



INVL Global Emerging Markets Bond Subfund





Disclaimer

INVL Global Emerging Markets Bond Subfund (hereinafter – the Subfund) is a subfund of the open-ended harmonized investment fund INVL Umbrella Fund, managed by UAB „SB Asset Management“ (hereinafter – the Management Company).

The assets of the Subfund are invested in debt securities (bonds) of governments, municipalities, and companies in emerging countries (securities exchanges and markets). If investments are made in foreign currency, changes in the exchange rate may affect the return on investment.

Investing into Subfund’s investment units is related to the investment risk. Subfund’s past results only show the results of the Subfund’s activities for a past period, and the past period results do not constitute a reliable indicator of the future results. Past results do not guarantee future performance. If the return on investments previously was positive, it will not necessarily be so in the future since the value of investments can both rise and fall, the investor could regain less than invested. The Management Company does not guarantee the profitability of investments. The latest values of the Subfund investment units are published on the website <https://www.sb.lt/en/private/investing/investment-funds/invl-global-emerging-markets-bond-subfund>.

Before making a decision to invest, the investor should personally or with the help of investment advisors assess the Subfund’s investment strategy, applicable fees and all investment-related risks. The investor should also carefully read the Subfund’s Rules, Prospectus, Key Investor Information Document and other documents intended for the investors, which are to be found on the website of the Management Company www.sb.lt or may be obtained free of charge at the customer centres of the Management Company.

The Subfund uses a composite benchmark index which is chosen to reflect as precisely as possible the investment strategy (asset types and proportions) specified in the Rules and Prospectus, as well as the strategic distribution of the Subfund’s investments.

All the information presented is of a promotional nature and cannot be construed as a recommendation, offer or invitation to invest in the Subfund or any other financial instruments. The information provided here cannot be the basis for any subsequently concluded agreement. Although this information of a promotional nature is based on sources considered to be reliable, the Management Company shall not be held responsible for any inaccuracies or changes in the information, or for losses that may arise when investments are based on this information.



Important notice

The Subfund **has not invested or had exposure** to Russian or Belarussian bonds since mid-2021.

The Subfund **does not plan to invest** in Russian or Belarussian bonds in the foreseeable future.



Investment philosophy

Where does the alpha come from?



Strategy

Focused Emerging Market government, quasi-sovereign and corporate bond TOP picks

Objective:

maximization of risk-adjusted returns (Sharpe ratio) and minimization of drawdowns

Strategy:

- Focus on fundamentally strong **hard-currency sovereign and corporate debt securities** in Emerging Markets (currency risk hedged to EUR)
- Current average credit rating: **BB+**
- Yield to maturity: **6.8%** (in EUR terms);
- Duration: **3.8 years**

Source: SB Asset Management, June 2024



Sources of alpha

Exploiting off-benchmark opportunities

Avoiding value-destructive positions and volatility from serial defaulters or local currencies

Usage of arbitrage opportunities between single-issuer EUR and USD bonds

Active participation in primary and secondary markets



Typical issuers that the Subfund is looking for: case study

Globalworth:

- Leading office investor and landlord in Central and Eastern Europe, with a portfolio of over 1.4 million sqm of assets:
 - Value of investment property at over 3 billion EUR;
 - Tenants mostly in Poland and Romania.
- Solid fundamentals, strong and stable cash flows, decent debt level – LTV as of December 2023 was 42.2%. Occupancy rate at 88.3%, EPRA net initial yield at 5.7%
- It is not included in the CEE bond benchmark due to lower than USD 500 M bond issue.
- BB/BBB- rated issue offers a solid YTM of around 7.5%.



