INVL

INVL GLOBAL EMERGING MARKETS BOND SUBFUND

March 2023

STRATEGY

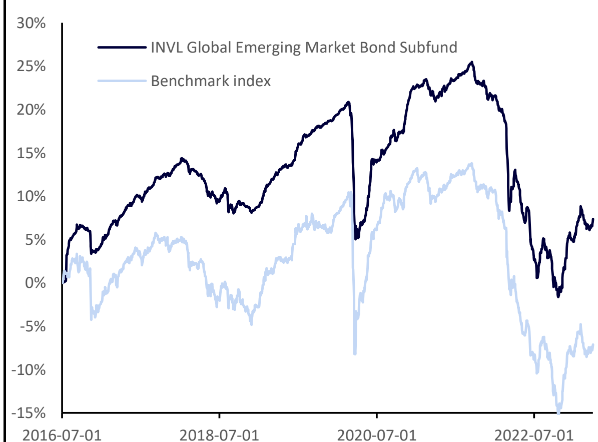
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	7,6
Strategy AUM, EUR M	338
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	2,5%	1,5%
Return 1Y	-4,7%	-7,0%
Return 3Y	1,1%	-3,8%
3 year annualised return	0,4%	-1,3%
Return since inception	7,4%	-7,1%
Volatility (St. deviation)*	3,5%	5,7%
Duration	3,6	5,7
YTM	7,3%	5,3%
Sortino ratio**	-0,2	-1,0

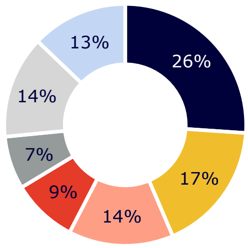
FUND MANAGER COMMENT

In March INVL Global Emerging Market bond subfund's value increased by 0.6% while slightly underperforming against the benchmark which rose by 0.9%. Nevertheless, year-to-date value created compared to the benchmark is around 1.0% so far.
Although both ECB and FED hikes interest rates further by 0.5% and 0.25% respectively and indicated that the fight against inflation is not over yet (since prices have become more entrenched with sticky service inflation), bond markets have rallied substantially and experienced record yield declines. At one point on March 2-year US Treasury yield went down by 80 bps over a rolling 2-day period – the largest drop since 1987 Flash Crash. Risk-free bonds and those with low credit risk have experienced two-fold positive effect – as fears of financial system stress contagion persisted, flight to safety was experienced with capital flowing into the safest financial instruments. Additionally, since major banks were still paying low interest compared to short duration bonds, depositors have begun massively withdrawing capital and putting it into money market funds. However, while yields in the market were declining, not all bonds performed greatly – for example, sovereign or corporate bonds, or those that do not hold an investment grade rating, and which carry higher credit risk have seen their spreads expanding due to increased solvency risk. While bonds of investment-grade countries with low credit risk and attractive fundamentals, like Saudi Arabia, Indonesia and Mexico were the top monthly contributors, riskier sovereigns in the universe experienced more turbulence (either due to idiosyncratic as well as global risks coming from stress in the financial system) – Argentina, Egypt and Ecuador were the main losers.
Fund portfolio ended the month with unusually low duration and high cash cushion (it was due to technical factors – inflows and position rebalancing). Among fund's top contributing positions last month was Kernel Holding along with some beaten-down sovereigns in recent periods – Turkey and Colombia. Over March, fund sold its investment Hunt Oil 2028 bonds while increasing investments into Digi Communications and Akropolis bonds which offer more attractive risk-return characteristics. Moreover, the fund participated in primary placement of North Macedonia's 2027 bond which offered around 7.25% YTM for a 4-year duration bond. Fund's YTM after hedge at the end of the month was about 7.3% for a duration of 3.6 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).

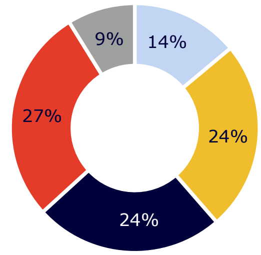
BREAKDOWN OF INVESTMENTS

BY SECTOR



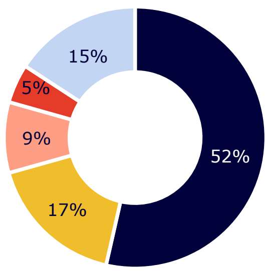
- Government
- Consumer Staples
- Real Estate
- Financials
- Materials
- Cash and cash equivalents
- Other

BY DURATION



- < 1 year
- 1-3 years
- 3-5 years
- 5-7 years
- > 7 years

BY COUNTRY



- Central and Eastern Europe
- Latin America
- Africa and Mideast
- Other
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

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

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Before investing, please consider the funds' investment objectives, risks, and fees applied. To obtain more information about the fund, please visit www.invl.com, where you can find fund's key facts, NAV's, Rules, Prospectus and KIID which contain this and other important information.
All funds presented in the factsheet has benchmark. Benchmark indexes and their composition is selected to more accurately reflect the fund's investment strategy, defined in fund Rules and Prospectus.
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