

# BNY MELLON EMERGING MARKETS DEBT LOCAL CURRENCY FUND

## INVESTMENT MANAGER



BNY Mellon Asset Management North America Corporation provides services to the Fund through its fixed income product line, which is dedicated exclusively to active fixed income and credit solutions, with a particular strong emphasis on fundamental credit research. Standish is a brand name of the fixed income product line of BNY Mellon Asset Management North America.

## FUND RATINGS



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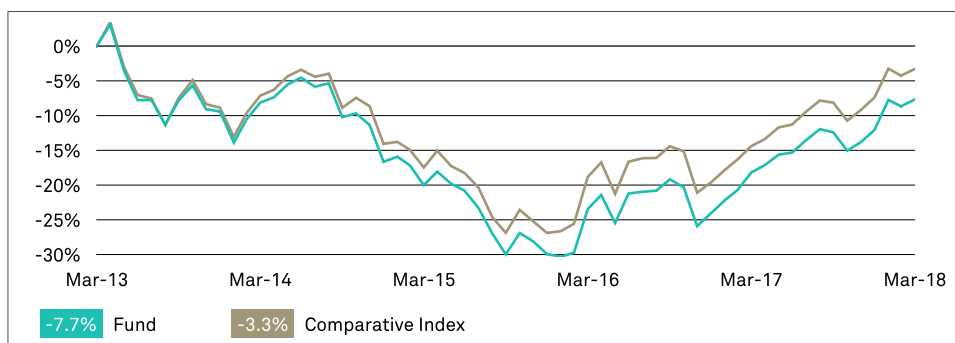
## PERFORMANCE NOTE

**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.**

## QUARTERLY HIGHLIGHTS

- **Performance:** The Fund generated a positive return over the period, net of fees. Local rates allocation was the main driver of positive performance while currencies were roughly flat.
- **Activity:** The Fund was fairly active during the period. Most recently we continued to add to our short US dollar position by adding Mexican peso, Russian rouble and South Korean won.
- **Outlook & Strategy:** Valuations are attractive and the main external drivers of the asset class seem to be more supportive of the space going forward.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

					Annualised		
	1M	3M	YTD	1YR	2YR	3YR	5YR
USD W (Acc.)	1.07	4.98	4.98	12.84	9.82	4.89	-1.59
Comparative Index	1.02	4.44	4.44	12.99	9.16	5.43	-0.66
Sector	0.77	3.59	3.59	11.58	8.44	4.48	-1.71
No. of funds in sector	152	146	146	128	120	114	91
Quartile	1	1	1	1	1	2	2
	2013	2014	2015	2016	2017		
Fund	-9.26	-7.99	-15.94	8.40	15.80		
Comparative Index	-8.98	-5.72	-14.92	9.94	15.21		

Source: Lipper as at 31 March 2018. Fund performance USD W 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.

## PERFORMANCE COMMENTARY

The Fund performed well during the first quarter. The currency side contributed with the biggest contributors being long Colombian peso, Malaysian Ringgit and Czech koruna. Also helping performance was short positioning in the Philippine peso and Israeli shekel.

### LOCAL RATES ALLOCATION, PARTICULARLY OUR LONG DURATION POSITION IN SOUTH AFRICA, DROVE PERFORMANCE

Slightly offsetting performance from these currencies was negative performance from our shorts in Asia (Thai baht and Taiwan dollar) and in the South African rand.

Local rates allocation was a significant driver of performance for the period. The biggest contributor to local rates was our long duration position in South Africa as rates continued to rally. Also boosting performance was our security selection in Argentina and long rates positioning in Mexico and Russia. On the negative side, a curve flattener position in Brazil hurt performance.

## ACTIVITY REVIEW

On the currency side, we continued to add more tracking error to our short US dollar exposure by entering into risk reversals. Given the political risks associated with our forecasts, which include elections in a number of countries and volatility in US diplomatic tactics, we believe risk reversals represent a good vehicle to position for further US dollar weakness in selected crosses.

### WE ADDED TO OUR SHORT US DOLLAR EXPOSURE THROUGH SEVERAL RISK REVERSALS

Starting around the middle of the month we added a short US dollar – Russian rouble via risk reversals. We believe fundamentals are improving in Russia and that continued strength in oil will be beneficial for the rouble.

