INVL GLOBAL EMERGING MARKETS BOND SUBFUND

January 2023

STRATEGY

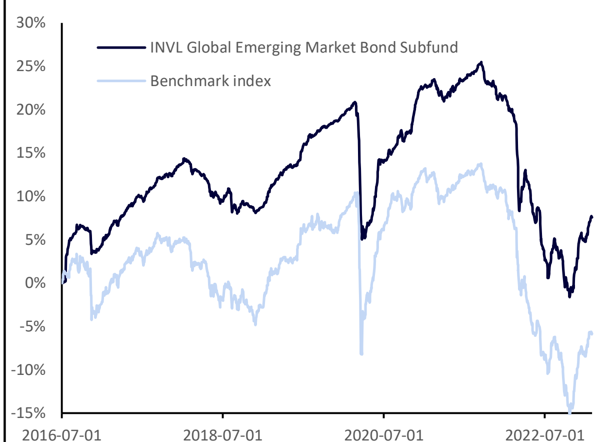
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	7,2
Strategy AUM, EUR M	362
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.invl.com/en/investment/mutual-funds/invl-global-emerging-markets-bond-subfund/fund-information/

RESULTS



	Fund	Benchmark ***
Return YTD	2,7%	2,9%
Return 1Y	-10,1%	-12,8%
Return 3Y	-10,5%	-13,9%
3 year annualised return	-3,6%	-4,9%
Return since inception	7,6%	-5,9%
Volatility (St. deviation)*	3,5%	5,7%
Duration	4,3	5,7
YTM	7,4%	5,0%
Sortino ratio**	-0,2	-1,0

FUND MANAGER COMMENT

In January INVL Global Emerging Market bond subfund printed yet another positive monthly return of 2.7% but generated minor underperformance against the benchmark which increased by 2.9%. What kept markets confident is that the inflation rate continued its decline both in Europe and the US. Moreover, although both FED and ECB hiked their rates by 0.25% and 0.5% respectively, and indicated that further hikes are in sight, there were encouraging messages sent by the FED governor that disinflationary process has begun. Therefore, prospect of less restrictive monetary policy and cooling economy boosted demand for bonds and caused yields to fall, particularly for longer duration bonds. Both sovereign and corporate components of the benchmark rallied in similar fashion. Among sovereigns, top performers were Latin American countries like Argentina, Mexico and Dominican Republic that benefitted the most from risk-on rally in Emerging Market bonds. Moreover, Romania was the main beneficiary from CEE that experienced sharp yield spread contraction. Within corporate space, Chinese corporate bonds continued their climb as covid restriction removal expectations persisted.
As bond investors were hungry for risk after the last year's turmoil and there was a scarcity of bond supply, both sovereigns and corporates used the situation to their favor – bond were issued at favorable terms and spreads kept contracting while it was hard to receive allocations. On the sovereign space – issuers like Colombia, Dominican Republic, Romania, and Bulgaria came to the primary market. For example, Romania covered a third of its annual financing needs in January alone, giving more freedom for the government to choose more attractive timing for further bond issues. Last month was also active for quasi-sovereign issuers as Pemex (Mexican state-owned petroleum company) and Codelco (Chilean state-owned copper miner) came to the primary market too. Within the fund's portfolio, main positive contributors were the Bahamas government (higher-beta pick benefitting from risk-on mood), MAS Real Estate (heavily sold-off in prior quarters as real estate sector struggled to attract attention) and Pemex. Besides balancing trades, over January fund participated in primary placement of Luminor Group (one of the largest universal banks in the Baltics) bonds. Also, new positions were built in Turkey and South Africa sovereign bonds as well as in Digi Communications – one of the largest Romanian telecommunications holding companies. Fund's YTM after hedge is about 7.5% for a duration of 4.3 years.

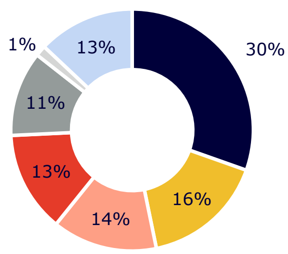
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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:*
50% JP Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index);
50% JP Morgan Corporate EMBI Broad Hedged Level in EUR (JBBSHEUR Index).

INVL GLOBAL EMERGING MARKETS BOND SUBFUND

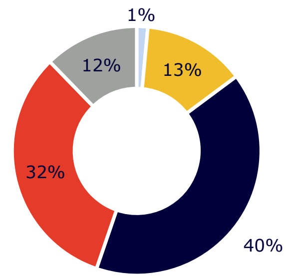
January 2023

BREAKDOWN OF INVESTMENTS

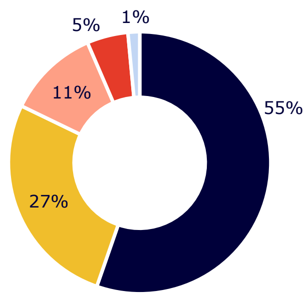
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

MSPSJ 4 1/4 05/19/26	Real Estate	5,6%
AKRPLS 2 7/8 06/02/26	Real Estate	5,5%
SNSPW 2 1/2 06/07/28	Materials	5,4%
ROMANI 3.624 05/26/30	Government	4,6%
ULKER 6.95 10/30/25	Consumer Staples	4,1%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,0%
ARAGVI 8.45 04/29/26	Consumer Staples	3,9%
PEMEX 6.7 02/16/32	Energy	3,8%
PKNPW 1 1/8 05/27/28	Energy	3,5%
TURKEY 9 3/8 01/19/33	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

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