INVL EMERGING EUROPE BOND SUBFUND

September 2023

STRATEGY

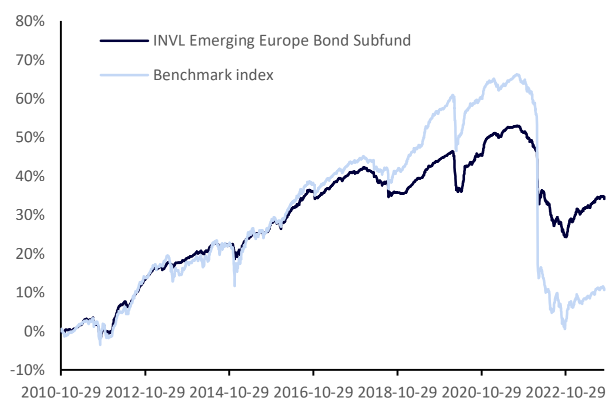
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the umbrella investment fund INVL Fund intended 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	367
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	4,4%	4,5%
Return 1Y	6,7%	8,6%
Return 3Y	-7,5%	-30,3%
3 year annualized return	-2,6%	-11,3%
5 year annualized return	-0,3%	-4,7%
Volatility (St. deviation)*	2,3%	5,5%
Duration	2,6	
YTM	7,1%	
Sharpe ratio**	1,0	0,1

FUND MANAGER COMMENT

In September, INVL Emerging Europe bond subfund unit value declined by -0.5% and was close to being in line with the benchmark index which dropped by -0.4% towards the end of the month. Year to date the result is still solidly in the positive territory - the fund's unit value appreciated by 4.4% which is nearly the same result as for the benchmark index, however, the fund managed to do so with lower volatility.

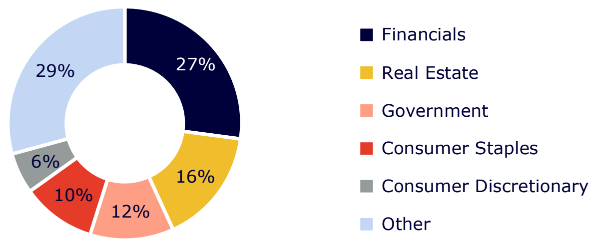
Although core inflation continued its decline, labor market remains tight (in September the US unemployment rate remained stable at 3.8% while in the eurozone it declined to 6.4%) and oil prices were on the rise again - spurring worries that headline inflation might reaccelerate again followed by lagged effect in core price changes too. As a result, FED officials reiterated their stance that higher rates are here to stay for longer, therefore, long-duration bonds experienced a sharp sell-off. The move was further fueled by the US fiscal balance expected to remain in chronic deficit for the foreseeable future, threatening sovereign bond supply-demand balance. Risk-free rates jumped to levels not seen since 2007 and present interesting investment opportunities for lenders. Most central banks both in developed and emerging economies have largely reached their tightening cycle peaks and currently evaluate the delayed effects that higher borrowing costs might have on economies and companies. Poland was the one which surprised the markets most with a seemingly pre-emptive rate cut of 0.75% from 6.75% level – this move was largely interpreted as part of pre-election campaign by the current government to mobilize popular support for the ruling party before tough elections to be held on 15th of October.

Fund's main positive contributors over the last month were less-liquid lower duration corporate bonds such as LHV Group, Akropolis Group and Trans-Oil Group bonds because longer duration sovereign bonds were pressured due to rising risk-free rates. Through participation in the primary market, the fund slightly extended the duration of its investments in Romanian sovereign bonds as yield spread expansion presented more attractive investment opportunity for the new bond. Moreover, mBank issued a new green bond which was placed at an attractive yield and carried extra yield pick-up. The fund continues to keep somewhat lower duration at around 2.6 years while maintaining YTM after hedge at 7.1% and positioning itself by being exposed towards high-quality corporates.

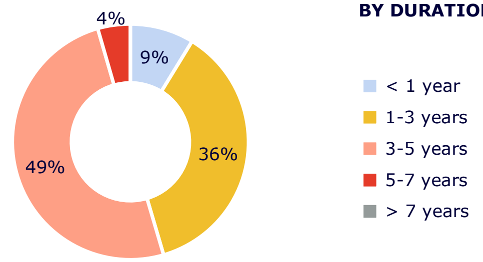
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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

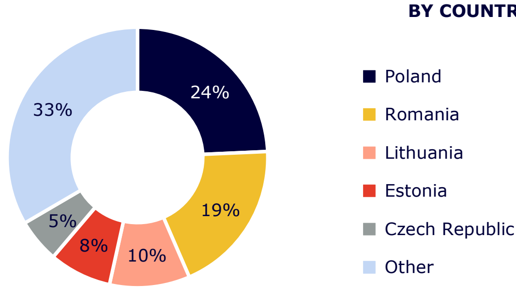
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	5,9%
PEPGRP 2028s	Consumer Discretionary	5,7%
MSPSJ 4 1/4 05/19/26	Real Estate	4,1%
MAXGPE 6 1/4 07/12/27	Consumer Staples	4,0%
MACEDO 1 5/8 03/10/28	Government	4,0%
SNSPW 2 1/2 06/07/28	Materials	4,0%
ARAGVI 8.45 04/29/26	Consumer Staples	3,3%
PKOBP 5 5/8 02/01/26	Financials	3,3%
PKNPW 1 1/8 05/27/28	Energy	3,2%
GWILN 26s	Real Estate	3,1%

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.