INVL GLOBAL EMERGING MARKETS BOND SUBFUND

July 2024

STRATEGY

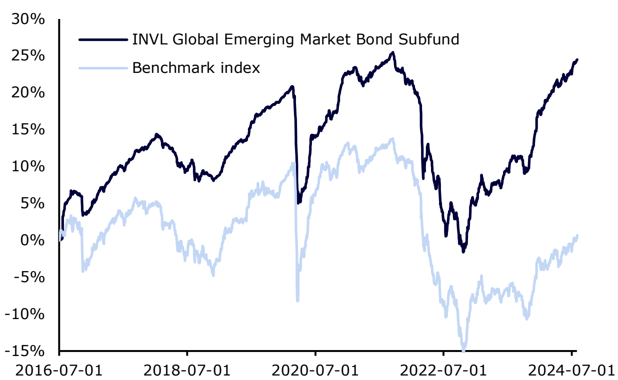
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	SB Asset Management
ISIN code	LTIF00000666
Inception date	2016-07-01
Minimum investment	EUR 0
AUM, EUR M	11.0
Strategy AUM, EUR M	355
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.sb.lt/lt/privatiems/investavimas/investiciniai-fondai/invl-besivystanciu-pasaulio-rinku-obligaciju-subfondas

RESULTS



	Fund	Benchmark ***
Return YTD	5.9%	3.1%
Return 1Y	11.7%	6.9%
Return 3Y	0.3%	-10.7%
3 year annualised return	0.1%	-3.7%
Return since inception	24.5%	0.7%
Volatility (St. deviation)*	3.4%	5.5%
Duration	3.9	6.4
YTM	6.6%	5.2%
Sortino ratio**	-0.4	-1.0

FUND MANAGER COMMENT

July was a positive month for INVL Global Emerging Markets Bond subfund as it returned 1.6%, underperforming the benchmark index which appreciated by 2.3%. However, looking at year to date results, the fund has outperformed its benchmark by more than 2.7%, as a result of having quality issuers in its portfolio.

Normalising inflation rate (3.0% reading in July vs 3.1% consensus) and weaker employment data has led FED officials to comment on a real possibility to cut interest rates as early as September. Consequently, US 10-year government yield contracted more than 40 bps, as the market is now (as of July 31st) pricing in 3 rate cuts until the end of the year. European markets experienced a similar trend in interest rate expectations, though to a lesser extent. In Central and Eastern Europe, Ukraine has agreed on a restructuring scheme with a committee of international bondholders, which will see a 37% nominal value write off from the current bond debt, while also restructuring the interest payment structure. In Turkey, Moody’s raised the sovereign’s credit rating to B1 (now rated B+ by all rating agencies) citing return to orthodox monetary policy. Presidential elections were conducted in Venezuela, where the election authorities announced the current president Nicolas Maduro as the winner, even though both the opposition and international statisticians were quick to dispute the results announced. Many of the world leaders refrained from formally acknowledging the current president’s victory, before the voting database is officially released and audited.

Moldavian high-yield name Trans-Oil continued to be the largest contributor to the fund's positive performance. While there were no company-specific news, investors are increasingly confident in the likelihood of successful refinancing of the issue, as the company maintains a strong financial position and has experienced minimal negative impact from the conflict in Ukraine. In terms of trading, the fund added one new position – Peruvian engineering and construction company Aenza. The bond was bought at nearly 12% yield (in USD), while it has well diversified operations and low indebtedness. We also took profit in two positions – Estonian Luminor Group (6% outperformance since participation in primary issue in January 2023) and Indonesian Japfa Comfeed (nearly 6% outperformance since we bought in March 2024). Additionally, the fund continued to add longer-duration issues to capture the upside from the declining interest rate environment. Overall, the fund maintains lower interest rate sensitivity than the benchmark (3.9 and 6.4 duration respectively) while having higher yield to maturity (6.6% vs 5.2% respectively).

**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:*
100% Bloomberg EM USD Aggregate Total Return Index Value Hedged EUR (H00014EU Index)

INVL × ŠIAULIŲ BANKAS

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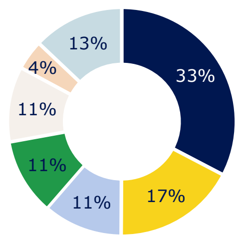
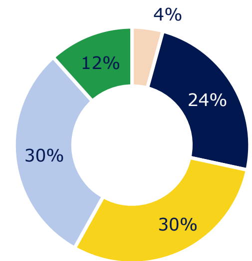
BREAKDOWN OF INVESTMENTS

BY SECTOR



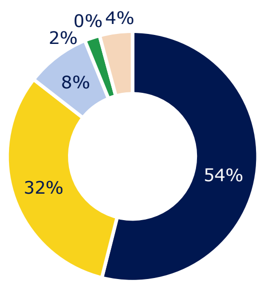
- Government
- Consumer Staples
- Energy
- Financials
- Real Estate
- Cash and cash equivalents
- Other

BY DURATION



- < 1 year
- 1-3 years
- 3-5 years
- 5-7 years
- > 7 years

BY REGION



- Central and Eastern Europe
- Latin America
- Africa and Mideast
- Asia
- Other
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

AKRPLS 2 7/8 06/02/26	Real Estate	4.9%
ARAGVI 8.45 04/29/26	Consumer Staples	4.2%
EPEN 6.651 11/13/28	Energy	4.2%
MBKPW 8 3/8 09/11/27	Financials	4.1%
ROMANI 5 5/8 02/22/36	Government	4.1%
SNSPW 2 1/2 06/07/28	Materials	4.1%
GWILN 6 1/4 03/31/30	Real Estate	3.8%
COLOM 7 1/2 02/02/34	Government	3.8%
ULKER 7 7/8 07/08/31	Consumer Staples	3.7%
PEMEX 6.7 02/16/32	Energy	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

SB Asset Management is the investment management company of Šiaulių bankas group. The team of experienced investment managers is one of the largest and most capable in the Baltic States and has been managing clients' assets since 2003. Investment managers make investment decisions on behalf of more than EUR 1.3 billion of clients assets.

Investment managers are guided by the principles of long-term investing and fundamental investment analysis while specializing in Central and Eastern European equity and bond markets. The team flexibly take advantage of investment opportunities that arise in the markets. The managers' expertise is proven by consistently high ratings in international fund rankings.

CONTACT

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