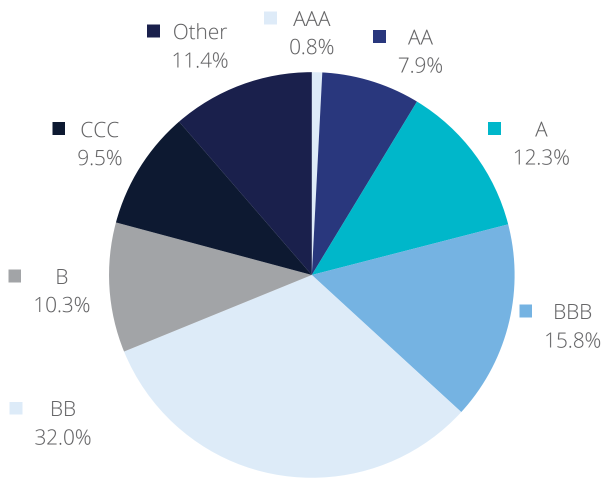
Source: VanEck, as at 31 December 2024.

Time to Maturity Profile



Source: VanEck, as at 31 December 2024.

Credit rating breakdown



Source: VanEck, as at 31 December 2024.

Summary

- The VanEck Emerging Income Opportunities Active ETF (Managed Fund) (EBND) rose 0.84% in December marginally outperforming the 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified Index by 0.01%.
- During December, the top relative performers were Sri Lanka and Brazil, where the fund was underweight during a selloff. A key detractor was Ecuador, a long-held position in the fund, which suffered amid thin and volatile market conditions. We are poised to increase some exposure to what are considered high-risk EMFX such as the Mexican peso and Brazilian real, both of which experienced devastating losses last year, declining by around 20%. The peso and real negatively impacted many market participants, and we assess that the selling pressure in both markets might have run its course.
- We have closed our underweight duration position during the bond selloff and are now looking to further increase duration. US dollar high yield (HY) sovereigns remain our hunting ground, but we added some investment grade (IG) sovereigns during the selloff in yields in December too.

Market and Portfolio commentary

EBND returned 0.84% in December, marginally outperforming its benchmark which rose by 0.83%. Over the year ending 31 December 2024, EBND returned 7.69%, outperforming its benchmark which returned 6.46%.

Markets spent December trying to price in the eventual Trump administration policy. This has continued into January. Tariff policy is the immediate concern, but defence strategy and the Fed also weigh on sentiment. War tends to be inflationary, boosting commodities prices, and adding a layer of geopolitical risks to markets. Meanwhile, tariffs are viewed by economists as a risky distortion. Additionally, the Fed has viewed tariffs as a drag on demand, warranting a response with looser monetary policy. Thus, if our spin on tariff theories is correct, it's really about the magnitude and targeting—are they broad enough to cover "everything", or punishing enough to China to pose risks of CNY devaluation? We do not have the answers yet.

As for the Fed, there is uncertainty whether the rate cuts will return, a long pause is in store or if growth is enough, could it warrant rate hikes? Our preferred stance remains to focus on economic data—whether markets are overpricing or underpricing Fed policy expectations—and identifying moments when markets seem to deviate significantly from policy moves. This latter case may hold now. Treasury yields pushed over 90 basis points (bps) higher following the Fed's latest cutting cycle. This is one of the most perverse reactions in the history of modern Fed cutting cycles. This observation has pushed us to adopt a higher-than-benchmark duration stance.

The best argument addressing these risks is not that they are immaterial, but that they may already be priced in. Some EMFX, particularly the Mexican peso, sold off in 2024 on tariff risks. Despite the fund having an overweight in local currency throughout 2024, it still outperformed the benchmark. The fund's biggest (relative) winner for the year was not owning the Mexican peso. Setting aside the above-mentioned risks, the key takeaway is that both the US and China are engaging in stimulus measures, creating a supportive backdrop for emerging markets.

While we wait for more clarity on US policy, China appears to be moving toward increased spending, perhaps aggressively in the event of harsher US tariffs. Notably, the Chinese currency has been stable despite the volatile environment and a record-low yield differential with the US. This stability has been an anchor for many emerging marekts, underlining the idea that tariffs remain a serious risk until clarified, the only pushback is how anticipated they are.

From our perspective, the Chinese yuan (CNY) remains stable. Notably, the daily CNY fixes have remained stable at around 6.2. The concern lies in the market pricing after the fixes, but we expect the market to take its cues from actual developments. China's stimulus should be supportive of CNY, for example. US tariffs may be a more negotiated compromise or may even be harsh. However, it is still possible that CNY fixes remain stable. We should note that China's reserves and continued external surpluses make this a sustainable and defensible stance. In addition, with domestic government bond rates around 1%, this does not strike us as a capital flight situation.

That said, pressure still exists on the currency, as measured by the difference between the onshore (CNY) and offshore (CNH) exchange rates. While the currency could weaken, we believe it will be smooth and managed. We continue to monitor developments closely.

Portfolio changes

The changes to our top positions are summarised below.

- We increased our local currency exposure in Poland and Chile. Poland can benefit from potential changes in the regional geopolitical landscape, such as a ceasefire in Ukraine. The currency can also track the euro if the Fed ends up cutting more than expected (only one full rate cut in 1H25). These factors improve the policy and technical test scores for Poland. Chile is at the end of the easing cycle, and the economy can benefit from China's eventual response to policy stimulus, which should improve Chile's technical and economic test scores.
- We increased our local currency exposure in Thailand and Malaysia. Thailand's tax reform proposals look encouraging, while solid tourism inflows should support the currency. In terms of our investment process, this improves the policy and economic test scores for the country. Malaysia's local currency bonds are considered a higher-yielding proxy for China's government bonds, and China's rates are expected to continue rallying on the back of additional policy easing, including rate cuts. This strengthens Malaysia's technical test score.
- We reduced our local currency exposure in Brazil, Uruguay, Mexico, and Indonesia. The Brazilian government and the central bank do not see eye to eye, reinforcing the negative feedback loop and sending local rates higher and the currency weaker. Despite the recent progress on spending cuts, the mechanism of how these risks can be communicated to the authorities is not always working, which worsens the country's policy test score. Concerns about fiscal slippages under Uruguay's new administration had a similar negative impact on the country's policy test score. Some EM local curves are getting flatter after the 5-year segment—Mexico and Indonesia including—not justifying taking duration risks in turbulent markets with thin liquidity. In terms of our investment process, this worsened the technical test scores for both countries.
- We also reduced our hard currency sovereign exposure in Israel and Ecuador. We took partial profits in Ecuador to manage potential risks associated with the pre-election political noise, which worsened the country's policy test score. Israel's geopolitical and domestic political pressures limit improvements in the policy test score, even though we are likely to see more initiatives come under the Trump 2.0 administration.

Contact us

vaneck.com.au
info@vaneck.com.au
+61 2 8038 3300

VanEck-Australia
VanEck_Au
VanEckAus

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