We also added a short US dollar Mexican peso exposure via risk reversals due to attractive valuations combined with growing expectations of a deal on NAFTA. Lastly, we added to our South Korean won position against the US dollar as lower tensions with US and North Korea, as well as a growing current account surplus, bode well for the won going forward. Finally, we continued to add exposure to our long Nigerian naira position, buying T-bills.

On the local rates side, we reduced our underweight duration in Eastern Europe by buying Poland and Romania 10-year bonds to take some profits after a material move higher in rates across Europe and the US. We also added a small long duration position in India, on valuation considerations, after this market experienced a significant move higher in rates over the last couple of months.

## INVESTMENT OUTLOOK AND STRATEGY

There have been no material changes to our global economic outlook. Financial conditions in the US remain accommodative. Economic conditions are easy in the UK and about neutral in the euro area and all three economies are enjoying a relatively synchronous upswing in output even as much of their respective slack works down.

### ROBUST GROWTH IN CHINA SUPPORTS EMERGING MARKET ECONOMIES AND COMMODITY PRICES

In the US, we believe tax reforms and spending increases will provide significant impetus to aggregate demand and push up the budget deficit to over \$1 trillion in each of the next few years. Burgeoning government debt represents a medium-term headwind to the foreign exchange value of the dollar, which is why we believe it to be expensive vis-a-vis the currencies of both other advanced and emerging market economies. Further weakening in the dollar adds an international kick to building domestic cost pressures in 2018, putting US inflation on a gradual incline. When put together, this should lead the US Federal Reserve to make four 25 basis point rate hikes this year.

US corporate spreads are also modestly expensive but we believe fundamentals are strong and technicals supportive. A risk event would widen spreads but probably not much, suggesting that any bout of volatility provides the chance to increase credit exposure. Similarly, robust growth in China underpins emerging market economies and commodity prices. High-quality emerging market dollar debt looks valued fairly and some frontier markets are attractive, for those willing to accept the associated elevated risk and illiquidity. The political calendars of emerging market economies are crowded, particularly in Latin America, which may create opportunities to add to risk position on overdone episodes of electoral angst.

## CREDIT QUALITY BREAKDOWN (%)

	Fund
AAA	3.0
AA	0.0
AA-	3.7
A+	0.0
A	17.3
A-	10.6
BBB+	2.5
BBB	24.3
BBB-	24.4
BB	7.3
BB-	0.2
Others	6.7

## TOP 10 HOLDINGS (%)

	Fund
Mexico MBONO 5.75% 03/05/2026	6.4
ZA RSA 10.5% 12/21/2026	6.0
Russia RFLB 7% 08/16/2023	3.8
Brazil BNTNF 10% 01/01/2023	3.8
PETROLEOS MEXICANOS 7.19% 09/12/2024	3.2
Russia RFLB 7.05% 01/19/2028	3.2
South Africa SAGB 7% 02/28/2031	3.0
Chile Nominal BTPCL 4.5% 03/01/2026	2.7
Colombia COLTE 10% 07/24/2024	2.7
Poland POLGB 2.5% 07/25/2026	2.7

Source: BNY Mellon Investment Management EMEA Limited

## REGIONAL ALLOCATION (%)

	Fund
Latin America	41.1
Europe	26.4
Africa	15.1
Asia	14.9
Others	2.5

## CONTRIBUTION TO DURATION (YEARS)

	Fund	B'mark
South Africa	0.8	0.7
Mexico	0.7	0.5
Indonesia	0.6	0.6
Poland	0.6	0.4
Russia	0.5	0.4
Colombia	0.4	0.3
Brazil	0.3	0.3
Argentina	0.3	0.0
Chile	0.3	0.2
Others	1.2	1.7

## PORTFOLIO CHARACTERISTICS

	Fund	B'mark
Modified duration	5.7	5.2
Yield to Worst (%)	7.1	5.9
No. of issuers	30	19
Average life	8.3	7.6
Average quality	BBB-	BBB
Average Coupon (%)	7.5	6.2
Current yield (%)	6.7	6.0

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**KEY RISKS ASSOCIATED WITH THIS 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.
- Certain share classes are denominated in a different currency from the base currency (i.e. the reporting 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.
- Certain share classes use techniques to try to reduce the effects of changes in the exchange rate between the share class currency and the base currency of the Fund. These techniques may not eliminate all the currency risk.
- 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)	\$ 1,086.54
Comparative Index / 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	Dedicated Team
Base currency	USD
Currencies available	EUR, USD, GBP, CHF, JPY
Fund launch	28 Apr 2006

