VanEck®

Access the opportunities.

EBND

How we manage your money

Active high conviction emerging markets income strategy

VanEck Emerging Income Opportunities Active ETF (ASX: EBND) enables investors to access a diversified portfolio of emerging markets bonds via a single trade on ASX.

We believe an optimal portfolio of emerging markets bonds is unconstrained by benchmarks, and invests in bonds that offer the best value relative to their fundamentals while managing risk.

Our unconstrained approach offers a number of benefits including:

- A plethora of investment opportunities;
- Greater diversification; and
- Potentially high income.

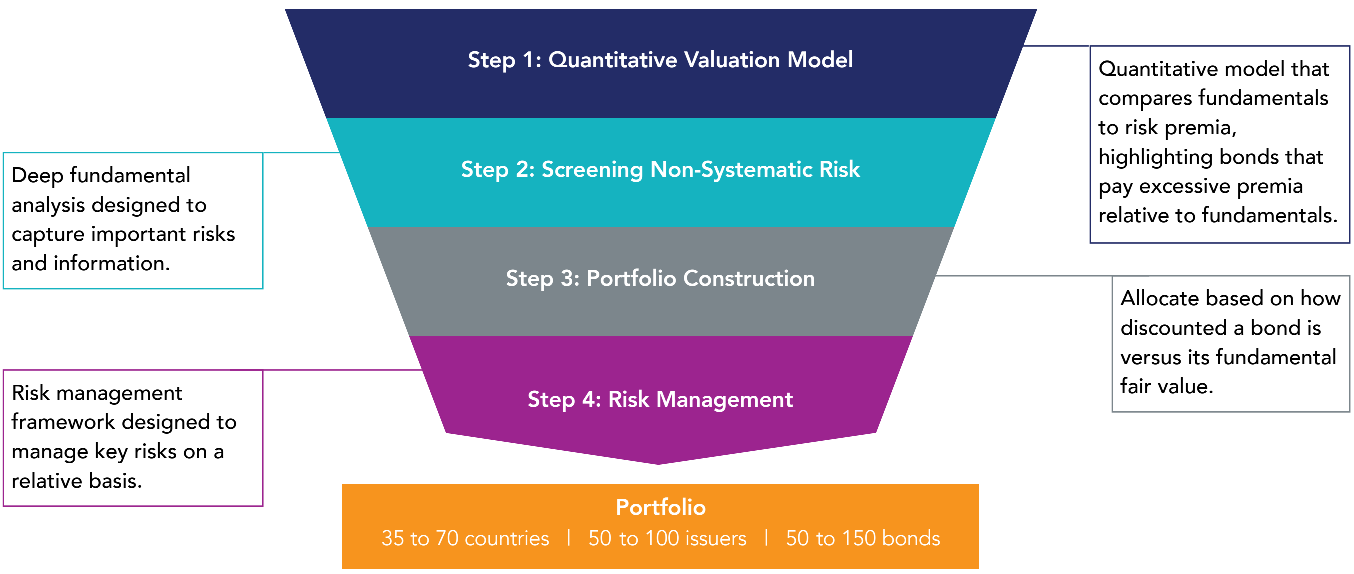
We focus on the entire emerging markets bonds universe to maximise the return potential of our fund. We conduct comprehensive country research, set in the context of global economic developments, which forms the foundation of our investment process. We look at factors such as key macroeconomic variables, the political environment, fiscal and monetary policy developments and major risk. This is coupled with analysis of technical market indicators such as the nature of instruments, relative value, liquidity and demand and supply imbalances.

Our expertise

- The depth and breadth of VanEck's experienced and stable emerging markets bond team is unparalleled. The team has an average of over 30 years* of investing experience across a variety of market conditions and stages of the economic cycle.
- VanEck manages approximately US$5.5 billion* in emerging markets fixed income.
- VanEck has been investing in emerging markets since 1993.

*As at 31 December 2025.

