INVL EMERGING EUROPE BOND SUBFUND

July 2023

STRATEGY

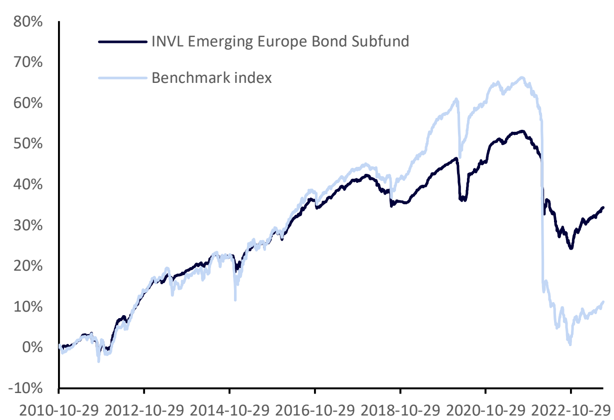
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended 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	7,9
Strategy AUM, EUR M	357
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	4,6%	4,9%
Return 1Y	4,9%	2,7%
Return 3Y	-6,1%	-29,7%
3 year annualized return	-2,1%	-11,1%
5 year annualized return	-0,6%	-4,8%
Volatility (St. deviation)*	2,3%	5,6%
Duration	2,7	
YTM	7,0%	
Sharpe ratio**	1,0	0,2

FUND MANAGER COMMENT

In July, INVL Emerging Europe bond subfund unit's value increased further by 0.8% and slightly underperformed against the benchmark index which printed a 1.2% gain towards the end of the month. Year to date fund's unit value appreciated by 4.6% while benchmark index gained 4.9%.

Although both FED and ECB hiked their rates by additional 25 basis points, a consensus was building that central banks may have been able to pull off the 'soft landing' successfully without causing a recession – inflation is receding quickly (US headline inflation diminished to 3% in June while in the eurozone it declined to 5.5%) but labor market is still robust although not as hot as before. After significant cumulative hikes (550 bps in aggregate in the US, 425 bps in Europe), outright tightening cycle seems to have been put on pause and expectations are for central banks to become data dependent rather than communicate future hikes in advance, as full effect of the tightening is still yet to become fully visible. Moreover, both FED and ECB continue to deflate their balance sheets and as such take out the excess liquidity which was poured into the markets during the pandemic. As mentioned before, non-eurozone CEE central banks were ahead in the hiking race and mostly left rates unchanged (Poland, Romania) or even engaged in cuts (Hungary lowered interest rate from 16% to 15%) over July. The only exception was Turkey which is returning to a more orthodox monetary policy after the presidential elections.

Fund's main positive contributors over the last month were Ulker (bond buyback offer was announced), Akropolis (rating reiterated at BB+) and MAS Real Estate bonds. Relative underperformance against the benchmark was mostly due to lower portfolio duration and rather unfavorable developments in Kernel Holding and GTC Aurora. As liquidity usually declines in summer months, not many trades were made. The fund sold its holdings in Kernel Holding 2024 bond issue at a favorable time. Moreover, the fund tendered part of its investment into Ulker 2025 bonds at a very attractive exit price. The fund continues to keep somewhat lower duration at around 2.7 years while maintaining YTM after hedge at 7.0% 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)

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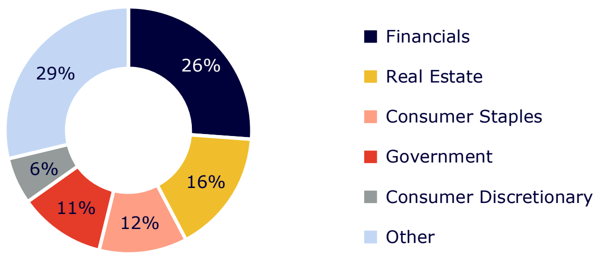
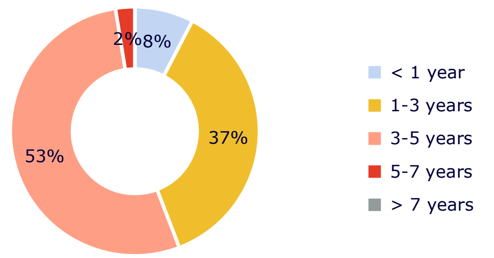
BREAKDOWN OF INVESTMENTS

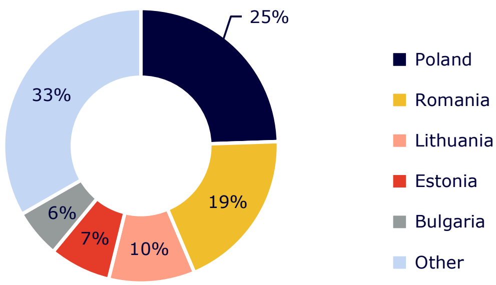
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

PEPGRP 2028s	Consumer Discretionary	6,1%
AKRPLS 2 7/8 06/02/26	Real Estate	6,0%
MSPSJ 4 1/4 05/19/26	Real Estate	4,2%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,1%
SNSPW 2 1/2 06/07/28	Materials	4,1%
MACEDO 1 5/8 03/10/28	Government	3,7%
PKOBP 5 5/8 02/01/26	Financials	3,4%
PKNPW 1 1/8 05/27/28	Energy	3,4%
GTCAPW 26s	Real Estate	3,3%
ROMANI 2 3/4 02/26/26	Government	3,2%

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.