

EMB: Better Tracks, Better Destinations in EM

By Eric Fine, Portfolio Manager

VanEck Emerging Markets Bond UCITS Fund

USD R1 Inc: IE00BYXQSJ74

EUR Hedged I1 Inc: IE00BYXQSD13

USD I1 Inc: IE00BYXQSF37

EUR Hedged I2 Inc: IE00BYX22V58

USD I2 Inc: IE00BYXQSG44

Fund Review

The VanEck Emerging Markets Bond UCITS (Class USD I1) returned 0.56% in May compared to a return of 0.93% for the 50/50 JPMorgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM) local currency and the JPMorgan Emerging Markets Bond Index (EMBI) hard-currency index.

Local currency exposure is at 43.48%, Carry is 6.22%, yield to worst (YTW) is 7.42%, and duration is 5.8.

Average Annual Total Returns (%) as of 31 May

	1 Mo	3 Mo	1 Yr	3 Yr†	10 Yr†	Life†
USD R1 Inc (Inception 12/06/14)	0.52	-0.39	14.69	10.20	4.47	2.12
USD I1 Inc (Inception 20/08/13)	0.56	-0.27	15.27	10.76	5.20	3.78
USD I2 Inc (Inception 20/08/13)	0.57	-0.24	15.38	10.87	5.33	3.91
EUR Hedged I1 Inc (Inception 06/10/15)	0.42	-0.76	12.64	8.45	2.90	3.07
EUR Hedged I2 Inc (Inception 22/08/17)	0.43	-0.74	12.70	8.56	-	2.36
50% GBI-EM/50% EMBI – USD¹	0.93	-0.80	12.17	9.67	3.67	-

Past performance does not predict future returns. Investing is subject to risk, including the possible loss of principal. The performance is based on complete 12-month periods. The return may increase or decrease as a result of currency fluctuations. You cannot directly invest in an index.

†Periods greater than one year are annualized.

¹Life performance for the 50% GBI-EM/50% EMBI – USD benchmark is presented in U.S.

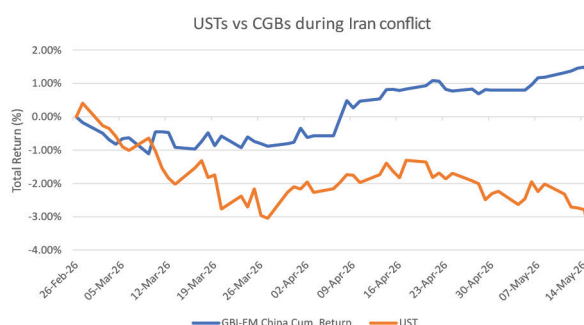
Dollars (USD) as of Class I1 inception date of 20/8/2013

EM bonds remain winners despite, or because of, great ongoing geopolitical risk. Emerging markets (EM) have many commodities exporters, as well as goods exporters, developed markets (DM) have mostly importers. This is a very enduring trend, one we first outlined over 13 years ago. Namely, EMs are on the winning side of what DMs are on the losing side of. EMs generally have low levels of government debt, and are also generally commodities or goods exporters, many of which have greater importance and levels as they replace Russia as a key commodities supplier. We've written about



many examples of this, for example the positive terms-of-trade shocks this is generating for both Asian importers like India (though not enough for us to favor Indian local markets) as well as simple commodities exporters like those in Latin America and sub-Saharan Africa. DM is generally specializing in twin deficits and political division, it seems. We won't add tons of details to this section, as we've written white papers on the actual outperformance of EM bonds over DM bonds, on risk-adjusted bases, and numerous pieces on "fiscal dominance". This month, just look again at how our EM bond benchmark keeps outperforming DM's Global Agg and US Treasuries, and hopefully also look again at how EMBX outperformed its benchmark. This is not a new story, it is just an un-appreciated one. Perhaps the best example of this remains the performance of future-reserve-currency China's CGB performance versus US Treasury performance this year, which we produce in the exhibit below.

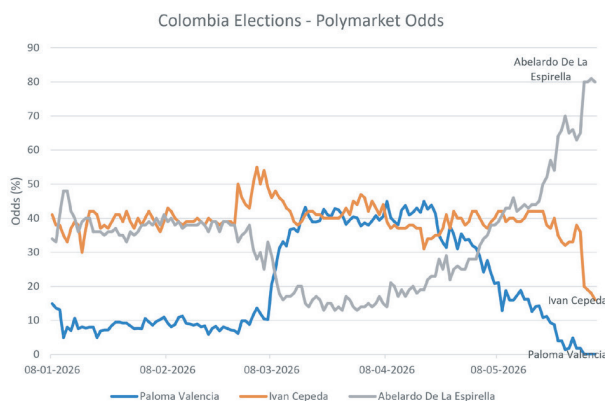
Exhibit 1 – China's Treasuries Outperform US Treasuries



Source: JP Morgan, Bloomberg. Data as of May 2026. U.S. Treasuries are represented by the FTSE 10-Year US Treasuries Index. CGBs are represented by the J.P. Morgan GBI-EM China Dollar Unhedged Index. Past performance is no guarantee of future results. Index performance is not representative of strategy performance. It is not possible to invest directly in an index.