Summary of investment process



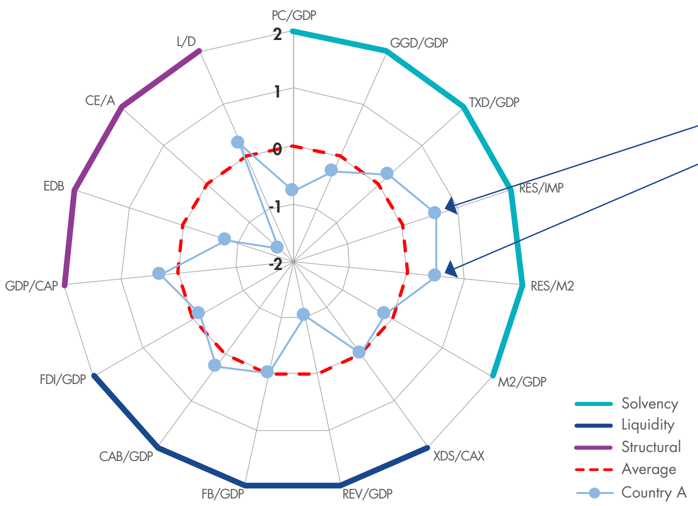
Step 1: Valuation

First, we normalise country and corporate fundamentals by defining all fundamental and economic variables in units of standard deviations from the mean of the global peer group. More specifically, this step entails looking at 15 different fundamental metrics for each country and nine metrics for each potentially investible corporate, ranking each metric in units of standard deviation from peers. For example, rather than using the metric of government debt/GDP of 100%, it will use 0.5 standard deviations worse than the mean as the metric. The final economic score for each country and corporate is expressed using a z-score which represents an average score of the country's and corporate's fundamental metrics. A z-score is employed so that the Team can know the extent of the difference of each country or company from its peers. The goal of the normalisation is to create a levelled playing field and put country and corporate variables into a form that allows for comparison.

We then compare these normalised fundamental scores for countries and companies to the premium on the bonds of those countries and companies. For hard-currency bonds, we examine credit spreads, for local-currency bonds we focus on real yields. The comparison is designed to find the bonds that pay the highest premium relative to its fundamentals.

The ultimate result of Step 1 is a list of bonds in order of their cheapness, without reference to whether they are local, hard, sovereign, or corporate. This list of cheapest bonds is put into an initial portfolio, with weights determined as follows. Bonds that are in the top quartile are allocated to the portfolio at 1.5x benchmark weight. If a bond is in the second quartile, it would be weighted at 1.25x benchmark weight. If a bond is in the third or fourth quartile, it will get weighted at 0.5x benchmark weight. Step 1 is completely systematic, and programmed by us. No tweaks or exceptions are allowed in Step 1.

Country A

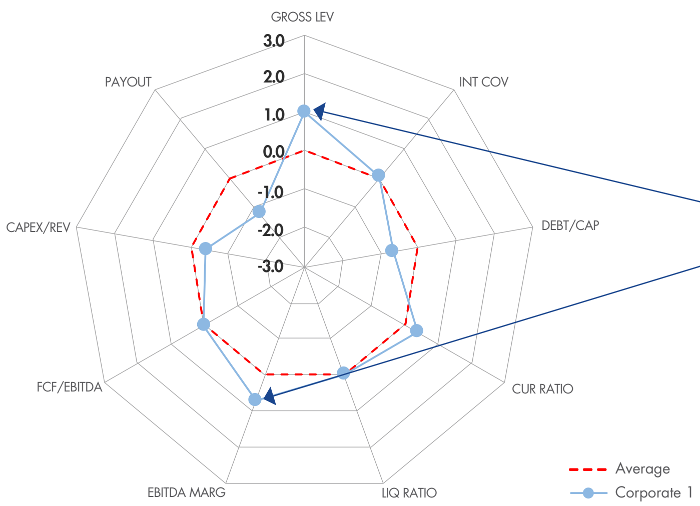


In this example, Country A is "worse than average" on metrics such as:

- International Reserves/Months of imports; and
- International Reserves/M2 by about 0.5 standard deviations.

KEY:
PC/GDP: Private credit/GDP
GGD/GDP: General government debt/GDP
TXD/GDP: Total external debt/GDP
RES/IMP: International reserves, months of imports
RES/M2: International reserves, % M2
M2/GDP: M2/GDP
XDS/CAX: External debt service (public and private), % CA receipts
REV/GDP: Government revenue, % GDP
FB/GDP: Headline fiscal balance, % GDP
CAB/GDP: Current account balance, % GDP
FDI/GDP: Net FDI, % GDP
GDP/CAP: US$ GDP per capita, PPP
EDB: Ease of doing business
CE/A: Common equity, % assets
L/D: Loans to deposits ratio

Corporate 1



In this example, Corporate 1 is "worse than average" on metrics such as:

- Gross Leverage; and
- EBITDA margin by about 1 standard deviation.

