INVL GLOBAL EMERGING MARKETS BOND SUBFUND

May 2023

STRATEGY

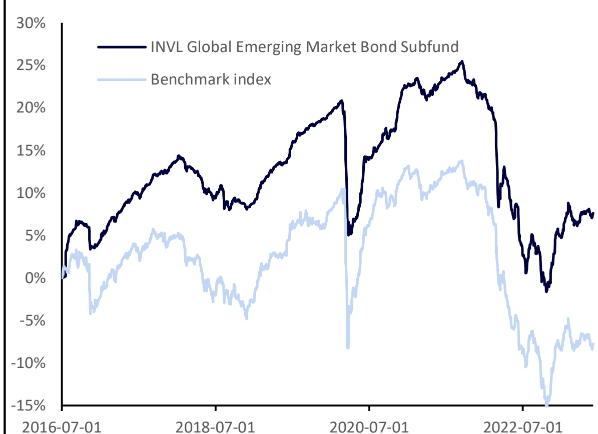
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	376
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	2,8%	0,8%
Return 1Y	-1,0%	-3,3%
Return 3Y	-3,2%	-10,7%
3 year annualised return	-1,1%	-3,7%
Return since inception	7,6%	-7,7%
Volatility (St. deviation)*	3,4%	5,6%
Duration	3,7	5,7
YTM	8,0%	5,2%
Sortino ratio**	-0,1	-1,0

FUND MANAGER COMMENT

In May INVL Global Emerging Market bond subfund's value decreased by 0.2% but has strongly outperformed the benchmark index which printed a loss of 1.1%. Year-to-date the fund cemented its solid relative outperformance against the benchmark (2.8% compared to 0.8%) and managed to do that with materially lower volatility.

Central bankers both in Europe and the US continued to signal that their fight against inflation may not be over yet, so interest rates will have to stay in restrictive territory for longer. Moreover, FED's Powell communicated that even if FED decided not to hike in June meeting, they will retain the optionality to raise rates after the pause should such move be needed. Markets were on a gradual move closer to central banks' views over the month, so most indices (both sovereign and corporate) moved slightly lower. One of the exceptions was also European high-yield corporate index which rose over the month due to its low duration and rather generous close to 8% coupon per year. As a result of continued rhetoric from the central bankers, markets no longer expect very sharp rate cuts in the US and expect for FED rate to finish at 4.9% by the end of 2023. In Europe, on the other hand, 2 more interest rate hikes are expected over the course of the year as ECB is still in a catch-up phase and inflation is proving to be more persistent on the continent.

Over the last month riskiest sovereigns in Emerging Market bond universe generally increased in value (for example, Kenya, Nigeria and Argentina bonds appreciated) but negative contribution mostly came from countries with material weights in the benchmark index. Among main negative contributors were Turkey (uncertainty about presidential elections and opposition's stumble in the first round) and Saudi Arabia (Brent prices declined from ~80 USD per barrel to ~72 USD). The fund outperformed against the benchmark due to several factors: lower weights in worst monthly performers in the index, lower average portfolio duration and investments in fundamentally solid corporate bonds. Top performing portfolio positions last month were Camposol and Synthos. Over May, the fund has increased its investments into North Macedonia bonds. Investment in Sibanye-Stillwater bonds was fully sold. Lastly, on the primary market, the fund has invested into another Romanian bank - Banca Comercială Română which is one of the largest banks in Romania, but the investment was sold over the month due to solid performance in the secondary market. Fund's YTM after hedge at the end of the month was about 8% for a duration of 3.7 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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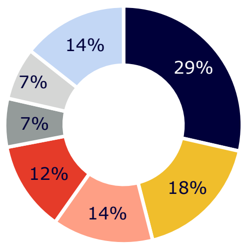
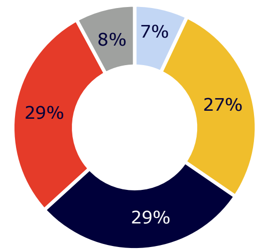
BREAKDOWN OF INVESTMENTS

BY SECTOR



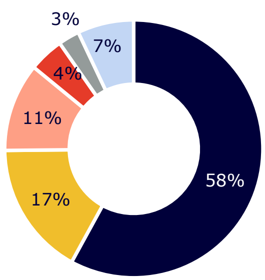
- Government
- Consumer Staples
- Real Estate
- Financials
- Energy
- Cash and cash equivalents
- Other

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
- Asia
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

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

INVL investment management and life insurance group

Gyneju 14, 01109 Vilnius, Lithuania

+370 610 18648

vaidotas.rukas@invl.com

http://www.invl.com