



Access the opportunities.

Emerging markets bonds to bolster income and returns in ‘new world’: *VanEck whitepaper*

Sydney, 09 November 2020 – Last Tuesday’s RBA interest rate cut and accompanying statement didn’t bode well for investors that rely on income producing assets such as bonds. Investors need to look beyond traditional asset classes to enhance yield. Emerging markets bonds have been overlooked by Australian investors and they are potentially missing out on the diversification and yield benefits. Diversified portfolios that include emerging market bonds can achieve higher returns and lower risk than those that do not, according to VanEck’s new whitepaper, *More than zero: Using emerging markets bonds to optimise portfolios*.

Arian Neiron, VanEck Managing Director and Head of Asia Pacific, said: “Interest rates are going to be low for a long time and investors need to consider income alternatives. Emerging markets bonds are an alternative for investors to enhance income.”

According to the whitepaper, many emerging market economies are as liquid and structurally sound as developed countries, if not better. Emerging markets generally have stronger balance sheets following economic reforms implemented over the past twenty years.

“With Australian and global developed markets’ bond yields extremely low and expected to stay low for a long time, the higher yields offered by emerging markets bonds demand consideration for investors seeking to enhance their income.

“Emerging markets bonds can improve the returns of diversified portfolios as part of a fixed income allocation. They can also improve the risk-adjusted returns of diversified portfolios that treat emerging markets bonds as a separate asset class. Investors are rewarded for emerging markets bonds because they pay a higher premium for the same fundamentals as developed market debt. Yet most Australian investors do not have an allocation to emerging markets bonds,” said Neiron.

Following economic reforms, many emerging market economies are now structurally stronger than developed economies. Many boast growing foreign exchange reserves, strong budgets and robust balance of payments, enabling them to protect their economics against shocks such as COVID-19, according to the whitepaper.

“The question is how to allocate. Should investors consider emerging markets bonds as part of a global bond allocation, or should it be considered as a standalone asset class within the context of a diversified fund. Both, we find, are right,” the whitepaper says.



Access the opportunities.

“During the COVID-19 crisis many emerging markets handled the economic fallout with aplomb. Ukraine, Poland and Romania are but a few examples,” the whitepaper says.

This is where active management in EM bonds can come to the fore. Active management allows a fund manager to avoid countries with weaker fundamentals and prefer bonds from economies that are better managed and better insulated from shocks such as COVID-19.

VanEck Emerging Income Opportunities Active ETF (Managed Fund) (ASX: EBND) is an actively managed fund that is available on ASX. EBND targets a yield of 5%*.

The benefits of EBND’s unconstrained approach are:

- **Flexibility:** EBND has the flexibility to invest in all types of emerging market bonds, sovereigns and corporates, in hard and local currencies.
- **A greater ability to diversify:** EBND’s manager can maintain exposure to attractive yields while diversifying by currency, region, maturity, duration and credit.
- **Conviction:** EBND will often be composed of high-conviction investments, with a maximum weighting of 15%.
- **Contrarian views:** The investment team avoids crowded investments and strives to find the next best investment ahead of other investors.

* In determining each month’s dividend VanEck will target an annual dividend yield for the fund of 5% p.a. of the capital invested at the beginning of the year. Dividend yields may differ for individual investors. From time to time we may amend this target.

ENDS

MEDIA CONTACTS

Nicki Bourlioufas
Director, Spot On Content & PR
nicki@spotoncpr.com
+61 411 786 933

Vanessa Marks
Head of Communications
vmarks@vaneck.com
+61 438 243 085



Access the opportunities.

ABOUT VANECK

VanEck is one of the world's largest issuers of ETFs (Exchange Traded Funds), managing in excess of \$50 billion globally for individual and institutional investors. Founded in New York in 1955, VanEck is a pioneer in international investing and in gold funds, launching the first gold equities fund and the first gold ETF in the US.

In Australia, VanEck is the fastest growing ETF provider in the country and a leader in 'smart beta' investment strategies. We have 25 ETFs on ASX that focus on delivering superior performance through beyond-the-usual approaches and providing access to asset classes typically unavailable to Australian investors.

vaneck.com.au

IMPORTANT NOTICE: Issued by VanEck Investments Limited ACN 146 596 116 AFSL 416755 ('VanEck'). This is general advice only, not personal financial advice. It does not take into account any person's individual objectives, financial situation or needs. Read the PDS and speak with a financial adviser to determine if the fund is appropriate for your circumstances. The PDS is available here: <https://www.vaneck.com.au/library/regulatory-documents/>. An investment in EBND 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. No member of the VanEck group of companies guarantees the repayment of capital, the payment of income, performance, or any particular rate of return from the fund.