KEY:
GROSS LEV: Gross Leverage
INT COV: Interest Coverage
DEBT/CAP: Debt/Capitalization
CUR RATIO: Current Assets/Current Liabilities
LIQ RATIO: (EBITDA+Cash)/(ST Debt+Interest)
EBITDA MARG: EBITDA Margins
FCF/EBITDA: Free Cash Flow % Revenues
CAPEX/REV: Capex as % Revenue
PAYOUT: Dividends/EBITDA

Step 2: Screening

After bonds are ranked according to their premium relative to fundamentals, country- and company-specific tests are conducted to reduce or eliminate certain bonds. The country tests are policy/politics, economic, and technical. The corporate tests are governance, corporate, and technical. They are aimed at capturing risks that cannot be captured in a systematic way, and are therefore subjective. These are subjective assessments by us, but consistently applied, and documented weekly. For each test, we assign one of two passing grades or one of two failing grades.

A strong failing grade – for example, if we expect a bond to be kicked out of an index and assign a strong failing grade to its technical test – it can result in the bond being eliminated from the portfolio. A weak failing grade can result in an allocation being reduced in the portfolio. Passing grades allow the initial weight from Step 1 to flow through with no adjustments.

- **Policy/Politics Tests** Are designed to capture risks to a sovereign from policy and politics, which can sometimes be a determinant. These can range from elections of market-friendly or market-unfriendly political leaders, to a change in central bank personnel, or changes in fiscal stances.
- **Economic Tests** Are designed to capture risks to the sovereign from specific, usually idiosyncratic, economic risks (not captured in Step 1). Economies have different features, and some are very unique, such as countries that depend on one commodity, or have a legacy of high inflation and thus high inflation expectations.
- **Technical Tests** Are designed to capture technical factors that could be positive or negative. Index inclusion (positive) or exclusion (negative) is an obvious example. An issuer that is increasing its debt issuance too quickly would be another example.
- **Company Tests** Are designed to capture risks to the corporate from specific, usually idiosyncratic, corporate risks (not captured in Step 1). For example, a corporate may have risks related to currency moves, or may have a too-concentrated product mix.

The tests allow the Portfolio Manager to revisit and adjust the weights in the initial portfolio that comes out of Step 1. Tests are applied bond-by-bond. The test score for a sovereign local bond may not be the same as the test score for a sovereign dollar bond, for example. The test score for a 20-year bond may not be the same as the test score for a 5-year bond.

Step 3 & 4: Portfolio construction and risk management

Process review
Step 1: Seek bonds with highest risk premia relative to fundamentals
Step 2: Conduct screening to mitigate risks
Step 3: Construct portfolio and manage risk
Step 4: Manage risk

Diversified by issuer, country and security
35–70 countries | 50–100 issuers | 50–150 bonds

Hard Currency Sovereigns

Local Currency Sovereigns

Corporates

Portfolio and position limits

- Portfolio limits on local currency, corporates, and distressed
- Positions subject to maximums and minimums
- Individual corporate exposure and industry exposure subject to maximums
- Duration subject to max/min limits at portfolio and country level.

The steps above generate portfolio duration and local-currency exposure. The top-level risk metrics are the result of the bottom-up process. We do not look at the resulting portfolio and increase duration due to top-down views that U.S. interest rates may be declining.

Key risk measures are directly incorporated into investment decisions through each step of the investment process. It begins with normalised economic data and by comparing a country's collection of normalised data to its risk premium (real interest rates for local currency, and credit spreads for hard currency). The process rewards countries whose risk premium is too high compared to other countries with the same fundamentals.

As described in Step 2, we then perform a further three tests related to policy, economy, and technical, to evaluate additional risks. We then conduct scenario analyses for each position and for the entire portfolio. Additionally, as an important part of the process, the investment team conducts regular visits to key countries, visiting key officials, corporates and independent organisations such as the International Monetary Fund (IMF).

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 its benchmark. EBND's benchmark is a blended index consisting of 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD Index and 50% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index.	**ASX code:** EBND **Commencement date:** 13 February 2020 **Management fee:** 0.95% p.a. **Dividend frequency:** monthly

Key risks

An investment in the Fund carries risks associated with: ASX trading time differences, emerging markets bonds and currencies, bond markets generally, interest rate movements, issuer default, currency hedging, credit ratings, country and issuer concentration, liquidity, fund manager and fund operations. See the VanEck Emerging Income Opportunities Active ETF PDS and TMD for more details.

Contact us

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

VanEck-Australia
VanEck_Au
VanEckAus
VanEckAustralia