Poland



Regional Poland



Warsaw



Romania



Regional Romania Industrial



Bucharest



*In are the number of standing properties in each region / city

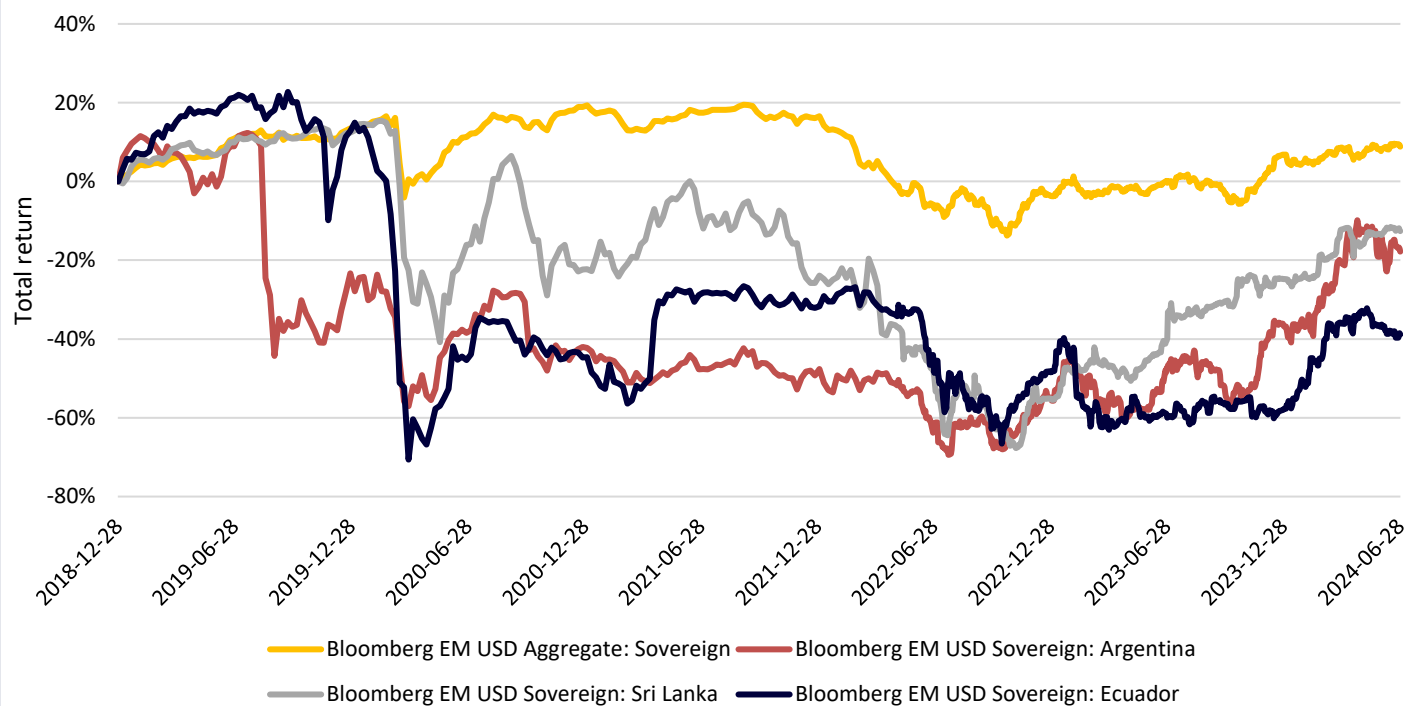
Source: Company filings, SB Asset Management, June 2024



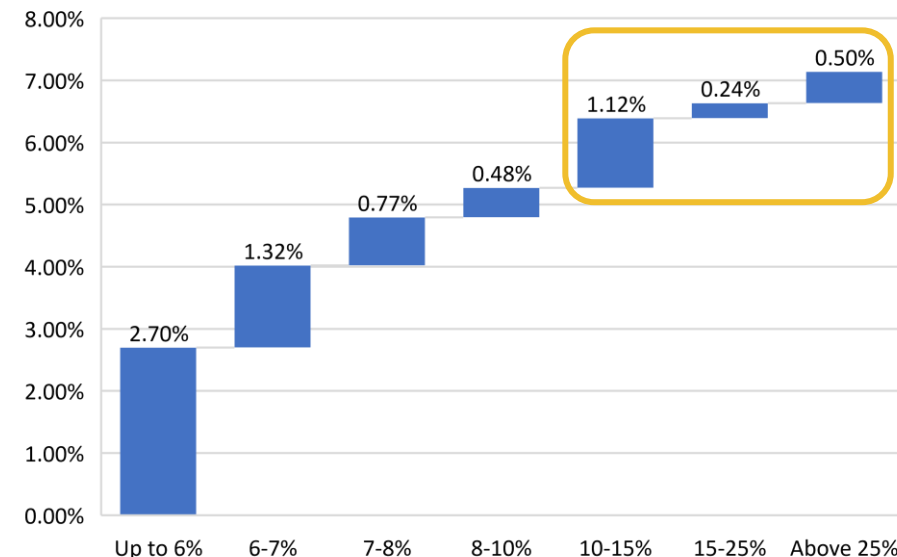
Avoiding value destruction in heavily leveraged countries and serial defaulters

