

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.

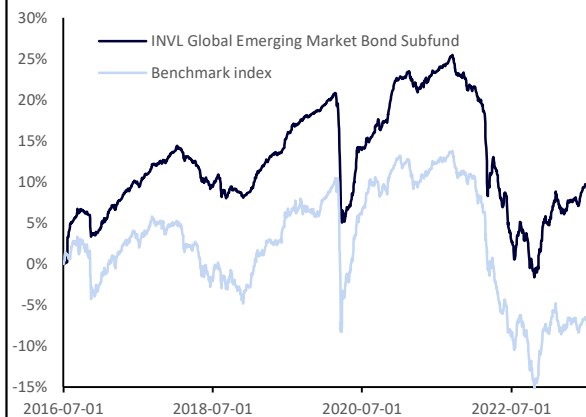
The fund is restricted to buying EUR and USD denominated securities only, while at the same time hedging the USD risk, providing its investors the return in EUR.

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	8,9
Strategy AUM, EUR M	411
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	5,2%	-0,4%
Return 1Y	10,6%	4,7%
Return 3Y	-5,3%	-15,9%
3 year annualised return	-1,8%	-5,6%
Return since inception	10,2%	-8,8%
Volatility (St. deviation)*	3,4%	5,6%
Duration	3,9	5,4
YTM	8,2%	6,3%
Sortino ratio**	-0,2	-1,0

FUND MANAGER COMMENT

In September INVL Global Emerging Market bond subfund's value declined by -1.0% but has once again strongly outperformed the benchmark index which declined in value by -2.0%. Year to date the fund has increased its already solid relative outperformance against the benchmark (5.2% compared to -0.4%) and managed to do that with materially 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 Globalworth because longer duration sovereign bonds were pressured due to rising risk-free rates (not so much by rising spreads). The fund outperformed against the benchmark mostly due to shorter portfolio duration when the market was in a downtrend and selection of high-quality corporate bond picks. Besides balancing trades, over September the fund made an investment into mBank green bonds which were issued at a handsome yield-to-maturity of 8.375%. The bond is rated at a solid BBB-/BB+ rating and the bank is majority-owned by Germany's Commerzbank. Fund's YTM after hedge at the end of the month was about 8.2% for a duration of 3.9 years.

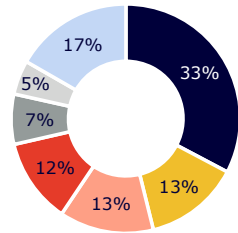
*Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.

**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.

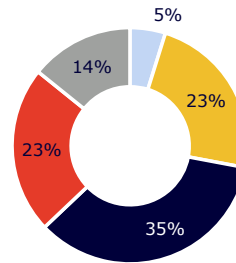
***Benchmark index:

50% JP Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index);

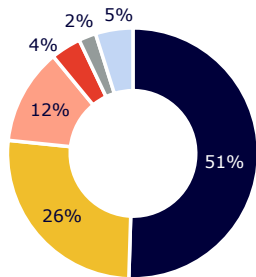
50% JP Morgan Corporate EMBI Broad Hedged Level in EUR (JBBSHEUR Index).

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	5,6%
MSPSJ 4 1/4 05/19/26	Real Estate	4,6%
SNSPW 2 1/2 06/07/28	Materials	4,3%
ARAGVI 8.45 04/29/26	Consumer Staples	3,8%
PEPGRP 7 1/4 07/01/28	Consumer Discretionary	3,8%
ROMANI 3.624 05/26/30	Government	3,7%
PEMEX 6.7 02/16/32	Energy	3,6%
IVYCST 5 7/8 10/17/31	Government	3,5%
TEVA 7 3/8 09/15/29	Health Care Equipment & Services	3,4%
SOAF 5 7/8 04/20/32	Government	3,3%

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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