EMs exhibited great idiosyncrasy in a market that is very highly correlated. Hungary, Colombia, and Peru, for example, saw market-friendly political outcomes that insulated their markets from being simple functions of Iran headlines. We showed Hungary's performance following its election in our last monthly (and we closed our overweight in Hungary following this outperformance). So, we'll show the next election-dominated story, Colombia. To tell our little story about it, Colombia local was a portfolio stalwart for much of the year. This is based on the positive terms-of-trade shock due to higher oil prices, as well as the odds of a market-friendly outcome in presidential elections (the second round of which is next month). Now, in May, all the market received was adverse polling showing strength for the market-unfavorable candidate into the first round of elections, though this was due to local laws that had the effect of discounting conservative pollsters. The law was suspended in early June, market-supportive polls started coming out, and the first-round election happened showing the market-favored candidate, de la Espriella, winning. The market for some reason treated this result as a great surprise, which is the only surprise to us. Colombia remains a top YTD outperformer, but not in May. Just the usual drama right before an election that is likely to add to the market-friendly moves we've seen already in Argentina, Hungary, Ecuador, Chile, and potentially in Peru (more on that in our next monthly, hopefully!)

Exhibit 2 – Colombia's Market-Friendly Candidate Surges

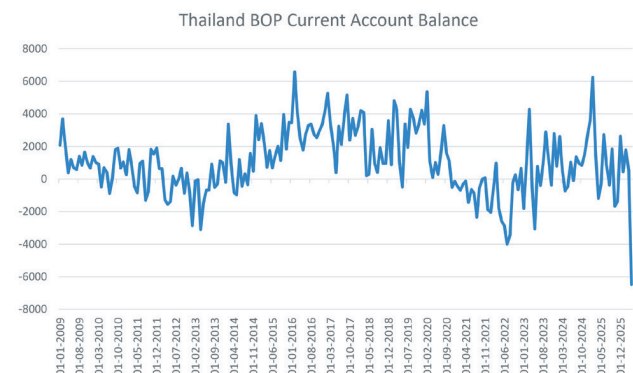


Source: Bloomberg. Data as of May 2026. For illustrative purposes only. References to specific political outcomes and securities are not recommendations to buy or sell any security. Past performance is not a guarantee of future results.

DMs remain under stagflationary risks, but the US is arguably a winner among DMs, so don't be surprised by USD strength against the major currencies, as we argued in our IMF takeaways from April. The US is possibly enjoying a positive terms-of-trade

shock along with many EMs. Growth certainly seems robust, as does the job market, so much so that the market is almost pricing in a full 25 basis point policy rate hike...and stocks remain near highs! In the garden of central banking, though, the ECB will discover every single rake to step on, and this is coming in June. With France in technical recession and great economic and other uncertainty, they (and the UK) will be hiking rates. Watch their currency to see the market verdict...these could be recession-triggering hikes, unlike those in the US. A key hinge. We've published so much on "fiscal dominance" and how DMs suffer (and the large DM current account deficits are predicted and a good economic proxy for "dissaving"), we'll instead show a chart on an EM we don't like – Thailand. Not all EMs are in great shape and as we argued in our IMF piece, Thailand, Philippines, India are vulnerable south Asian importers; don't hate EM, just avoid some. Thailand's current account surplus flipped to serious deficit as depicted in the chart below. Our response was to simply be underweight because EM remains rich in winners whereas DM has mostly stagflationary losers.

Exhibit 3 – Big Hit to Thai Current Account



Source: Bloomberg. Data as of May 2026. For illustrative purposes only. Past performance is no guarantee of future results.

Exposure Types and Significant Changes

The changes to our top positions are summarized below. Our largest positions in May were South Africa, Malaysia, Mexico, Brazil and Chile:

- We increased our local currency exposure in Mexico and Peru. The Mexican central bank ended its easing cycle, putting to rest the fear that it will fall behind the curve, undermining the peso and local duration. In terms of our investment process, this strengthened the policy test score for the country. The presidential runoff polls in Peru remain tight, but local duration cheapened during the Iran

conflict, and local bonds can be expected to benefit from the Middle East normalization and lower oil prices, which improved the technical test score for the country.

