INVL

INVL GLOBAL EMERGING MARKETS BOND SUBFUND

June 2023

STRATEGY

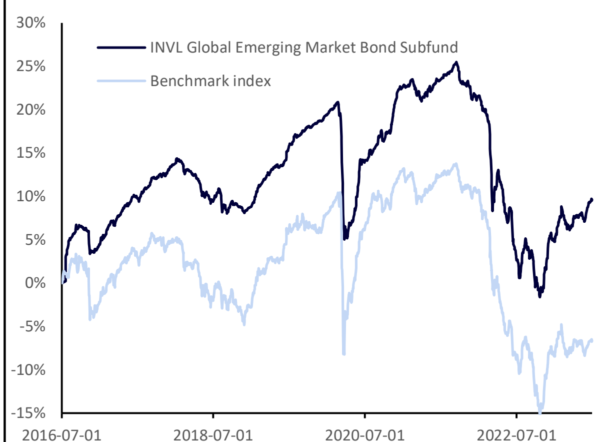
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	7,9
Strategy AUM, EUR M	395
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	4,7%	2,0%
Return 1Y	6,5%	2,4%
Return 3Y	-3,8%	-12,0%
3 year annualised return	-1,3%	-4,2%
Return since inception	9,6%	-6,7%
Volatility (St. deviation)*	3,4%	5,6%
Duration	3,7	5,6
YTM	8,1%	5,6%
Sortino ratio**	-0,2	-1,0

FUND MANAGER COMMENT

In June INVL Global Emerging Market bond subfund's value jumped by 1.8% and has relatively strongly outperformed the benchmark index which increased by 1.2%. Year to date the fund increased its solid relative outperformance against the benchmark (4.7% compared to 2.0%) 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. Although the FED kept interest rates unchanged at 5.25%, markets still expect additional minor hikes in the upcoming meetings as the labor market remains tight and the economy is showing resilience. ECB, on the other hand, continued its hiking effort and increased the deposit facility rate to 3.5%. Over the month, markets adjusted their rate expectations upwards, closer to central banks' views, in addition to very heavy US Treasury supply after the debt ceiling issue was solved, so major indices moved lower. On the other hand, USD-denominated EM government bond index rose steeply mainly due to advance in Argentinian (volatility before the election and some noise around discussions with IMF), Turkish (post-presidential election relief and apparent return to somewhat more orthodox monetary policy), Mexican and Ukrainian sovereign bonds (political instability in russia helped fuel the optimism about potential outcome of the war). Corporate bond universe was flatter because corporate component of the benchmark index is concentrated in China where the struggle continues, especially in the real estate sector.

Fund's main positive contributors over the last month were Kernel Holding, Ulker and Camposol bonds. The fund outperformed against the benchmark mostly due to multiple separate investment cases materializing and bond prices rebounding. Over June, the fund has increased its investments into North Macedonia bonds. Moreover, the fund has invested again in bonds of Frigorifico Concepcion which is among the largest meat processing companies in Latin America. Financial fundamentals of the company look solid while YTM is hovering around 14%, we believe that broader weakness in protein sector will not hurt the company substantially. Fund's YTM after hedge at the end of the month was about 8.1% 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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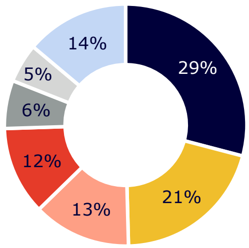
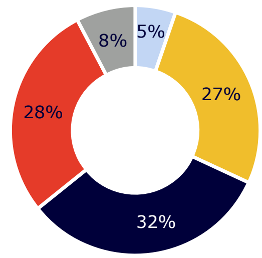
BREAKDOWN OF INVESTMENTS

BY SECTOR



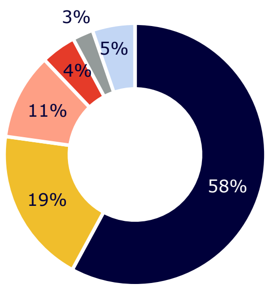
- Government
- Consumer Staples
- Real Estate
- Financials
- Energy
- Cash and cash equivalents
- Other

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

CONTACT

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