INVL GLOBAL EMERGING MARKETS BOND SUBFUND

March 2024

STRATEGY

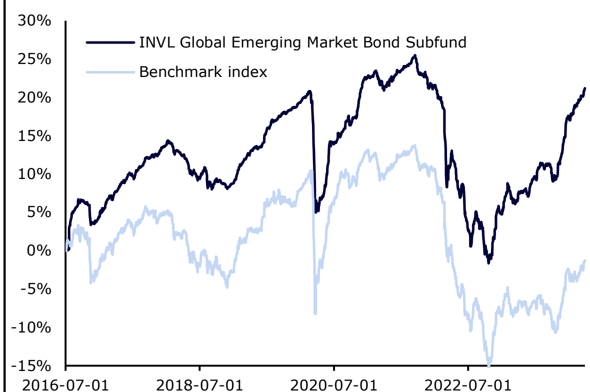
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing economies.
The fund is restricted to buying EUR and USD denominated securities only, while at the same time hedging the USD risk, providing its investors the return in EUR.
Recommended investment term – minimum 2 years.

FACTS

Management company	SB Asset Management
ISIN code	LTIF00000666
Inception date	2016-07-01
Minimum investment	EUR 0
AUM, EUR M	9.8
Strategy AUM, EUR M	339
Management fee	1.25%
Currency	EUR
Countries of distribution	Lithuania, Sweden, Finland, Norway

For more information on the fund (prospectus, benchmark, results) please click on the link below:
https://www.sb.lt/lt/privatiems/investavimas/investiciniai-fondai/invl-besivystanciu-pasaulio-rinku-obligaciju-subfondas

RESULTS



	Fund	Benchmark ***
Return YTD	3.0%	1.1%
Return 1Y	13.7%	7.1%
Return 3Y	0.1%	-9.9%
3 year annualised return	0.0%	-3.4%
Return since inception	21.2%	-1.3%
Volatility (St. deviation)*	3.4%	5.5%
Duration	3.7	6.4
YTM	6.5%	5.5%
Sortino ratio**	-0.4	-1.0

FUND MANAGER COMMENT

March was the 5th positive month in a row for INVL Global Emerging Markets Bond subfund which returned 1.3% and slightly underperformed the benchmark index as it appreciated by 1.6%.

Fixed income investors continued to adjust to the statements of Central Banks that rate cuts are not imminent, as inflation figures are still above targets. As of now, the market is expecting 3 cuts to happen during 2024, while at the start of the year this figure stood at 6-7 times. Despite this, investors are piling into riskier fixed income subclasses to capture the high yield before any potential rate cuts take place. The start of 2024 marked the largest amount of inflows into US corporate bond funds, pushing spreads between investment grade corporates and US Treasuries to 2-year lows. Similar situation is apparent in Europe, where yield spreads between high yield corporates and investment grade counterparts has contracted to 260 basis points (2-year average 340 bps). In terms of regional developments – Turkey's local elections ended in the opposition party securing metropolitan mayoralties in most of largest cities including Istanbul and the capital Ankara. The voting results indicate the public unrest regarding the rampant inflation and overall economic development.

During March the fund added one new position in the secondary market – Indonesian Japfa Comfeed. The company operates in all poultry business areas, has a vertically integrated business model, strong equity ratio and was acquired at an attractive yield of 9.6% (in USD). Profit was taken in DIGI Communications 2028 bonds – the yield of this issue fell to 5% which was 1.3% lower than the yield of Euro High Yield index. Overall, the bond returned nearly 14% since acquisition in January 2023 and outperformed the benchmark. Moldavian Trans-oil extended its rally from February, as it was the biggest contributor to fund performance. The fund maintains lower interest rate sensitivity than the benchmark (3.7 and 6.4 duration respectively) while having a higher yield to maturity of 6.5% (benchmark's YTM is 5.5%).

**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***Sortino ratio is used to measure the risk-adjusted return of the portfolio. It is a modification of the Sharpe ratio but penalizes only those returns falling below required rate of return. Sortino ratio is obtained from Bloomberg which measures the ratio over a 3-year period at a daily granularity.*
****Benchmark index:*
100% Bloomberg EM USD Aggregate Total Return Index Value Hedged EUR (H00014EU Index)

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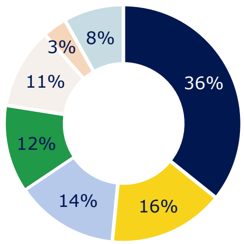
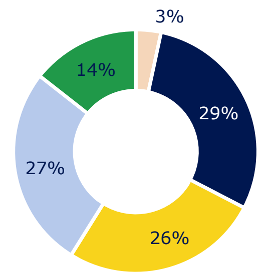
BREAKDOWN OF INVESTMENTS



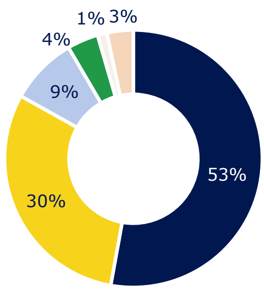
BY SECTOR

- Government
- Consumer Staples
- Financials
- Real Estate
- Energy
- Cash and cash equivalents
- Other



BY DURATION

- < 1 year
- 1-3 years
- 3-5 years
- 5-7 years
- > 7 years



BY REGION

- Central and Eastern Europe
- Latin America
- Africa and Mideast
- Asia
- Other
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	5.5%
MBKPW 8 3/8 09/11/27	Financials	4.5%
SNSPW 2 1/2 06/07/28	Materials	4.5%
ARAGVI 8.45 04/29/26	Consumer Staples	4.2%
ROMANI 3.624 05/26/30	Government	4.2%
GWILN 2.95 07/29/26	Real Estate	4.2%
PEPGRP 7 1/4 07/01/28	Consumer Discretionary	3.7%
PEMEX 6.7 02/16/32	Energy	3.5%
IVYCST 5 7/8 10/17/31	Government	3.4%
EPEN 6.651 11/13/28	Energy	3.2%

The Fund does not invest and does not have exposure to Russian and Belarusian bonds

REASONS TO INVEST

- Historically, Emerging market economies have been growing almost twice as fast as Developed markets.
- Government debt levels in emerging markets are twice as low as in developed countries.
- High active share investing into up to 25 most attractive investments by identified market mispricings, EUR and USD issues arbitrage and off-benchmark opportunities while avoiding certain issuers.
- Relatively low volatility due to investments in shorter-duration corporate bonds and less indebted as well as better rated government and off-benchmark picks.
- Combination of only hard currency (USD risk hedged to EUR) sovereign and corporate debt ensures attractive yield, while limited credit and duration risk provides for low volatility.

COMPANY

SB Asset Management is the investment management company of Šiaulių bankas group. The team of experienced investment managers is one of the largest and most capable in the Baltic States and has been managing clients' assets since 2003. Investment managers make investment decisions on behalf of more than EUR 1.2 billion of clients assets.

Investment managers are guided by the principles of long-term investing and fundamental investment analysis while specializing in Central and Eastern European equity and bond markets. The team flexibly take advantage of investment opportunities that arise in the markets. The managers' expertise is proven by consistently high ratings in international fund rankings.

CONTACT

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