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Why Emerging Market Bonds? Why EMBD?

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Why Emerging Market Bonds?

- **Higher Yield Potential:** In our view, emerging market (EM) debt often offers higher yields compared with developed market debt. This is because EM bonds typically carry higher risk, which is compensated for by higher interest rates.
- **Diversification:** Adding EM debt to a portfolio can enhance diversification via regional, duration, and yield exposure.[1]
- **Economic Growth Potential:** Emerging market economies generally have higher growth potential compared to developed market countries. Investing in these markets' debt may allow investors to benefit from this potential growth indirectly.[2]
- **Improving Fundamentals:** Though coming from a lower base, many emerging markets have improving economic fundamentals, such as increasing gross domestic product (GDP) growth rates, better fiscal management, and decreasing debt levels relative to GDP. These improvements can potentially enhance the creditworthiness of EM debt.
- **Underrepresentation:** We believe that EM debt is often underrepresented in global bond indices and investors' portfolios. Increasing exposure to this asset class can potentially capture opportunities not fully reflected in global benchmarks.[3]

Why EMBD?

- **Client Friendly Structure & Competitive Fee:** The Global X Emerging Markets Bond ETF (EMBD) offers active management with a competitive fee, along with the liquidity and transparency of the ETF structure.[4]
- **Active Expertise:** Global X is a wholly owned subsidiary of Seoul-based Mirae Asset – a pioneer in Asian active asset management with over USD 600bn in assets under management as of March 31, 2024.[5] EMBD is supported by a dedicated nine-person investment and research team located in New York and Asia. Additionally, we have members from our Macro and Quantitative strategy teams who provide macroeconomic data analysis and statistical scenario analysis for top-down assessment. The fund is managed by two portfolio managers focused on both top-down and bottom-up analysis.
- **Investment Philosophy:** We look for opportunities across both the corporate and sovereign markets in EM with a focus on fundamental drivers, external forces, market inefficiencies, and managing downside risk. We believe that our ability to expand the EM debt investible universe to include corporate issuers (in addition to sovereign issuers) may potentially enhance the fund's risk-adjusted returns.
- **Investment Process:** A strict, proven, and repeatable investment process based on both top-down and bottom-up analysis, which includes macro, credit, sovereign, and relative valuation analysis.
- **Diversification:** EMBD provides diversified exposure to a broad range of both sovereign and corporate EM bonds, depending on where the team finds the most value.
- **Track Record:** EMBD has outperformed its benchmark since inception, with an annualized total return (based on net asset value) two percentage points higher than the JPMorgan EMBI Global Core Index.

EMBD PERFORMANCE THROUGH JUNE 30, 2024 (%)

Sources: Global X ETFs.

	Q2	1Y*	3Y*	Since Inception**
Net Asset Value (NAV)	0.62%	9.06%	-0.99%	2.31%
Market Price	0.43%	8.38%	-1.11%	2.30%
JPMorgan EMBI Global Core Index	0.30%	9.02%	-2.94%	0.31%

*Annualized
**Annualized from 6/1/2020, inception date of the Fund.

The performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance data current to the most recent month or quarter-end, please click here. Total expense ratio: 0.39%.

The index tracks liquid, U.S. dollar emerging market (EM) fixed- and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

FOOTNOTES

1. International Monetary Fund. (2024, Mar). IMF Working Paper: Geoeconomic Fragmentation and International Diversification Benefits.
2. World Bank. (2024, Jun). Global Economic Prospects.
3. Bloomberg LP. Data accessed on July 22, 2024.
4. Morningstar. Morningstar Manager Research Summary on EMBD. Data as of June 30, 2024. “The portfolio maintains a cost advantage over competitors, priced within the lowest fee quintile among peers.”
5. Global X ETFs. (2024, July 18). Global X ETFs Corporate Overview.

GLOSSARY

Duration: A measure of a bond’s price sensitivity to changes in interest rates. In general, the higher the duration, the more a bond’s price will drop as interest rates rise (and the greater the interest rate risk).

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