INVL EMERGING EUROPE BOND SUBFUND

August 2023

STRATEGY

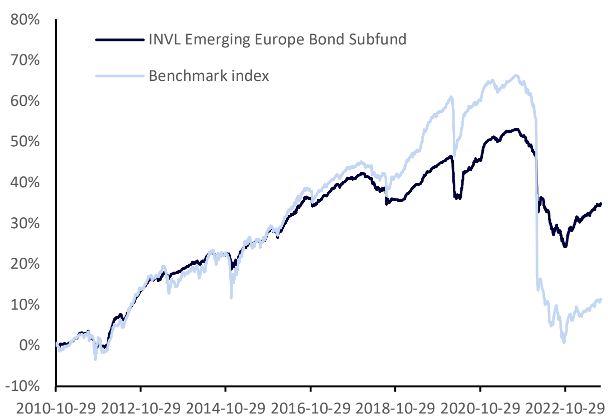
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended 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	8.2
Strategy AUM, EUR M	330
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	5.0%	5.0%
Return 1Y	5.1%	3.2%
Return 3Y	-6.5%	-29.9%
3 year annualized return	-2.2%	-11.2%
5 year annualized return	0.0%	-4.3%
Volatility (St. deviation)*	2.3%	5.5%
Duration	2.6	
YTM	6.9%	
Sharpe ratio**	1.0	0.2

FUND MANAGER COMMENT

In August, INVL Emerging Europe bond subfund unit's value increased further by 0.3% and outperformed the benchmark index which rose by 0.1% towards the end of the month. Year to date the fund's unit value appreciated by 5.0% which is the same result as benchmark index achieved, however, the fund managed to do so with lower volatility.

Although there were no interest rate meetings by the FED or ECB and liquidity during summer months is generally lower, August turned out to be quite a volatile month. On 1st of August Fitch followed what S&P did in 2011 and downgraded the credit rating of the US federal government debt from AAA to AA+. As concerns over the fiscal deficit and large supply of debt securities grew, over the next few weeks fixed income markets (especially USD-denominated bonds) experienced a rather steep sell-off. 10-year Treasury yield jumped from 3.96% at the beginning of the month to 4.34% on August 21st (the highest level since 2007) before somewhat moderating. Even though Jerome Powell noted that further work needs to be done on bringing inflation towards 2%, a weaker job market brought optimism that effects of the tightening are showing up and inflation might moderate further. Most of the countries in the region have reached their local peaks in interest rates – Czech Republic, Hungary and Romania have kept their policy rates intact. The only outlier was Turkey which seems to have returned to orthodox monetary policy after elections and surprised markets with a 7.5% hike from 17.5% to 25% (consensus was for 20%) – resulting in a rally of Turkish assets.

Fund's main positive contributors over the last month were Synthos (positive momentum over summer months), Globalworth (100 million EUR worth of debt bought back, decent operating results and organically increased rental yield) and mBank (Fitch outlook improved to stable, good progress in CHF-denominated loan provisions) bonds. As longer duration sovereign bonds declined due to slightly rising spreads, fund's focus on shorter duration high-quality corporate bonds along with cash cushion helped to outperform the benchmark. Moreover, there were no material drags on monthly performance contribution coming from individual credit risks. As liquidity usually declines in summer months, not many trades were made. Besides balancing trades and inflow investments, the fund fully sold its holdings in Kernel Holding bonds at an attractive average-weighted price. The fund continues to keep somewhat lower duration at around 2.6 years while maintaining YTM after hedge at 6.9% 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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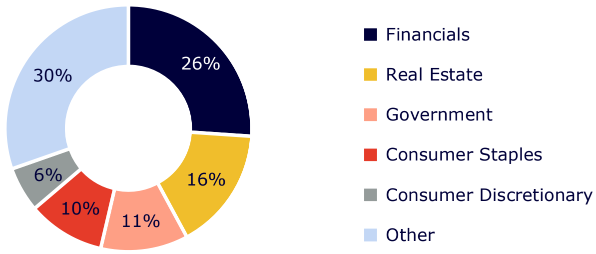
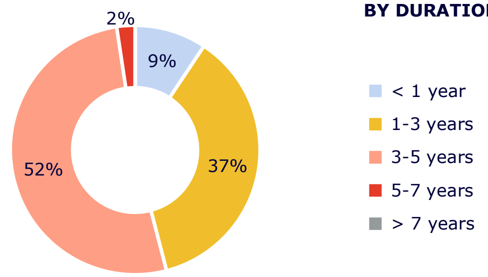
BREAKDOWN OF INVESTMENTS

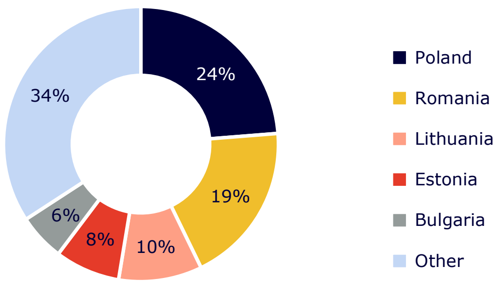
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

PEPGRP 2028s	Consumer Discretionary	5.9%
AKRPLS 2 7/8 06/02/26	Real Estate	5.8%
MACEDO 1 5/8 03/10/28	Government	4.1%
MSPSJ 4 1/4 05/19/26	Real Estate	4.1%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4.0%
SNSPW 2 1/2 06/07/28	Materials	4.0%
PKOBP 5 5/8 02/01/26	Financials	3.3%
PKNPW 1 1/8 05/27/28	Energy	3.3%
ARAGVI 8.45 04/29/26	Consumer Staples	3.2%
GTCAPW 26s	Real Estate	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.

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Performance presented in the factsheet represents only fund's past performance results, which is no guarantee for future results. Investment return and principal value will fluctuate, so your investments may have a gain or loss. Current today's performance may be higher or lower than that quoted in the factsheet. The Management Company does not guarantee fund's performance results or ensure profit against loss. Please visit www.invl.com for most recent month-end performance.
Before investing, please consider the funds' investment objectives, risks, and fees applied. To obtain more information about the fund, please visit www.invl.com, where you can find fund's key facts, NAV's, Rules, Prospectus and KIID which contain this and other important information.
All funds presented in the factsheet has benchmark. Benchmark indexes and their composition is selected to more accurately reflect the fund's investment strategy, defined in fund Rules and Prospectus.
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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.