



INVL Emerging Europe Bond Subfund



2024 June



Disclaimer

INVL Emerging Europe 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 Subfund is the feeder undertaking of the subfund INVL Emerging Europe Bond Fund (hereinafter – the Master Subfund) of the harmonised umbrella undertaking for collective investment in transferable securities (UCITS) INVL Fund, established in the Grand Duchy of Luxembourg, which constantly invests at least 85 percent of its net assets in the investment units of the Master Subfund.

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’s investment units are published on the website www.sb.lt.

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 <https://www.sb.lt/en/private/investing/investment-funds/invl-emerging-europe-bond-subfund> 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.



Investment philosophy

Where does the value come from?



Subfund facts

- Inception: 2010-10-29
- AUM: EUR 8 M / EUR 41 M (master fund) / Strategy AUM: EUR 260 M
- Subfund ISIN: LTIF00000468
- Management fee: 0.45%
- Maximum subfund level TER: up to 2%
- Notional TER: 2.13%
- Investment manager: SB Asset Management
- Management company: SB Asset Management
- Custodian: AB SEB Bankas

Morningstar



Lipper Leaders*

Highest overall rankings in 3 of 4 categories among Emerging Europe bond funds registered for sale in Germany

5

Total
return

5

Consistent
Return

5

Preservation

2

Expense

* Rankings as of September 2022



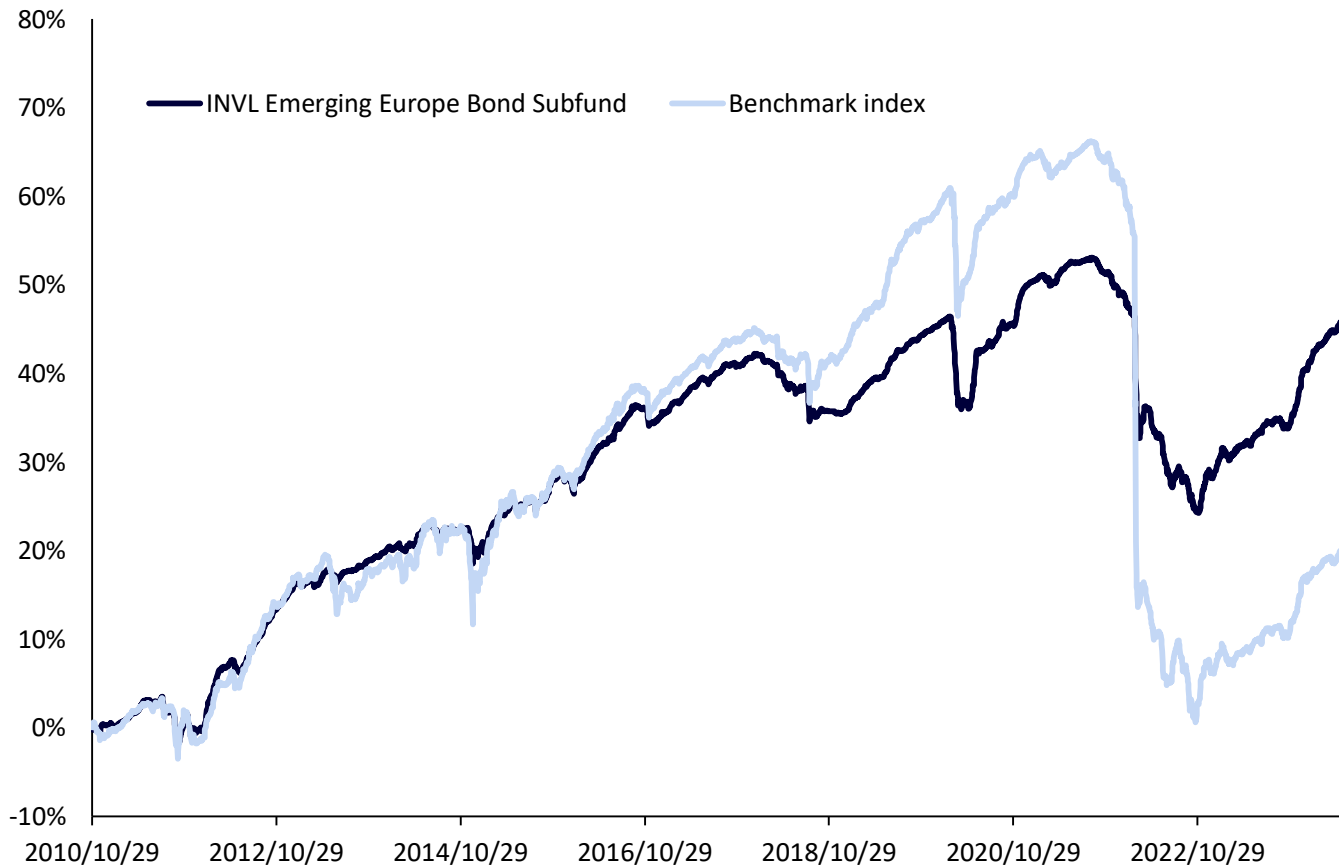
Strategy

Focused Emerging Europe government and corporate bonds TOP picks

Objective:	Strategy:
<p>maximization of risk-adjusted returns (Sharpe ratio) and minimization of drawdowns</p>	<ul style="list-style-type: none">• Focus on hard-currency short-term sovereign and corporate debt securities in Emerging Europe (currency risk hedged to EUR)• Current average credit rating: BBB-• Yield to maturity: 6.0% (in EUR terms);• Duration: 3.0 years <p>Source: SB Asset Management, June 2024 *Fund characteristics are provided based on master fund portfolio positions</p>



