

## QUARTERLY INVESTMENT REPORT

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# BNY Mellon Emerging Markets Debt Local Currency Fund

## INVESTMENT MANAGER



Insight are leaders in risk management, fixed income and multi-asset investment solutions.

The Fund transitioned investment manager on the 1<sup>st</sup> September 2021. Prior to this date it was managed by Mellon Investments Corporation, LLC.

## FUND RATINGS



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## PERFORMANCE BENCHMARK

The Fund will measure its performance against JP Morgan GBI-EM Global Diversified Index (the "Benchmark"). The Investment Manager will use the Benchmark to construct the investment universe. The Fund is actively managed and does not seek to replicate the full constituents of the Benchmark. The Investment Manager has limited discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. The majority of the Fund's holdings will be constituents of the Benchmark and as a result the Fund's currency and sector exposures, as well its maturity and credit quality profile, will be similar to the Benchmark. The investment strategy restricts the extent to which the portfolio holdings of the Fund may deviate from the Benchmark, and consequently the extent to which the Fund can outperform the Benchmark. The investment strategy provides similar volatility to the Benchmark over the medium to long term.

## PERFORMANCE NOTE

**Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed. Please refer to the prospectus and the KID/KIID before making any investment decisions. Documents are available in English and an official language of the jurisdictions in which the Fund is registered for public sale. Go to [www.bnymellonim.com](http://www.bnymellonim.com). For a full list of risks applicable to this fund, please refer to the Prospectus or other offering documents.**

## QUARTERLY HIGHLIGHTS

- **Performance:** The Fund generated a negative return, net of fees, during the quarter. It lagged its benchmark.
- **Activity:** We took profits on our Czech government bond holding, leaving us underweight.
- **Outlook & Strategy:** We expect China's economy to show some recovery this year.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

	1M	3M	YTD	1YR	Annualised					
					2YR	3YR	5YR			
USD W (Acc.)	-0.47	-2.99	-2.99	7.34	5.74	0.44	0.57			
Performance Benchmark	-0.03	-2.12	-2.12	4.91	2.05	-1.60	0.13			
Sector	0.50	-1.06	-1.06	6.83	2.20	-1.32	-0.02			
No. of funds in sector	149	146	146	139	129	120	95			
Quartile	-	-	-	2	1	1	2			
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-7.99	-15.94	8.40	15.80	-9.81	11.50	0.96	-8.57	-8.80	16.32
Performance Benchmark	-5.72	-14.92	9.94	15.21	-6.21	13.47	2.69	-8.75	-11.69	12.70

Source: Lipper as at 31 March 2024. Fund performance USD W (Acc.) calculated as total return, based on net asset value, including charges, but excluding initial charge, income reinvested gross of tax, expressed in share class currency. The impact of the initial charge, which may be up to 5%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request. Returns may increase or decrease as a result of currency fluctuations.

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## PERFORMANCE COMMENTARY

Local currency bond returns were negatively impacted by the strong US dollar.

### OUR CURRENCY POSITIONING DETRACTED MOST FROM RELATIVE RETURNS

Though bond returns across countries were mixed, generalised currency weakness versus the US dollar undercut index returns overall. Bond markets were stronger in China, Thailand, Malaysia and Serbia, but, in each case, weaker currencies reduced overall returns. Bond markets in Turkey, Hungary and South Africa fell furthest.

The weakest currencies were in Chile, Turkey, Thailand and Hungary. Only Mexico and Colombia had positive foreign exchange returns to supplement their bond returns over the quarter. Overall, the JP Morgan GBI-EM Global Diversified Index had fallen by 2.12% by quarter-end.

From the Fund's perspective, the biggest detractor to relative performance was our currency positioning, notably an overweight in the Chilean peso, which is often volatile. An overweight in the Korean won also detracted on expectations the central bank will soon start cutting interest rates due to weak market fundamentals. This was partly offset by our underweight positions in the Egyptian pound and Colombian peso.

In local rates, being underweight in Colombia and Mexico both detracted from performance, although this was partly offset by our local rates positions in Thailand and Poland. Elsewhere, our position in Russia has shown signs of recovery.

Hard currency emerging market sovereign and corporate debt typically produced stronger returns than local currency markets during the quarter, largely due to tighter credit spreads, notably in the high yield parts of those markets.

## ACTIVITY REVIEW

It was a relatively quiet quarter in terms of activity.

### WE INCREASED OUR DURATION IN PERU, ROMANIA AND THE CZECH REPUBLIC, WHILE REDUCING IT IN KOREA AND CHILE

In rates, we took profits on our Czech government bond holding in January, leaving us underweight. We reduced duration in Korea and Chile, bringing our position back to flat. Conversely, we added duration in Peru, where we had been waiting for an opportunity to increase our position. This occurred in mid-March as Peru's Congress moved closer to approving new pension regulations. We also added duration in Romania and the Czech Republic, moving our underweights in both countries to neutral versus the benchmark.

Meanwhile, currency trading was relatively muted in January, largely reflecting our activity in rates, while in February and March currency positioning was the main reason for trading.

## INVESTMENT STRATEGY AND OUTLOOK

Emerging market policymakers appear to be ahead of their developed market counterparts in having already started monetary easing.

### WE REMAIN CONSTRUCTIVE ON EMERGING MARKETS

Our view is that China still faces challenges. However, the rebound in Chinese inflation, if sustained, may be an indication that the country is turning a corner. We expect GDP to expand by around 4.4% in 2024, with a modest slowdown to about 3.6% likely in 2025. The residential real estate sector remains a key area of concern for policymakers. It could lead to further cuts to the one-year and five-year loan prime rates.