**DEALING**

09:00 to 17:00 each business day  
Valuation point: 22:00 Dublin time

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

Inception date	07 Dec 2012
Min. initial investment	\$ 15,000,000
Ongoing charge	0.83%
Annual mgmt charge	0.65%
Max. initial charge	5.00%
ISIN	IE00B7RFHJ47
Registered for sale in:	AT, BE, CL, DK, DE, FR, FI, GG, IE, IT, JE, LU, NL, NO, PT, ES, SE, CH, GB

Source: BNY Mellon Investment Management EMEA Limited

Any views and opinions are those of the investment manager, unless otherwise noted.

**IMPORTANT INFORMATION**

**For Professional Clients and, in Switzerland, for Qualified Investors only. This is a financial promotion and is not investment advice. For a full list of risks applicable to this fund, please refer to the Prospectus. Before subscribing, investors should read the most recent Prospectus, financial reports and KIID for each fund in which they want to invest. Go to [www.bnymellonim.com](http://www.bnymellonim.com). Investment Managers are appointed by BNY Mellon Investment Management EMEA Limited (BNYMIM EMEA) or affiliated fund operating companies to undertake portfolio management activities in relation to contracts for products and services entered into by clients with BNYMIM EMEA or the BNY Mellon funds.** Portfolio holdings are subject to change, for information only and are not investment recommendations. To help continually improve our service and in the interest of security, we may monitor and/or record your telephone calls with us. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. Investments should not be regarded as short-term and should normally be held for at least five years. The Fund is a sub-fund of BNY Mellon Global Funds, plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. The Management Company is BNY Mellon Global Management Limited (BNY MGM), approved and regulated by the Central Bank of Ireland. Registered address: 33 Sir John Rogerson's Quay, Dublin 2, Ireland. In **Austria**, the current Prospectus and the Key Investor Information Document are available free of charge from Raiffeisen Zentralbank Österreich Aktiengesellschaft, Am Stadtpark 9, A-1030 Vienna. In **Belgium**, the KIID, Prospectus, articles of association and latest annual report are freely available upon request to the paying agent: JP Morgan Chase Bank, 1 Boulevard du Roi Albert II, B-1210 Bruxelles, Belgium. The Prospectus, KIIDs, articles of association, annual and half-yearly financial reports are available in French. In **France**, the KIID, Prospectus, articles and latest annual report are freely available upon request to the centralising agent: BNP Paribas Securities Services, 3 rue d'Antin, 75002 Paris, tél: 00 33 1 42 98 10 00. Consent under the Control of Borrowing (**Jersey**) Order 1958 (the "COBO Order") has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom or Guernsey as the case may be. The Directors may, but are not obliged to, apply for such consent in the future. In **Germany**, this is for marketing purposes only. In Germany, the prospectus is available from BNYMIM EMEA, German branch, MesseTurm Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany. In **Spain**, BNY Mellon Global Funds is registered with the CNMV, Registration No. 267. In **Switzerland**, the Company is established as an open-ended umbrella type investment company under Irish law and the Sub-Funds are authorised by FINMA for distribution to non-qualified investors in or from Switzerland. The Swiss representative is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. Investors in Switzerland can obtain the documents of the Company, such as the Prospectus, the KIIDs, the Memorandum and Articles of Association, the semi-annual and annual reports, each in their latest version as approved by FINMA, in German, and further information free of charge from the Swiss representative. BNYMIM EMEA, BNY MGM, and any other BNY Mellon entity mentioned are all ultimately owned by The Bank of New York Mellon Corporation. Issued in UK and Europe (excluding Switzerland) by BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Conduct Authority. Issued in Switzerland by BNY Mellon Investments Switzerland GmbH, Talacker 29, CH-8001 Zürich, Switzerland. Authorised and regulated by the FINMA. The Bank of New York Mellon, DIFC Branch (the "Authorised Firm") is communicating these materials on behalf of BNYMIM EMEA. BNYMIM EMEA is owned by The Bank of New York Mellon Corporation. This material is intended for Professional Clients only and no other person should act upon it. The Authorised Firm is regulated by the Dubai Financial Services Authority

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