INVL GLOBAL EMERGING MARKETS BOND SUBFUND

December 2023

STRATEGY

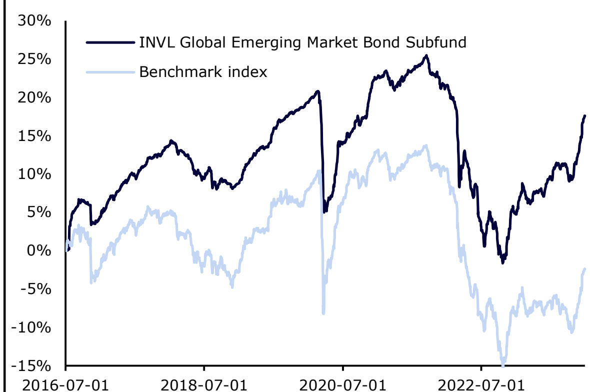
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	9.6
Strategy AUM, EUR M	242
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	12.3%	6.7%
Return 1Y	12.3%	6.7%
Return 3Y	-4.0%	-13.6%
3 year annualised return	-1.4%	-4.8%
Return since inception	17.6%	-2.4%
Volatility (St. deviation)*	3.4%	5.6%
Duration	3.6	6.4
YTM	6.4%	5.6%
Sortino ratio**	-0.4	-1.0

FUND MANAGER COMMENT

INVL Global Emerging Markets bond subfund finished the year strong, with the unit's value appreciating by 3.4%, underperforming compared with the benchmark index which rose by 4.0% throughout the month. For the full year the fund price rose by 12.3% (net of fees) and decisively outperformed the benchmark (6.7%). This is a result of prudent investment strategy – superior investment selection into fundamentally strong picks.

The momentum in fixed income markets from November continued, led by the U.S. Federal Reserve's unexpected rhetoric of a less restrictive monetary policy stance. This was influenced by a sustained downtrend in inflation (year-on-year US CPI printed 3.1%, which is now relatively close to the 2% target) and strong economic activity – retail sales and industrial production growth, coupled with still resilient labour market (unemployment is close to a 4 year low of 3.7%). Even though the three key central banks in the West (US Federal Reserve, European Central Bank and Bank of England) left their policy rates unchanged (5.25%-5.50%, 4% and 5.25% respectively), ECB's Lagarde and BoE's Bailey struck somewhat of a more hawkish tone than their counterparts in the US. From noteworthy events in emerging markets, Moody's downgraded China's credit outlook to negative (sovereign rating was kept at A1), citing risks to China's fiscal stability, extra costs to support local governments, possible spillover from the continued property crisis and slower than previously anticipated medium term growth.

December was a quieter month in terms of trading, as it usually is because of the holiday season, as the fund did not participate in any primary market issue. The Fund did, however, add to several current positions including Globalworth, Synthos, mBank, Aragvi and exited one position – MAS Securities, during a tender offer at an attractive ~8.5% yield. The main contributors for the month were longer duration issues (Pemex 2032, Mexico 2033, Dominican Republic 2032), which rose together with the broad market. Despite the great performance for 2023, the Fund's weighted average yield to maturity is still high at nearly 6.4% (5.6% for the benchmark) and 3.6 year duration.

**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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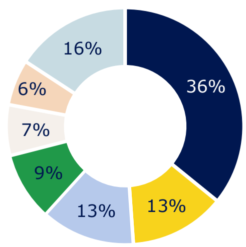
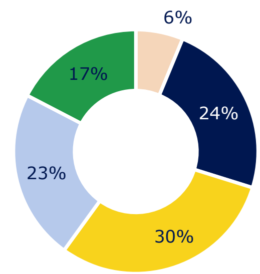
BREAKDOWN OF INVESTMENTS

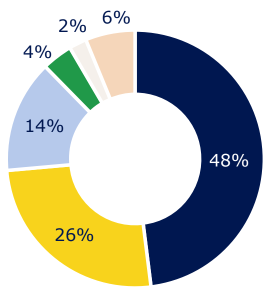
BY SECTOR



BY DURATION



BY REGION



TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	5.4%
MBKPW 8 3/8 09/11/27	Financials	4.5%
SNSPW 2 1/2 06/07/28	Materials	4.5%
ROMANI 3.624 05/26/30	Government	4.3%
GWILN 2.95 07/29/26	Real Estate	3.9%
PEPGRP 7 1/4 07/01/28	Consumer Discretionary	3.9%
ARAGVI 8.45 04/29/26	Consumer Staples	3.6%
PEMEX 6.7 02/16/32	Energy	3.6%
IVYCST 5 7/8 10/17/31	Government	3.3%
ISHARES JPM USD EM BND EUR-H	Government	3.3%

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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