Subfund does not invest into such troubled countries which are deemed as too risky and/or leveraged

		Total return since 2018-12-31	Difference
Argentina Government Bonds	USD	-17.8%	-26.6%
Sri Lanka Government Bonds	USD	-12.6%	-21.4%
Ecuador Government Bonds	USD	-38.8%	-47.7%
Aggregate Sovereigns	USD	8.8%	



EM bond universe YTM split by YTM bracket*

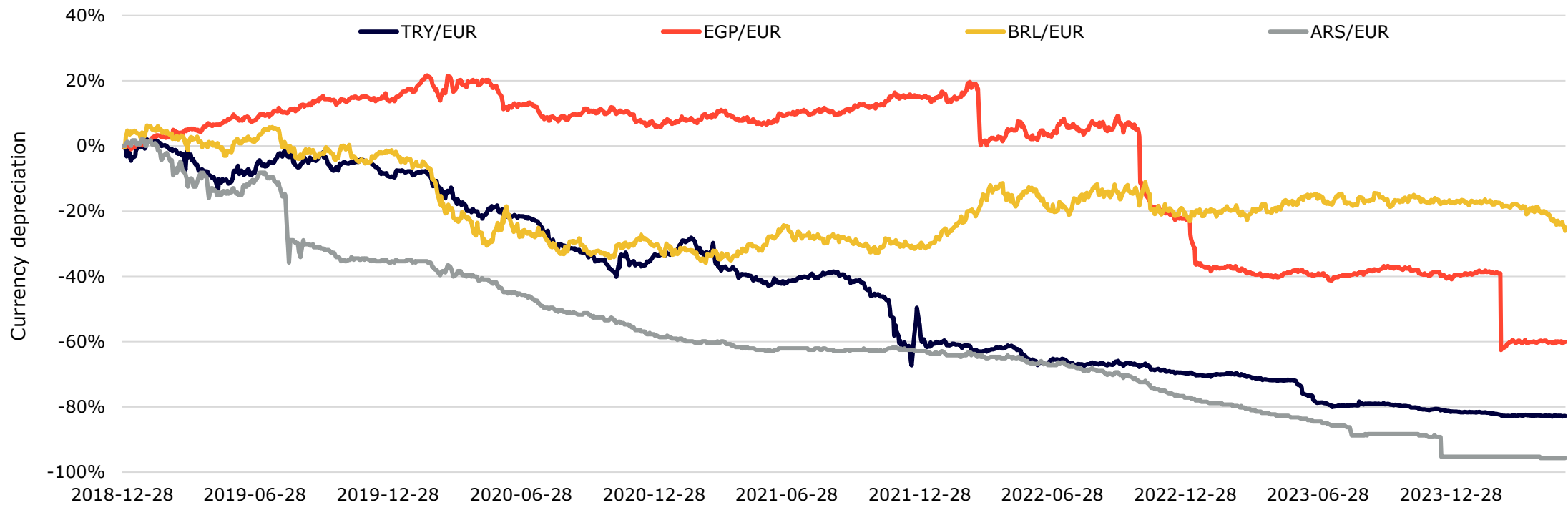


Source: SB Asset Management, Bloomberg, Blackrock, June 2024
 *based on iShares J.P. Morgan USD EM Bond EUR Hedged ETF holdings data as of June 2024



Hard currency only: avoiding the volatility of local currencies

Subfund only invests capital into EUR or USD denominated bonds therefore avoiding unexpected situations