- We also increased our local currency exposure in Poland and Thailand. Poland's central bank is not in a hurry to cut rates, despite a downside inflation surprise in May, but lower oil prices is a boon for the economy. In terms of our investment process, this translates into stronger policy and technical test scores for the country. Thailand should be expected to be among key beneficiaries from the Middle East ceasefire and lower oil prices, which improve its technical test score.
- Finally, we increased our local currency and hard currency sovereign exposure in South Africa. The central bank's decision to go for the pre-emptive 25bps rate hike added support for local duration, while sovereign bonds should benefit from better terms of trade under the Middle East ceasefire scenario. In terms of our investment process, this strengthened both the policy and technical test scores for the country.
- We reduced our local currency exposure in Colombia and the Philippines. We took precautionary steps (along with some profits) in Colombia in the run up to the 1st round of the presidential elections, as political noise went up and the policy test score for the country deteriorated at that point. In the Philippines, a sharp increase in inflation raised concerns that the central bank might need to raise the policy rate in order to offset the impact of the Middle East-related energy crisis, which worsened the Philippine technical test score.
- We also reduced our hard currency sovereign exposure in Bolivia and local currency exposure in Hungary. We took profits in Bolivia following the post-election rally and against the backdrop of stronger domestic political noise and confusion about the size of the IMF package. These factors worsened the technical and policy test scores for Bolivia. We also decided to take election-related profits in Hungary as positioning became stretched – weakening the technical test score - and the next strong catalyst has not yet materialized.
- Finally, we reduced our local currency and hard currency sovereign exposure in Brazil, as the election landscape became more complicated following corruption allegations

against the key opposition candidate, while the easing room for the central bank became smaller on the back of weakening fiscal discipline and unmoored inflation expectations. These developments worsened Brazil's policy test score.

Major Risks of Investing in the VanEck Emerging Markets Bond Fund

- **Emerging Market Risk:** In emerging markets, the legal, judicial and regulatory infrastructure is still developing and there is much legal uncertainty both for local market participants and their counterparties. Investments in these countries may involve specific political, economic and financial risks that have a significant impact on valuations and liquidity of those investments. They are also exposed to additional risks that are difficult to calculate and would not arise with investments made in OECD countries or other emerging markets.
- **Currency Risk:** Some of the Fund's assets can be invested in currencies, other than the Fund's currency. The performance of the Sub-Fund can be subject to elevated volatility on the downside as well as on the upside due to currency fluctuations. Northbound investments by the Fund in the Bond Connect Securities will be traded and settled in Renminbi / RMB, the official currency of China. The RMB is currently not a freely convertible currency.
- **Credit Risk:** The Fund will invest in bonds that are subject to varying degrees of risk that the issuers of the securities will have their credit ratings downgraded or will default, potentially reducing the value of the securities.

For the other risk factors and information, please refer to the KID and the Prospectus, available at www.vaneck.com

IMPORTANT INFORMATION

Please refer to the Prospectus – in English language - and the KID/KIID - in local language - before making any final investment decisions and for full information on risks. These documents can be obtained free of charge at www.vaneck.com, from the ManCo or from the appointed facility agent.

VanEck Emerging Markets Bond UCITS ("Fund") is a sub-fund of VanEck ICAV, a UCITS umbrella fund, registered with the Central Bank of Ireland and actively managed. The ManCo transferred the investment management for the Fund to Van Eck Associates Corporation, an investment company regulated by the U.S. Securities and Exchange Commission (SEC). The Product described herein aligns to Article 8 Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector. Information on sustainability-related aspects pursuant to that regulation can be found on www.vaneck.com. Investors must consider all the Fund's characteristics or objectives as detailed in the prospectus, in the [sustainability-related disclosures](#) or related documents before making an investment decision.

Source: VanEck.

Performance quoted represents past performance. Current performance may be lower or higher than average annual returns shown. Performance data for the Irish funds is displayed on a Net Asset Value basis, in Base Currency terms, with net income reinvested, net of fees. Returns may increase or decrease as a result of currency fluctuations.

Investors must be aware that, due to market fluctuations and other factors, the performance of the funds may vary over time and should consider a medium/long-term perspective when evaluating the performance of funds.

The value of the Fund may fluctuate significantly as a result of the investment strategy. The Fund's holdings are disclosed on each dealing day on www.vaneck.com under the Fund's Holdings section and as per PCF under the Documents section and published via one or more market data suppliers. For details on the regulated markets where the Fund is listed, please refer to the Trading Information section on the Fund page at www.vaneck.com. Investing in the Fund should be interpreted as acquiring shares of the Product and not the underlying assets. Tax treatment depends on the personal circumstances of each investor and may vary over time. The ManCo may terminate the marketing of the Fund in one or more jurisdictions. The summary of the investor rights is available in English at: [summary-of-investor-rights.pdf](#).