INVL GLOBAL EMERGING MARKETS BOND SUBFUND

November 2023

STRATEGY

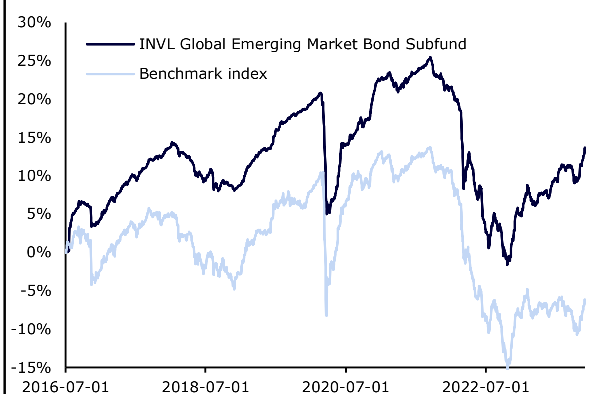
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	INVL Asset Management
ISIN code	LTIF00000666
Inception date	2016-07-01
Minimum investment	EUR 0
AUM, EUR M	9.2
Strategy AUM, EUR M	273
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	8.6%	2.6%
Return 1Y	9.3%	3.4%
Return 3Y	-6.2%	-15.9%
3 year annualised return	-2.1%	-5.6%
Return since inception	13.7%	-6.1%
Volatility (St. deviation)*	3.4%	5.6%
Duration	3.7	6.3
YTM	7.1%	5.8%
Sortino ratio**	-0.4	-1.0

FUND MANAGER COMMENT

In November INVL Global Emerging Market bond subfund's value jumped strongly by 3.4% but this month it has slightly underperformed against the benchmark index which increased in value by 4.5%. Year to date the fund has increased its already solid relative outperformance against the benchmark (8.6% compared to 2.6%) and managed to do that with materially lower volatility.

Last month was rather extraordinary during which US Treasuries recorded the strongest monthly performance since 1985 – it was a combination of encouraging macroeconomic indicators and guidance from policymakers. On one hand, falling inflation across developed countries (i.e. US printed 3.2% and 4.0% year-on-year headline and core inflation respectively) spurred hopes of reaching the sacred 2% level by the end of 2024 while signs of moderating economic growth became more evident. On the other hand, policymakers gave indications that at least for now peak interest rates have been reached both in Europe and the US. Moreover, the US Treasury revised its borrowing plans for the last quarter of 2023 which turned out to be 76 billion USD less than in its July forecasts – such news provided relief for market participants which were worried about debt security oversupply. Weakening US dollar also helped emerging market debt instruments, therefore, longer duration EM bonds benefited from a risk-on sentiment. From notable monthly events, Argentina's Javier Milei who is a far-right populist, won the presidential election promising drastic changes to the current ruling structure (such as full dollarization of the economy in order to curb inflation), however, it is still unclear what impact Milei will be able to exhibit as president's party does not have sufficient seats in Congress. Even though emerging central banks largely carry on with the cuts in interest rates (such as Brazil or Peru) and are ahead of major central banks in developed economies (ECB, FED, BOJ), there are some outliers like Turkey which hiked its rates from 35% to 40%.

Fund's main positive contributors over the last month were longer duration corporate and sovereign investments such as Synthos, Petroleos Mexicanos, Ivory Coast and Dominican Republic bonds which experienced the most significant rally due to declining risk-free rates while spreads remained rather stable. Besides balancing trades, the fund has not made new investments. Fund's YTM after hedge at the end of the month was about 7.1% for a duration of 3.7 years.

**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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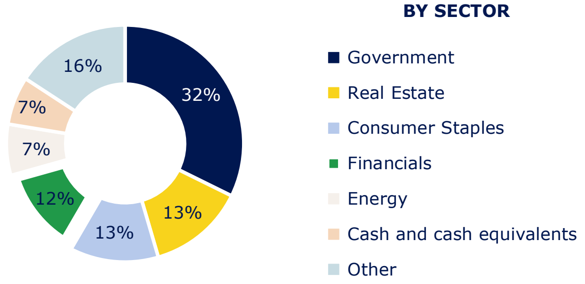
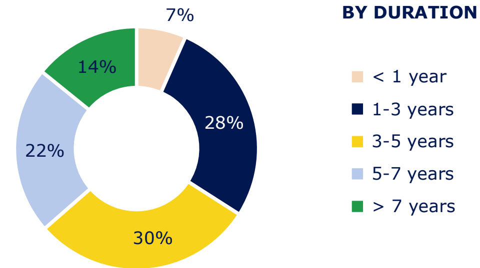
BREAKDOWN OF INVESTMENTS

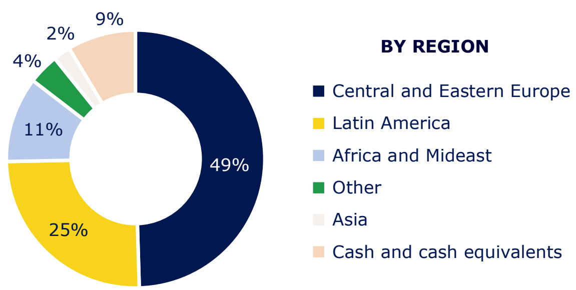
BY SECTOR



BY DURATION



BY REGION



TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	5.5%
MSPSJ 4 1/4 05/19/26	Real Estate	4.6%
SNSPW 2 1/2 06/07/28	Materials	4.3%
PEPGRP 7 1/4 07/01/28	Consumer Discretionary	3.9%
ROMANI 3.624 05/26/30	Government	3.7%
PEMEX 6.7 02/16/32	Energy	3.6%
MBKPW 8 3/8 09/11/27	Financials	3.5%
ARAGVI 8.45 04/29/26	Consumer Staples	3.5%
IVYCST 5 7/8 10/17/31	Government	3.3%
DOMREP 4 7/8 09/23/32	Government	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.

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