INVL EMERGING EUROPE BOND SUBFUND

December 2022

STRATEGY

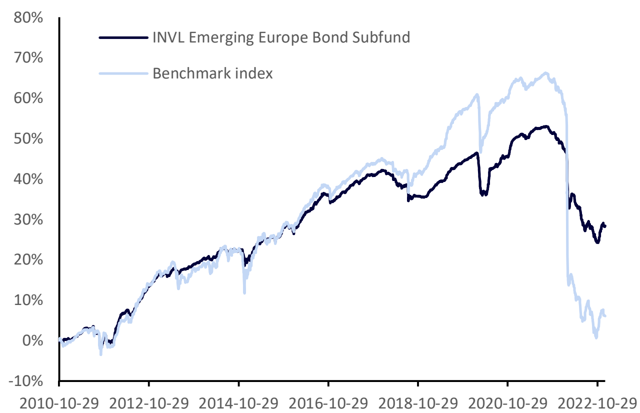
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended 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 Subfund 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	INVL Asset Management
ISIN code	LTIF00000468
Inception date	2010-10-29
Minimum investment	EUR 0
AUM, EUR M	7,3
Strategy AUM, EUR M	250
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.invl.com/en/investment/mutual-funds/invl-emerging-europe-bond-subfund/fund-information/

RESULTS



	Fund	Benchmark ***
Return YTD	-13,8%	-34,4%
Return 1Y	-13,8%	-34,4%
Return 3Y	-11,6%	-32,9%
3 year annualized return	-4,0%	-12,5%
5 year annualized return	-2,0%	-6,0%
Volatility (St. deviation)*	2,4%	5,7%
Duration	2,6	
YTM	6,6%	
Sharpe ratio**	0,9	0,1

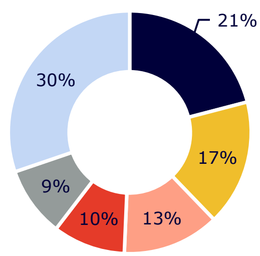
FUND MANAGER COMMENT

In December, INVL Emerging Europe bond subfund printed a monthly increase in value of 0.5% and outperformed the benchmark which declined by 0.8%. Benchmark was mostly weighed down by longer duration sovereign bonds which took a breathing pause and retreated from November highs. The fund, on the other hand, maintained its focus on good quality shorter duration corporate bonds.
Although inflation rate started to decrease in Europe and continued to go down in the US, markets were worried about the potential risk of overtightening by major central banks. Even though both FED and ECB turned to milder interest rate hikes and both lifted borrowing costs by 0.50% in December (versus 0.75% increases in previous months), comments made by officials on future scenarios were much more hawkish than markets anticipated. Both Lagarde and Powell seem determined to avoid interest rate cuts in 2023 even in an event of recession.
As EUR-denominated bonds experienced more pressure due to more hawkish comments from central bank, debt securities of such countries as Romania and North Macedonia were the worst performers in fund’s portfolio. Among underperformers not within fund’s holdings were countries like Hungary or Serbia that are significantly more exposed to political risks and at odds with the EU. Fund’s top performing positions last month were USD-denominated bonds – among them were Kernel Holding (found some support after heavy sell-off in prior months) and Turkish corporates (i.e. Turk Telekom, Ulker, Arcelik) that continued to see buying interest and put Turkey among the most profitable bond trades (in USD terms) for the year of 2022! Over the month both primary and secondary bond markets were rather quiet, and fund performed only minor rebalancing trades. The fund continues to keep somewhat lower duration at around 2.6 years while maintaining YTM after hedge at 6.8% and positioning itself by being exposed towards high quality corporates.

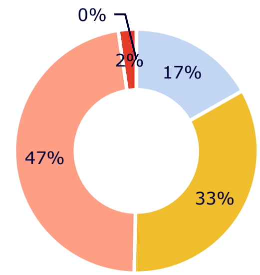
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund’s daily return deviates from its mean. The lower the standard deviation the lower the fund’s risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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% JP Morgan Euro Emerging Markets Bond Index (EMBI) Global Diversified Europe (JPEFEUR Index)
40% Bloomberg Pan-European High Yield (Euro) TR Index (I02501EU Index)
10% European Central Bank ESTR OIS Index (OISESTR Index)

BREAKDOWN OF INVESTMENTS

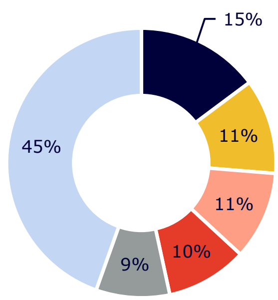
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	6,1%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,5%
MSPSJ 4 1/4 05/19/26	Real Estate	4,3%
NOVALJ 25	Financials	4,2%
SNSPW 2 1/2 06/07/28	Materials	3,7%
GTCAPW 26s	Real Estate	3,5%
TURKTI 6 7/8 02/28/25	Telecommunication Services	3,4%
ULKER 6.95 10/30/25	Consumer Staples	3,4%
ROMANI 2 3/4 02/26/26	Government	3,4%
PKNPW 1 1/8 05/27/28	Energy	3,3%

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 53%, Eurozone 96% (as of the end of Q1 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

INVL investment management and life insurance group is a boutique asset management and life insurance company that offers a range of CEE-focused investment products since 2004.
Team of ten portfolio managers, based in Vilnius, Lithuania (headquarters) and Riga, Latvia, use primarily fundamental value, bottom up approach and manage over 1.7 billion EUR in assets. Being nimble and highly competitive, INVL funds consistently rank high in international rankings.
We adhere to the UN Principles for Responsible Investment (PRI) and are supervised by the Central bank of Lithuania.

CONTACT

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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.