INVL EMERGING EUROPE BOND SUBFUND

November 2022

STRATEGY

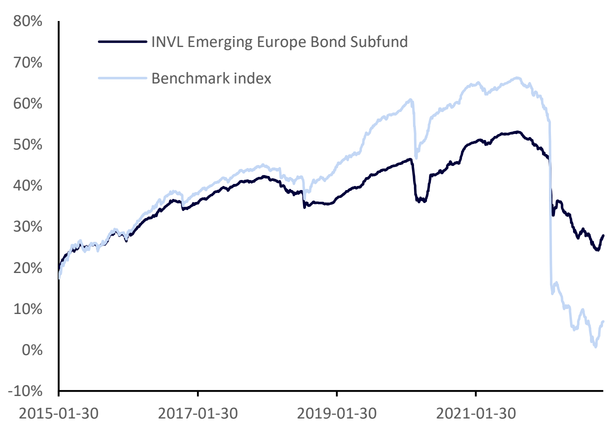
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended 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	258
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



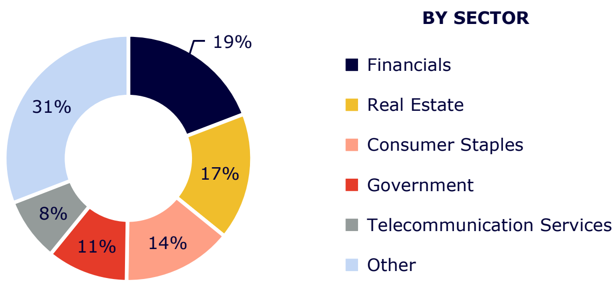
	Fund	Benchmark ***
Return YTD	-14,2%	-33,9%
Return 1Y	-14,8%	-33,9%
Return 3Y	-11,7%	-32,0%
3 year annualized return	-4,1%	-12,1%
5 year annualized return	-2,0%	-5,8%
Volatility (St. deviation)*	2,4%	5,7%
Duration	2,7	
YTM	6,8%	
Sharpe ratio**	0,9	0,1

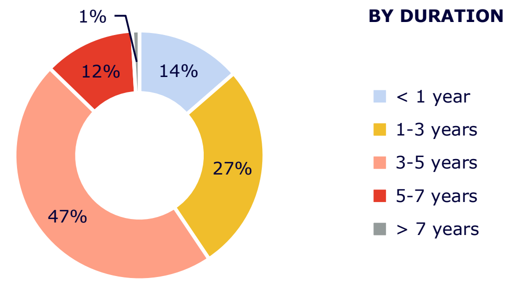
FUND MANAGER COMMENT

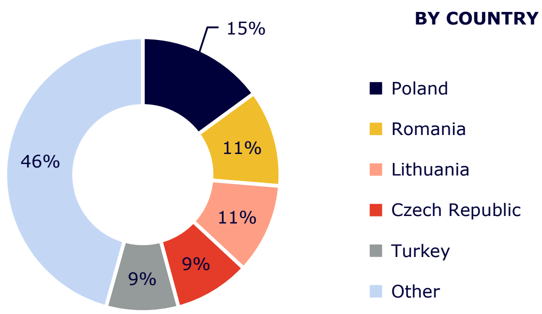
After an extended break, November was sharply positive month both for global equity and bond markets. INVL Emerging Europe bond subfund printed a solid 2.8% monthly increase in value but generated some underperformance against the benchmark which climbed by 4.0%. Benchmark index rally was largely driven by higher duration CEE sovereign bonds which account for 50% of total weight in the index. The fund, on the other hand, continued underweighting long duration sovereign bonds and focused on high quality corporate issuers. Fund's YTD outperformance remained substantial.
In contrast to previous months this year, speculations of approaching halt in interest rate hikes (pivot) on both sides of the Atlantic led to excessive optimism among investors. Inflation data cheered the sentiment further when US October inflation came in at 7.7% year on year change instead of expected 8%. It resulted to higher conviction of the markets that FED will soon stop the hikes since price increases are showing signs of easing. Some ripple effect was also observed as other bond markets rallied too – less pressure from leading the central bank and USD depreciation provided support for energy importers which now expect moderation in energy cost increases due to cheaper USD. On the factual front, both ECB and FED delivered additional hefty 0.75% interest rate hikes during their latest meetings, but expectations of future hikes have eased off.
With a risk-on mood in financial markets, spreads of CEE sovereign and corporate (both investment grade and high yield) bonds have fallen substantially leading to outperformance against developed market fixed income securities. Among last month's stars were Romania and Bulgaria which saw exuberant buying interest from beaten-down levels and experienced the most extreme spread contraction. Hungary came to the primary market and new issue managed to attract sufficient interest to help sovereign bonds increase in value too. Bonds with further maturity dates were the main winners. On the fund level, previous month's top performing positions were Kernel Holding (markets interpreted financial results favorably), Ulker (2025 maturity bond was heavily sold-off in prior months as uncertainty loomed but with a return in risk appetite, investors seem to have come to senses) and GTC (another beaten-down high-quality real estate company). Worst performers were Luminor, Aragvi and MAS Real Estate bonds (although they all printed positive return) – mostly due to illiquidity. Over the month fund has sold two of its positions in Georgia Capital 2024 and NE Property 2026 bonds. On the other hand, fund has participated in the tap of LHV Group 2025 bond which is a leading Estonian bank that issued at 8% yield-to-call. The fund continues to keep somewhat lower duration at around 2.7 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







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	4,2%
BULENR 3 1/2 06/28/25	Utilities	4,2%
SNSPW 2 1/2 06/07/28	Materials	3,7%
GTCAPW 26s	Real Estate	3,5%
PKNPW 1 1/8 05/27/28	Energy	3,4%
LUMINO 0.792 12/03/24	Financials	3,4%
ROMANI 2 3/4 02/26/26	Government	3,4%
ULKER 6.95 10/30/25	Consumer Staples	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 1.5 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

INVL investment management and life insurance group

Gyneju 14, 01109 Vilnius, Lithuania

+370 610 18648

vaidotas.rukas@invl.com

http://www.invl.com

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