In other emerging markets, it seems that economies and policymakers remain slightly ahead of their developed market counterparts. Having already implemented six rate cuts since August 2023, taking rates from 13.75% to 10.75%, Brazil's central bank seems likely to continue monetary easing if high inflation does not reoccur. Other central banks are likely to follow suit, although Turkey's persistent inflation has yet to subside and further hikes could still be required there. India embarks on its long general election process in April and May, with Narendra Modi looking likely to secure another term as prime minister.

**CREDIT QUALITY BREAKDOWN (%)**

	Fund
AA	3.2
A	17.7
BBB	46.4
BB	25.3
B	2.7
NR	4.1
Cash	0.6

**TOP 10 HOLDINGS (%)**

	Fund
Brazil (govt Of) Nota Do Tesouro Nacional 10% 01jan2027	6.9
Mexico (govt Of) 8.5% 31may2029	5.5
South Africa (govt Of) 7% 28feb2031	4.0
South Africa (govt Of) 8% 31jan2030	4.0
Poland (govt Of) 7.5% 25jul2028 #0728	3.7
Mexico (govt Of) 7.75% 29may2031	3.2
Indonesia (govt Of) 6.125% 15may2028 Fr64	3.1
Colombia (govt Of) 7.75% 18sep2030 B	2.8
Mexico (govt Of) 8.5% 18nov2038	2.8
Malaysia (govt Of) 4.921% 06jul2048 #0518	2.8

Source: BNY Mellon Investment Management EMEA Limited

**REGIONAL ALLOCATION (%)**

	Fund
Asia	40.7
Latin America	24.9
Central Europe	18.2
Africa/Middle East	9.1
Eurozone	2.1
Other Europe	1.1
US	-6.1
Others	9.9

**CONTRIBUTION TO DURATION (YEARS)**

	Fund	Perf. B'mark
Mexico	0.8	0.5
Thailand	0.8	0.6
Malaysia	0.7	0.7
Colombia	0.5	0.2
Indonesia	0.5	0.6
South Africa	0.5	0.5
China	0.3	0.6
Czech Republic	0.3	0.3
Others	1.1	1.2

**PORTFOLIO CHARACTERISTICS**

	Fund	Perf. B'mark
Yield (%)	7.7	6.6
Spread to Government (bp)	23.8	-12.4
Spread to Libor (bp)	74	18
Duration (years)	5.5	5.1
Spread duration (years)	0.1	0.0
Maturity (years)	8.0	7.2
Average Coupon (%)	6.9	5.2
Average rating (optimistic)	BBB+	BBB+
Average rating (pessimistic)	BBB	BBB+
Holdings	60.0	335.0
Issuer	19.0	21.0
Ticker	19.0	21.0
YTM	8.3	6.5
YTW	8.3	6.5
WAL	8.0	7.2
Current yield (%)	7.3	5.2

**CURRENCY BREAKDOWN (%)**

	Fund	Perf. B'mark
THB	10.6	9.8
MYR	10.2	10.0
BRL	10.1	10.0
IDR	10.0	10.0
MXN	9.3	10.0
ZAR	8.2	8.2
CZK	7.4	6.5
PLN	7.2	7.9
CNY	5.2	10.0
CNH	4.9	0.0
RON	4.6	4.3
COP	4.4	4.8
CLP	4.2	1.7
Others	3.6	6.9

**KEY RISKS ASSOCIATED WITH THIS FUND**

- The Fund may invest in China interbank bond market through connection between the related Mainland and Hong Kong financial infrastructure institutions. These may be subject to regulatory changes, settlement risk and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- Where the Fund invests significantly in a single market, this may have a material impact on the value of the Fund.
- There is no guarantee that the Fund will achieve its objectives.
- This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- Emerging Markets have additional risks due to less-developed market practices.
- The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- If this share class is denominated in a different currency from the base currency of the Fund. Changes in the exchange rate between the share class currency and the base currency may affect the value of your investment.
- For hedged share classes the hedging strategy is used to reduce the impact of exchange rate movements between the share class currency and the base currency. It may not completely achieve this due to factors such as interest rate differentials.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

**INVESTMENT OBJECTIVE**

To achieve a superior total return from a portfolio of bond and other debt instruments, including derivatives thereon, from emerging markets.

**GENERAL INFORMATION**

Total net assets (million)	\$ 27.12
Performance Benchmark	JP Morgan GBI-EM Global Diversified TR
Lipper sector	Lipper Global Bond Emerging Markets Global LC
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Team approach
Base currency	USD
Currencies available	EUR, USD, GBP
Fund launch	28 Apr 2006

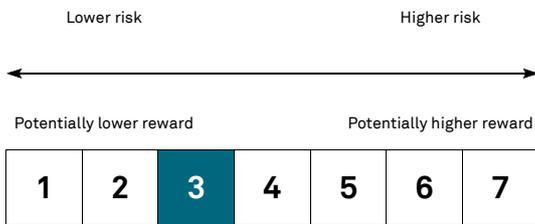
**USD W (ACC.) SHARE CLASS DETAILS**

Inception date	07 Dec 2012
Min. initial investment	\$ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.65%
ISIN	IE00B7RFHJ47
Registered for sale in:	AT, BE, CH, CL, CO, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, LU, NL, NO, PE, PT, SE, SG, UY

**DEALING**

09:00 to 17:00 each business day  
 Valuation point: 22:00 Dublin time  
 Costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of currency and exchange rate fluctuations.  
 For more details please read the KID document.

**RISK AND REWARD PROFILE - USD W (ACC.)**



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium low level, and poor market conditions are unlikely to impact the capacity of BNY Mellon Fund Management (Luxembourg) S.A. to pay you.

Source: BNY Mellon Investment Management EMEA Limited  
 Any views and opinions are those of the investment manager, unless otherwise noted.

**IMPORTANT INFORMATION**

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