INVL EMERGING EUROPE BOND SUBFUND

December 2023

STRATEGY

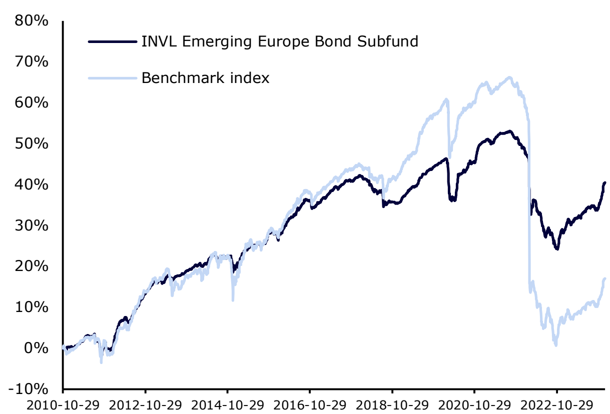
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the fund INVL Emerging Europe Bond Fund (hereinafter – the Master Fund) of the umbrella investment fund INVL Fund intended for institutional investors established in the Grand Duchy of Luxembourg. This way, the subfund will operate as a feeder subfund. In its turn, the Master Fund invests up to 100 percent of its assets in government and corporate debt securities in Emerging Europe.
Recommended investment term – minimum 1 - 2 years.

FACTS

Management company	SB Asset Management
ISIN code	LTIF00000468
Inception date	2010-10-29
Minimum investment	EUR 0
AUM, EUR M	8.3
Strategy AUM, EUR M	238
Management fee	0.45%
Currency	EUR
Countries of distribution	Lithuania, Latvia, Denmark, Finland, Norway, Germany

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-besivystancios-europos-obligaciju-subfondas

RESULTS



	Fund	**Benchmark *****
Return YTD	9.4%	10.3%
Return 1Y	9.4%	10.3%
Return 3Y	-6.4%	-28.7%
3 year annualized return	-2.2%	-10.7%
5 year annualized return	0.7%	-3.9%
Volatility (St. deviation)*	2.3%	5.5%
Duration	2.6	
YTM	5.8%	
Sharpe ratio**	1.1	0.2

FUND MANAGER COMMENT

INVL Emerging Europe bond subfund finished the year strong, with the unit’s value appreciating by 2.5%, underperforming compared with the benchmark index which rose by 3.0% throughout the month. Main factor for the underperformance was the lower duration of the fund compared to the index. For the full year the fund price rose by 9.41% (net of fees) and slightly underperformed the benchmark (10.3%).

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 Banca Transilvania, EPH Financing, mBank, Romania and exited one position – MAS Securities, during a tender offer at an attractive ~8.5% yield. Apart from the longer duration issues (Synthos 2028, Romania 2033 and Teva Pharmaceuticals 2029), Central Eastern Europe real estate operator Globe Trade Centre was the biggest contributor to the Fund’s performance. Management Board of the company decided to terminate plans of acquiring luxury skiing resort assets in Switzerland. In addition to the high valuation for the planned acquisition of luxury skiing resort assets, the investment would have been outside GTC’s current operating region and asset subclass, which primarily includes offices and retail shopping centers. From the Fund’s perspective, despite the great performance in 2023, fund’s weighted average yield to maturity is still high at nearly 6%, with a 2.6 year duration. We are continuing with the Fund’s strategy of investing in the most fundamentally sound ideas which are mainly corporate bonds.

**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.*
***Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratio value corresponds to the period shown in the historical returns graph.*
****Benchmark index:*
50% Bloomberg Pan Euro EM: Europe Total Return Index Unhedged EUR (I04339EU Index)
40% Bloomberg Pan-European High Yield (Euro) TR Index (I02501EU Index)
10% European Central Bank ESTR OIS Index (OISESTR Index)

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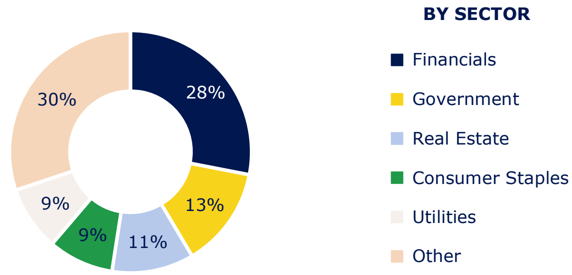
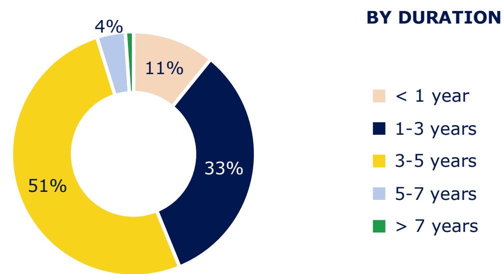
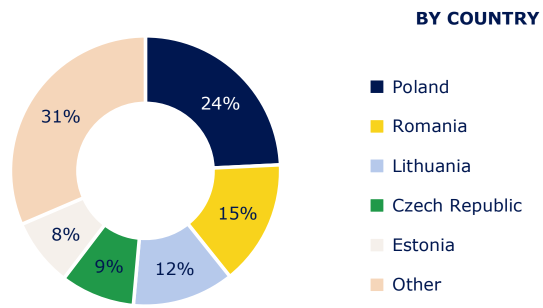
BREAKDOWN OF INVESTMENTS







TOP 10 PORTFOLIO HOLDINGS

PEPGRP 2028s	Consumer Discretionary	5.3%
AKRPLS 2 7/8 06/02/26	Real Estate	5.2%
EPEN 6.651 11/13/28	Utilities	4.0%
SNSPW 2 1/2 06/07/28	Materials	4.0%
TVLRO 8 7/8 04/27/27	Financials	3.7%
MACEDO 1 5/8 03/10/28	Government	3.7%
LITHUN 28	Government	3.7%
LHVGRP 8 3/4 10/03/27	Financials	3.3%
MAXGPE 6 1/4 07/12/27	Consumer Staples	3.3%
ARAGVI 8.45 04/29/26	Consumer Staples	3.1%

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

REASONS TO INVEST

- Combination of only hard currency (EUR or USD) sovereign and corporate debt ensures attractive yield, while limited credit and duration risk provides for low volatility.
- Fund maintains average investment grade credit rating. Lower government debt levels – Central and Eastern Europe 51%, Eurozone 93% (as of the end of Q3 2022).
- Active share of over 80% (creating value through off-benchmark picks, participation in primary issues, inefficiencies in the market).
- Historical Sharpe ratio exceeding 0.9 places the fund among the best Emerging Markets bond funds in the world by risk-adjusted returns.

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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Breakdown of top holdings and investment characteristics is based on a look-through approach using feeder fund's investment into master fund.