Source: SB Asset Management, June 2024

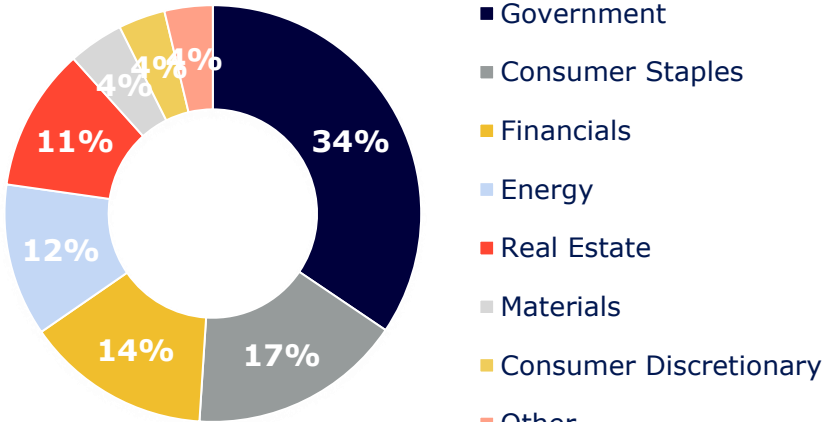


Main characteristics and comparisons

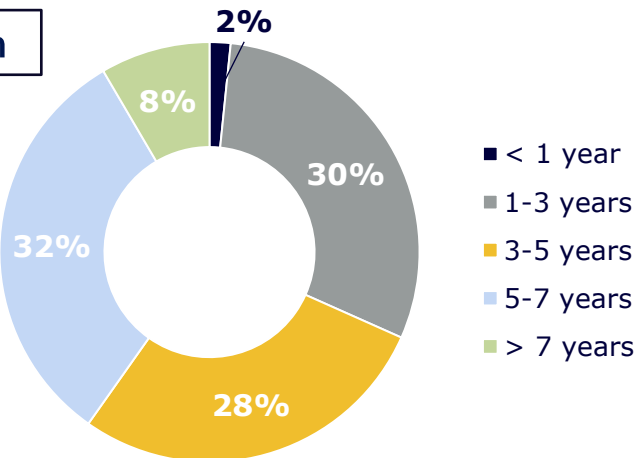


Investment breakdowns

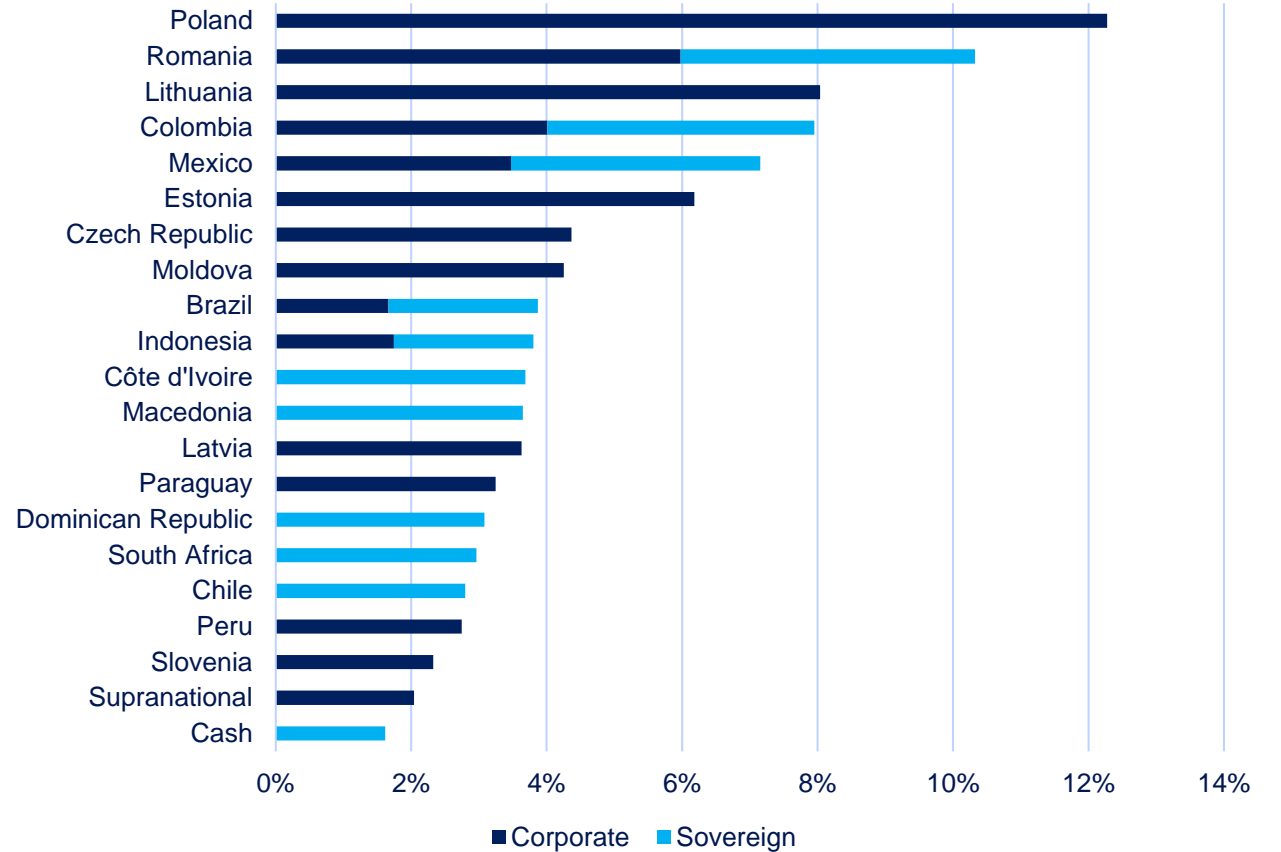
Sector



Duration



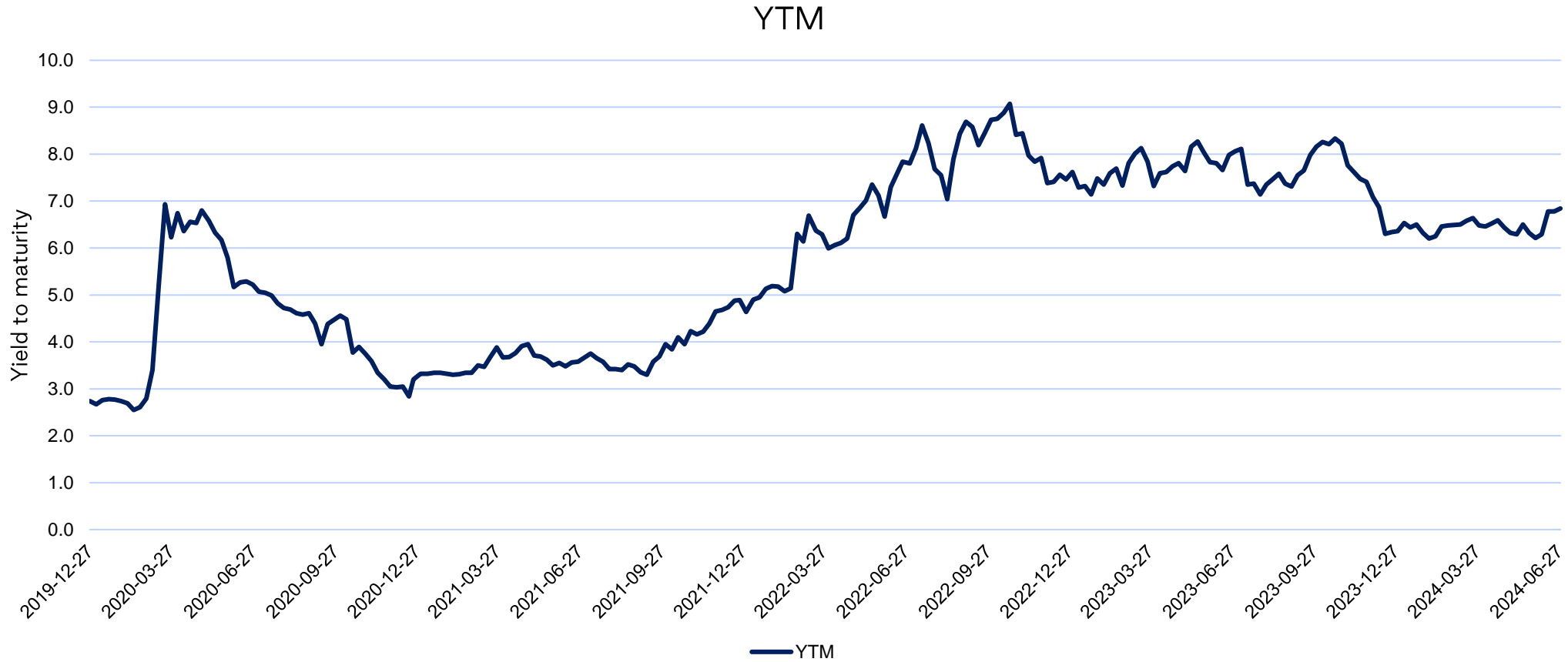
Country



Source: SB Asset Management, June 2024



Subfund's yield has recently increased



Source: SB Asset Management, June 2024



Top 5 investments

AKRPLS 2 7/8 06/02/26
(Akropolis)

5.1%

- Dominating shopping and entertainment center operator in the Baltics;
- Attractive around 6% YTW for BB+ rated less than 3Y duration issue;
- Conservative net LTV at 21% as of 2023 Q4.

EPEN 6.651 11/13/28
(EPH)

4.4%

- EPH boasts a large and diversified European power generation fleet, making it one of the top 10 European power producers by size;
- Intact leverage (1.1x ND/EBITDA on a group level).

MBKPW 8 3/8 09/11/27
(mBank)

4.4%

- Fifth-largest banking institution in Poland with a well-established domestic franchise;
- The bank is majority-owned by Commerzbank AG;
- Strong capitalization metrics (CET1 ratio at 14.1% as of Q1 2024) and efficiency (cost-to-income around 30%).

SNSPW 2 1/2 06/07/28
(Synthos SA)

4.3%

- Leading European producer of synthetic rubber and insulation materials;
- Acceptable leverage and access to equity injection should it be needed;
- Senior secured issue offering 6% YTW for lower than 4Y duration and BB+/BB/Ba2 rating.

ARAGVI 8.45 04/29/26
(Trans-Oil Group)

