INVL EMERGING EUROPE BOND SUBFUND

May 2023

STRATEGY

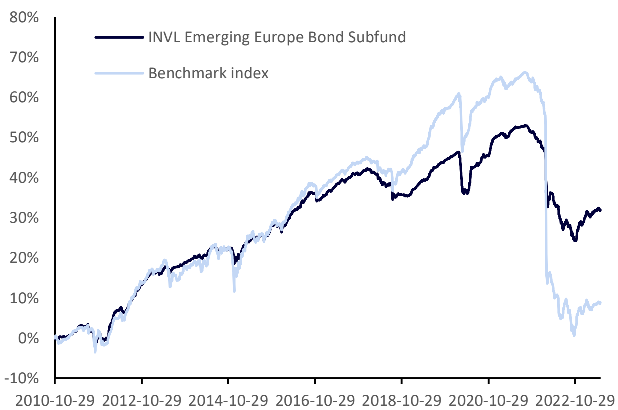
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended for institutional investors established in the Grand Duchy of Luxembourg. This way, the subfund will operate as a feeder subfund. In its turn, the Master Subfund invests up to 100 percent of its assets in government and corporate debt securities in Emerging Europe.
Recommended investment term – minimum 1 - 2 years.

FACTS

Management company	INVL Asset Management
ISIN code	LTIF00000468
Inception date	2010-10-29
Minimum investment	EUR 0
AUM, EUR M	7,5
Strategy AUM, EUR M	336
Management fee	0,45%
Currency	EUR
Countries of distribution	Lithuania, Latvia, Denmark, Finland, Norway, Germany

For more information on the fund (prospectus, benchmark, results) please click on the link below:
https://www.invl.com/en/investment/mutual-funds/invl-emerging-europe-bond-subfund/fund-information/

RESULTS



	Fund	**Benchmark *****
Return YTD	2,8%	2,7%
Return 1Y	-0,8%	-1,6%
Return 3Y	-5,9%	-29,6%
3 year annualized return	-2,0%	-11,0%
5 year annualized return	-1,0%	-5,1%
Volatility (St. deviation)*	2,4%	5,6%
Duration	2,8	
YTM	7,5%	
Sharpe ratio**	0,9	0,1

FUND MANAGER COMMENT

In May, INVL Emerging Europe bond subfund unit's value increased by 0.2% and slightly underperformed the benchmark index which printed a 0.3% gain. Year-to-date the fund generated 0.1% relative outperformance against the benchmark (2.8% compared to 2.7%) but managed to do that with lower volatility.

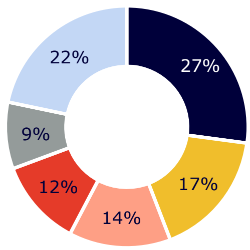
Central bankers both in Europe and the US continued to signal that their fight against inflation may not be over yet, so interest rates will have to stay in restrictive territory for longer. Moreover, FED's Powell communicated that even if FED decided not to hike in June meeting, they will retain the 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. CEE government bond index was in the neutral territory as bonds of countries like Romania and North Macedonia increased in value. 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.

Fund's main positive contributors over the last month were Kernel Holding, Banca Transilvania and Synthos. Over the month, besides balancing trades and duration enhancements, the fund fully sold its holdings in Turk Telekom to reduce uncertainty arising from Turkish presidential elections. On the primary market, the fund has invested into another Romanian bank - Banca Comercială Română which is one of the largest banks in Romania. It has received an investment-grade rating (BBB+) and is owned by Erste Group (bond was issued at more than 7.5% YTM in EUR). The fund continues to keep somewhat lower duration at around 2.9 years while maintaining YTM after hedge at 7.5% and positioning itself by being exposed towards high quality corporates.

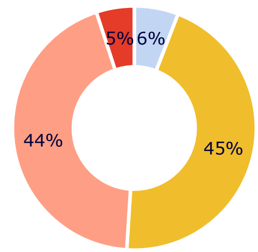
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratio value corresponds to the period shown in the historical returns graph.*
****Benchmark index:*
50% JP Morgan Euro Emerging Markets Bond Index (EMBI) Global Diversified Europe (JPEFEUR Index)
40% Bloomberg Pan-European High Yield (Euro) TR Index (I02501EU Index)
10% European Central Bank ESTR OIS Index (OISESTR Index)

BREAKDOWN OF INVESTMENTS

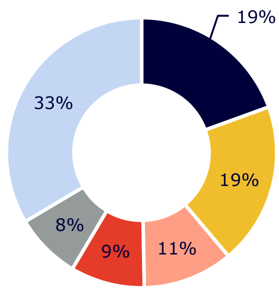
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	6,2%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,6%
SNSPW 2 1/2 06/07/28	Materials	4,3%
MSPSJ 4 1/4 05/19/26	Real Estate	4,3%
MACEDO 1 5/8 03/10/28	Government	3,8%
GTCAPW 26s	Real Estate	3,8%
PKOBP 5 5/8 02/01/26	Financials	3,5%
PKNPW 1 1/8 05/27/28	Energy	3,5%
ROMANI 2 3/4 02/26/26	Government	3,3%
ULKER 6.95 10/30/25	Consumer Staples	3,3%

The Fund does not invest and does not have exposure to Russian and Belarusian bonds

REASONS TO INVEST

• Combination of only hard currency (EUR or USD) sovereign and corporate debt ensures attractive yield, while limited credit and duration risk provides for low volatility.

• Fund maintains average investment grade credit rating. Lower government debt levels – Central and Eastern Europe 51%, Eurozone 93% (as of the end of Q3 2022).

• Active share of over 80% (creating value through off-benchmark picks, participation in primary issues, inefficiencies in the market).

• Historical Sharpe ratio exceeding 0.9 places the fund among the best Emerging Markets bond funds in the world by risk-adjusted returns.

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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Breakdown of top holdings and investment characteristics is based on a look-through approach using feeder fund's investment into master fund.