

January 21, 2020
Weekly Bulletin

Think Global, Act Local – EBND

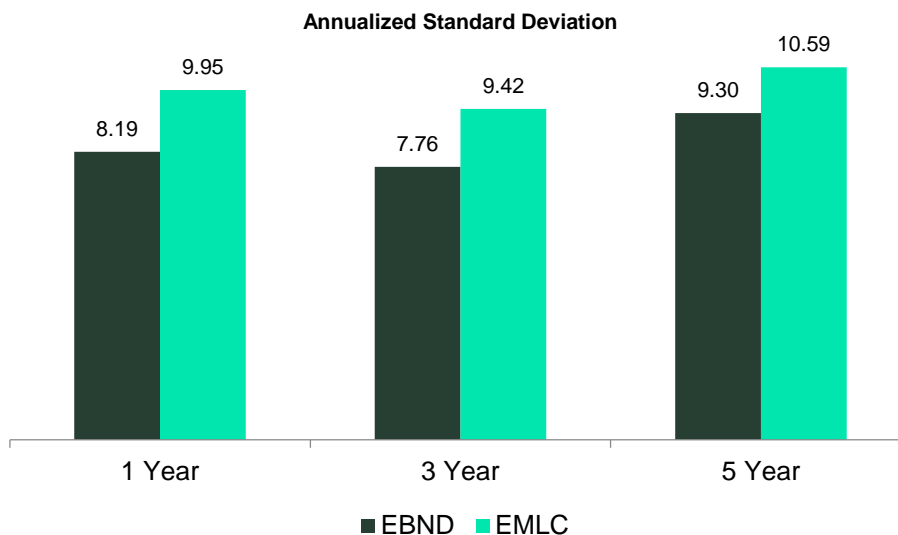
- Chronically tight credit spreads and low rates for developed markets globally have forced investors to take on more credit or duration risk, but with less income compensation
- With yields north of 4%,¹ more than 80% of the debt rated investment grade² and the majority of the risk profile driven by currency risk – all at a time when implied currency volatility is in the bottom 1 percentile over the past three years³ – emerging market (“EM”) debt may be a viable income-producing alternative
- The SPDR Bloomberg Barclays Emerging Markets Local Bond ETF [EBND] offers investors a more broadly diversified exposure than the VanEck Vectors J.P Morgan EM Local Currency Bond ETF [EMLC] does, as EMLC’s index methodology imposes a country weight floor that guarantees a 3% allocation to certain countries

The Takeaway

Given its yield, investment rating breakdown, and risk profile, an EM debt allocation may present investors with additional diversification and income opportunities in today’s market. However, in order to fully realize the potential benefits of an EM debt exposure strategy, selection is important. As a result of EBND’s more diverse country profile, it has experienced lower volatility than EMLC over multiple periods while also outperforming by more 300 basis points cumulatively over the past five years.⁴

Chart of the Week

Less Risk for Your Return



Source: FactSet, as of 12/31/2019. Past performance is not a guarantee of future results.

Standard Performance

<u>Ticker</u>	<u>Name</u>	<u>YTD</u>	<u>1 Year</u>	<u>Annualized</u>				<u>Inception Date</u>	<u>Gross Expense Ratio (%)</u>
				<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>		
EBND	SPDR Bloomberg Barclays Emerging Markets Local Bond ETF (NAV)	10.44	10.44	5.43	2.01	-	1.52	02/23/2011	0.30%
EBND	SPDR Bloomberg Barclays Emerging Markets Local Bond ETF (MKT)	10.32	10.32	5.57	1.92	-	1.56		
EMLC	VanEck Vectors J.P Morgan EM Local Currency Bond ETF (NAV)	9.90	9.90	4.97	1.43	-	1.15	07/22/2010	0.41%
EMLC	VanEck Vectors J.P Morgan EM Local Currency Bond ETF (MKT)	9.86	9.86	4.92	1.35	-	1.15		

Source: ssga.com, vaneck.com, as of December 31, 2019

¹ Bloomberg Finance L.P. as of 12/31/2019

² Bloomberg Finance L.P. as of 12/31/2019

³ Bloomberg Finance L.P. as of 12/31/2019

⁴ Bloomberg Finance L.P. as of 12/31/2019

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Fund Objectives

EBND: The investment seeks to provide investment results that correspond generally to the price and yield performance of the Bloomberg Barclays EM Local Currency Government Diversified Index.

EMLC: The investment seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the J.P. Morgan GBI-EM Global Core Index.

Important Risk Information

Sovereign bonds are issued by governments and government agencies and instrumentalities, which may be unable or unwilling to repay principal or interest on debt obligations in times of economic uncertainty.

Foreign (non-US) Securities may be subject to greater political, economic, environmental, credit and information risks. Foreign securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

There can be no assurance that a liquid market will be maintained for ETF shares.

Investing involves risk including the risk of loss of principal.

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