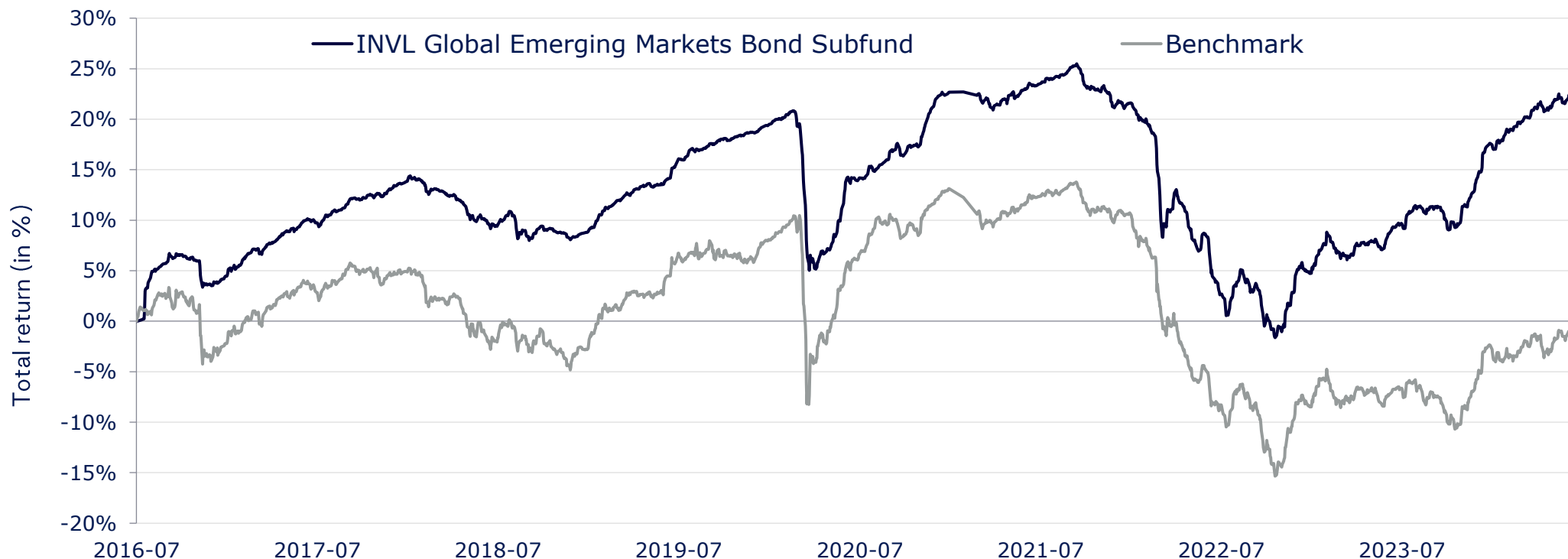
4.3%

- Vertically integrated leading agro-industrial business in Moldova with 90%+ market share in its segment;
- Majority of revenues come from international markets and are denominated in hard currencies;
- Solid capitalization ratio (~40%), moderate adjusted leverage.

Source: SB Asset Management, Bloomberg, company filings, June 2024



Significant outperformance against the benchmark



	Ann. return	Volatility	Sharpe ratio	YTM	Modified duration
Subfund	2.6%	3.4%	0.8	6.8% (in EUR)	3.8 years
Benchmark*	-0.1%	5.6%	0.0		

Source: Bloomberg, SB Asset Management, June 2024
 Volatility and Sharpe ratio are calculated based on daily returns.
 *Benchmark index – indicator against which subfund's return is compared:
 100% Bloomberg EM USD Aggregate Total Return Index Value Hedged EUR (H00014EU Index)
 Previous benchmark index (until 30th November 2023):
 50% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index)
 50% J.P. Morgan Corporate EMBI Broad Hedged Level in EUR (JBBSHEUR index)



Superior longer-term returns compared to peers (sorted by 5Y)

Funds	YTD	2Y	3Y	5Y	Since 2016.07.01
INVL Global Emerging Markets Bond Fund					
Performance	4.5%	19.0%	-0.4%	6.4%	22.9%
No. of competitors	115	115	115	115	115
Ranking	8	10	5	3	3
Quartile	1	1	1	1	1

Funds	YTD	2Y	3Y	5Y	Since 2016.07.01	3Y Sortino	Max DD in 3 years
Peer #1	6.2%	24.7%	-0.6%	9.9%	31.3%	0.10	-29.9%
Peer #2	7.3%	22.1%	3.5%	9.8%	24.1%	0.06	-23.3%
INVL Global Emerging Markets Bond Fund	4.5%	19.0%	-0.4%	6.4%	22.9%	-22.4%	-21.6%
Peer #4	2.0%	6.6%	-5.1%	6.0%	17.7%	-63.3%	-16.6%
Peer #5	6.2%	16.0%	2.6%	5.4%	18.1%	-4.3%	-17.7%
Peer #6	4.8%	23.3%	5.8%	4.2%	11.8%	5.3%	-19.6%
Peer #7	1.5%	11.8%	0.0%	2.6%	--	0.17	-14.2%
Peer #8	4.0%	21.0%	-5.7%	1.7%	13.4%	0.21	-28.4%
Peer #9	4.8%	12.8%	-7.7%	1.7%	11.3%	0.44	-25.2%
Peer #10	2.8%	8.1%	-6.2%	0.8%	7.6%	0.53	-18.8%
.....							
Peer #105	1.4%	10.1%	-12.5%	-19.5%	--	0.45	-28.7%
Peer #106	0.1%	5.7%	-25.0%	-19.9%	-13.5%	0.78	-40.2%
Peer #107	2.4%	3.8%	-25.4%	-20.2%	-3.3%	0.95	-35.5%
Peer #108	1.0%	12.9%	-24.4%	-27.0%	-17.4%	0.66	-42.6%
Peer #109	3.2%	15.3%	-9.4%	-28.7%	--	0.22	-38.3%

Source: Bloomberg, June 2024. Sortino ratio is calculated using monthly return data of 3 years. Peers have been selected based on internal evaluation in effort to find comparable funds: i.e. those with sufficient track record, similar investment strategies etc.



