INVL

INVL GLOBAL EMERGING MARKETS BOND SUBFUND

April 2023

STRATEGY

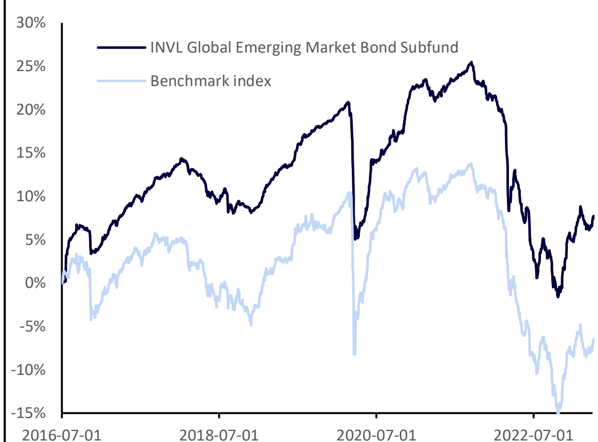
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	7,4
Strategy AUM, EUR M	341
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	3,0%	1,8%
Return 1Y	-1,8%	-3,0%
Return 3Y	0,8%	-4,8%
3 year annualised return	0,3%	-1,6%
Return since inception	7,8%	-6,9%
Volatility (St. deviation)*	3,5%	5,6%
Duration	3,8	5,7
YTM	7,8%	5,4%
Sortino ratio**	0,0	-1,0

FUND MANAGER COMMENT

In April INVL Global Emerging Market bond subfund's value increased by 0.4% and slightly outperformed the benchmark index which printed a 0.3% gain. Year-to-date the fund generated a solid 1.2% relative outperformance against the benchmark (3.0% compared to 1.8%) but managed to do that with lower volatility.

On both ends of the curve yields have moved minimally over the month. Central bankers both in Europe and the US continue to signal that their fight against inflation is not over yet, so higher interest rates may have to stay in restrictive territory for longer. Nevertheless, markets are expecting rather sharp interest cuts towards the second half of 2023 already (especially in the US), so with less confidence in crisis management capabilities of the central banks seen at the outset of covid, there is still a dislocation between what the central bankers are saying and what the market thinks. Although headline inflation numbers for March were favorable in the US, core inflation proved to be stickier once again with prices climbing 0.4% month-on-month and not dissipating as quickly as wanted.

Over the last month majority of negative contribution in Emerging Market bond universe came from riskier sovereigns like Argentina and Egypt while main positive contributors were investment-grade names like Saudi Arabia, Indonesia and UAE. Once again, a signal was sent that emerging economies are one step ahead in the cycle and seem to have already reached peak interest rate levels – such countries like Romania, Chile, India and Peru have all kept their policy rates untouched (at 7%, 11.25%, 6.5% and 7.75% respectively). Among fund's top contributing positions last month were Coruripe, Kernel Holding and Alsea. Over April, the fund has opened 2 new investment positions - Teva Pharmaceuticals (one of globally leading generic medicine producers at higher than 7% YTM in EUR) and Banca Transilvania bonds (largest commercial bank in Romania issued the bond at close to 9% YTM in EUR). Fund's YTM after hedge at the end of the month was about 7.8% for a duration of 3.8 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).

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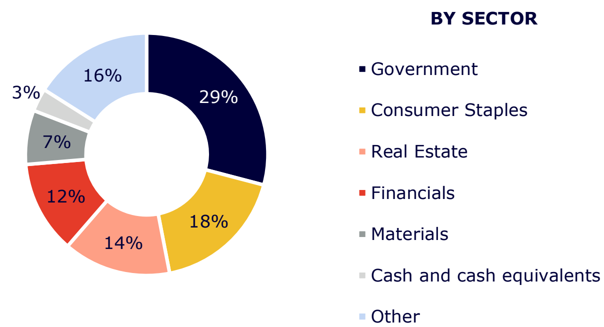
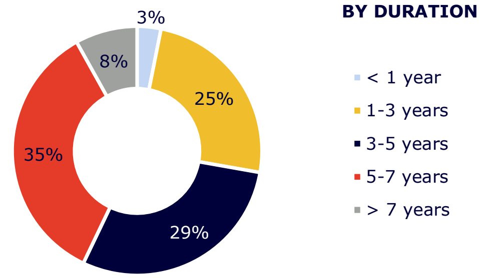
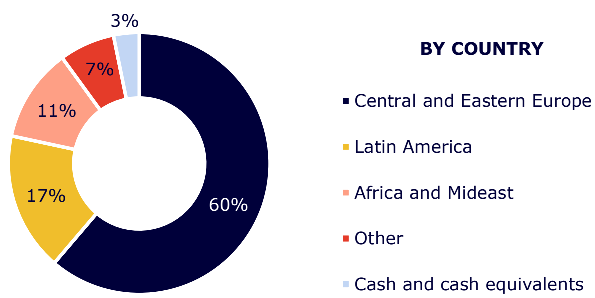
BREAKDOWN OF INVESTMENTS







TOP 10 PORTFOLIO HOLDINGS

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

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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