INVL GLOBAL EMERGING MARKETS BOND SUBFUND

February 2023

STRATEGY

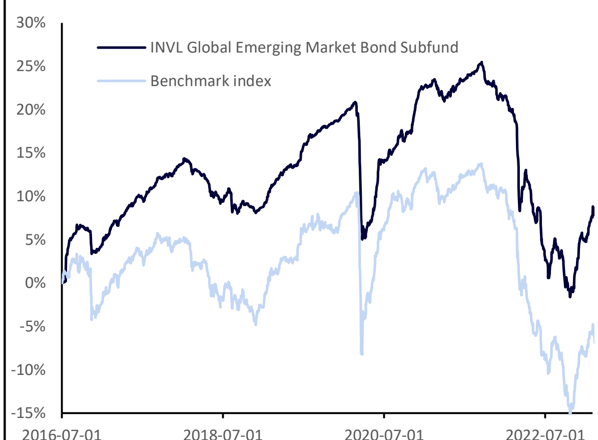
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	7,0
Strategy AUM, EUR M	364
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	2,0%	0,6%
Return 1Y	-6,5%	-9,8%
Return 3Y	-10,5%	-15,4%
3 year annualised return	-3,6%	-5,4%
Return since inception	6,8%	-7,9%
Volatility (St. deviation)*	3,5%	5,7%
Duration	4,0	5,6
YTM	7,8%	5,4%
Sortino ratio**	-0,2	-1,0

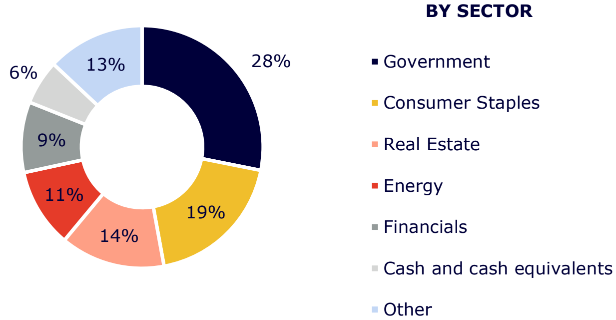
FUND MANAGER COMMENT

In February INVL Global Emerging Market bond subfund's value retreated by 0.7% but generated substantial outperformance against the benchmark which fell by 2.2%. Year-to-date value saved compared to the benchmark is around 1.4% so far.
FED tuned down the pace of interest rate hikes and raised borrowing costs by 0.25% in February while ECB is still in the catch-up phase and had to hike again by 0.5%. As economic data continued to show signs of strength (i.e. unemployment in the US ticked down to 3.4% while eurozone composite PMI rose for 4th month in a row up to 52) but only headline inflation showed signs of easing, markets became worried that central banks might have more and steeper interest rate hikes up their sleeves since core inflation proved to be stickier than expected. Also, some European countries like Spain or Sweden posted inflation metrics above expectations, shattering markets' confidence that inflation pressures might be a thing of the past. Both sovereign and corporate components of the benchmark declined in a similar fashion, but government bonds fell somewhat more due to extended duration – among them were Ecuador, Argentina, Egypt and Colombia. On the other hand, Turkey was among the top performers as bonds rebounded after the earthquake shock. On interest rate front, it seems that majority of Emerging Markets have reached their peak rates – countries like Brazil, Egypt or Poland have decided to keep borrowing rates at the same level.
Fund portfolio managed to outperform the benchmark as it was underweighted in duration (had lower sensitivity to interest rate movements) and put more focus on high-quality corporate bonds with shorter maturity. Fund's top contributing positions last month were Kernel Holding (company published relatively good financial results and informed about shareholder's intention to raise company's liquidity via land purchase), MAS Real Estate and the subordinated bond of Nova Ljubljanska Banka (issued at generous yield, so yield contraction was quite natural). On the other hand, longer duration higher-beta position dragged the fund's performance – among them were Pemex, Romania and Mexico. Over February fund sold its investments in several bonds in order to rebalance positions and book profits in materialized bets – among them was Bank Gospodarstwa Krajowego, PKN Orlen and Bahama government bonds. On the contrary, fund acquired secured bonds of Usina Coruripe (one of the largest Brazilian sugar and ethanol producers). Fund's YTM after hedge is about 7.8% for a duration of 4.0 years.

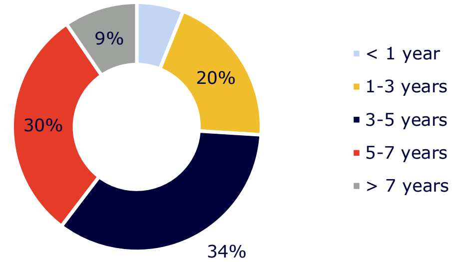
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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).

BREAKDOWN OF INVESTMENTS

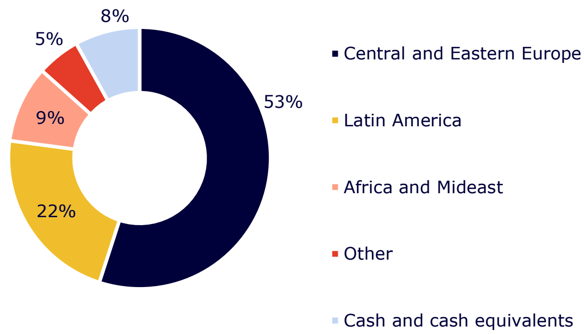
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

MSPSJ 4 1/4 05/19/26	Real Estate	5,9%
AKRPLS 2 7/8 06/02/26	Real Estate	5,6%
SNSPW 2 1/2 06/07/28	Materials	5,5%
ROMANI 3.624 05/26/30	Government	4,6%
ULKER 6.95 10/30/25	Consumer Staples	4,2%
ARAGVI 8.45 04/29/26	Consumer Staples	4,1%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,1%
PEMEX 6.7 02/16/32	Energy	3,7%
TURKEY 9 3/8 01/19/33	Government	3,3%
NOVALJ 10 3/4 11/28/32	Financials	3,1%

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

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