Reasons to invest in global Emerging Markets

Economic growth advantage

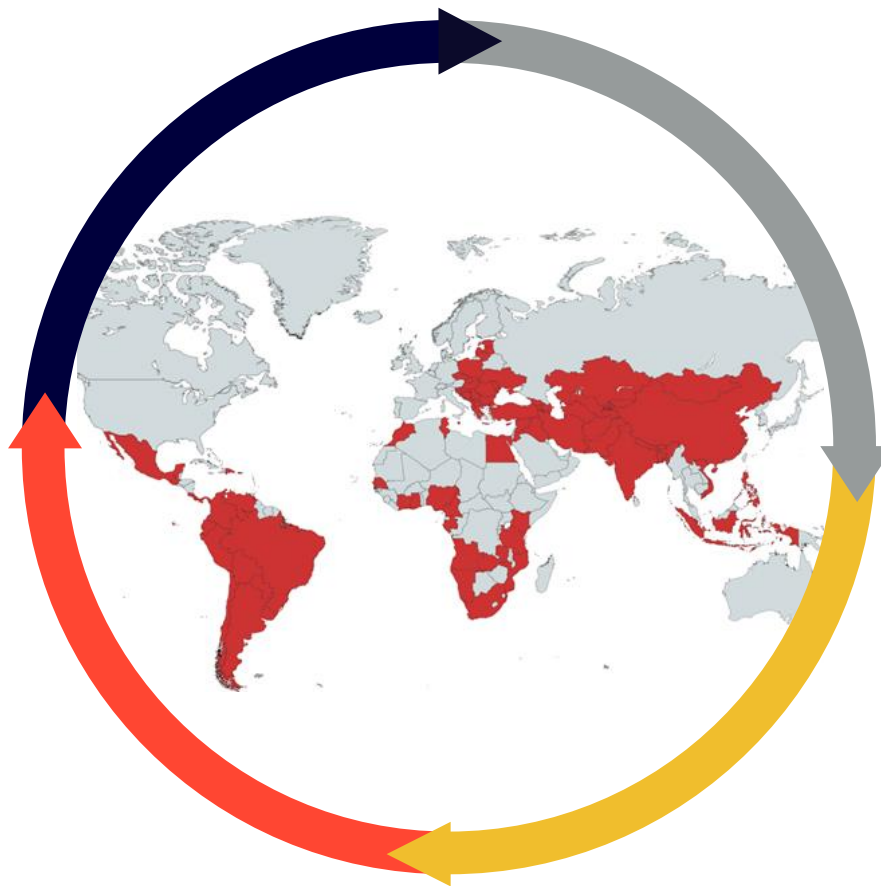
	Annual GDP growth 2017-2021	2022	Projected 2027
DM	1.5%	2.4%	1.7%
EM	3.5%	3.7%	4.3%

Source: IMF

Lower public debt levels

	Government debt to GDP 2023	Projected 2027
DM	111%	114%
EM	68%	75%

Source: IMF



Demographic advantage over developing markets

	Working age population	
	2020	Projected 2050
DM	0.8 bn	0.7 bn
EM	4.2 bn	5.3 bn

Source: World bank

Higher potential and attractive yields

	YTM % (in USD)
EM sovereign USD bonds	7.8%
EM corporate USD bonds	6.6%
10-year US Treasury	4.4%

Source: Bloomberg



Summary



Asset class

Investment in regions that stand out in their rapid economic and population growth while debt levels are reasonably low



Team

Experienced team with solid track record in very active management of Emerging Markets bonds and equities.



Strategy

A proven strategy of bottom-up bond picking and exploiting market inefficiencies to generate alpha.



Balanced risk / return

Short duration and hard currency investments that allow to earn sufficient returns with very moderate drawdowns.

Subfund facts

Inception: 2016

Management fee: 1.25%

2022 TER as % of NAV: 1.55%

AUM: EUR 10.4 M / Strategy AUM: EUR 296 M

Custody: SEB bank (Lithuania) / Auditor: KPMG

ISIN: LTIF00000666 / Bloomberg: INVLGEM



ESG & sustainability



ESG integration (Article 6 under SFDR)

“Avoid” approach with focus on downside risks

Two main ESG strategies used across fixed income strategies:

Negative / exclusionary screening

- No involvement / significant income from weapon production and sales, tobacco, alcohol, gambling, pornography sectors.

ESG integration

- Bloomberg ESG score which includes a set of standardized ESG metrics is considered in investment decision making.



**Thank you & all the best
in the good work
that you do**