Subfund's performance against the benchmark since inception (2010-10-29)



	Annualized return*	Volatility	Sharpe
INVL subfund	2.8%	2.3%	1.2
Benchmark**	1.4%	5.4%	0.2

Since inception, the Subfund has earned a substantially higher return but with lower volatility, therefore, offers a better risk-return profile

Source: SB Asset Management, Bloomberg, June 2024

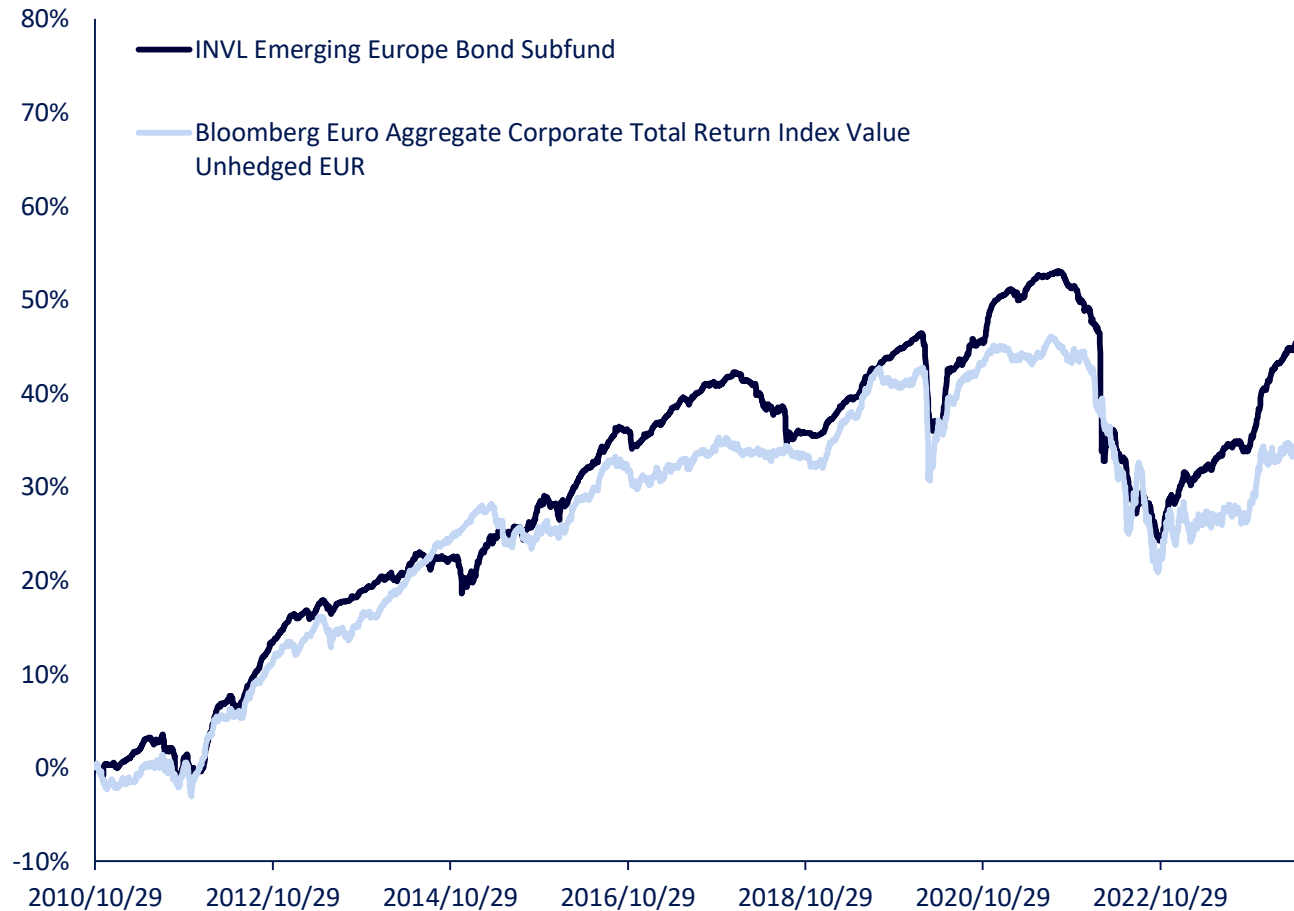
*Return after fees

**Benchmark index: 50% Bloomberg Pan Euro EM: Europe Total Return Index Unhedged EUR (I04339EU Index); 40% Bloomberg Pan-European High Yield (Euro) TR Index (I02501EU Index); 10% European Central Bank ESTR OIS Index (OISESTR Index)

Previous benchmark index (until November 30th 2023): 50% J.P. 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)



Superior characteristics compared to EUR-denominated investment grade corporate debt index



	Annualized return*	Volatility	Sharpe
INVL subfund	2.8%	2.3%	1.2
IG corp bond index	2.2%	3.2%	0.7

Over long-term, the Subfund has earned a substantially higher return but with lower volatility, therefore, offers a better risk-return profile

Source: SB Asset Management, Bloomberg, June 2024

*Return after fees



Components of Subfund's return

CEE bond market inefficiencies

High value off-benchmark opportunities



Flexibility to switch between government and corporate bonds

Active participation in primary market



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

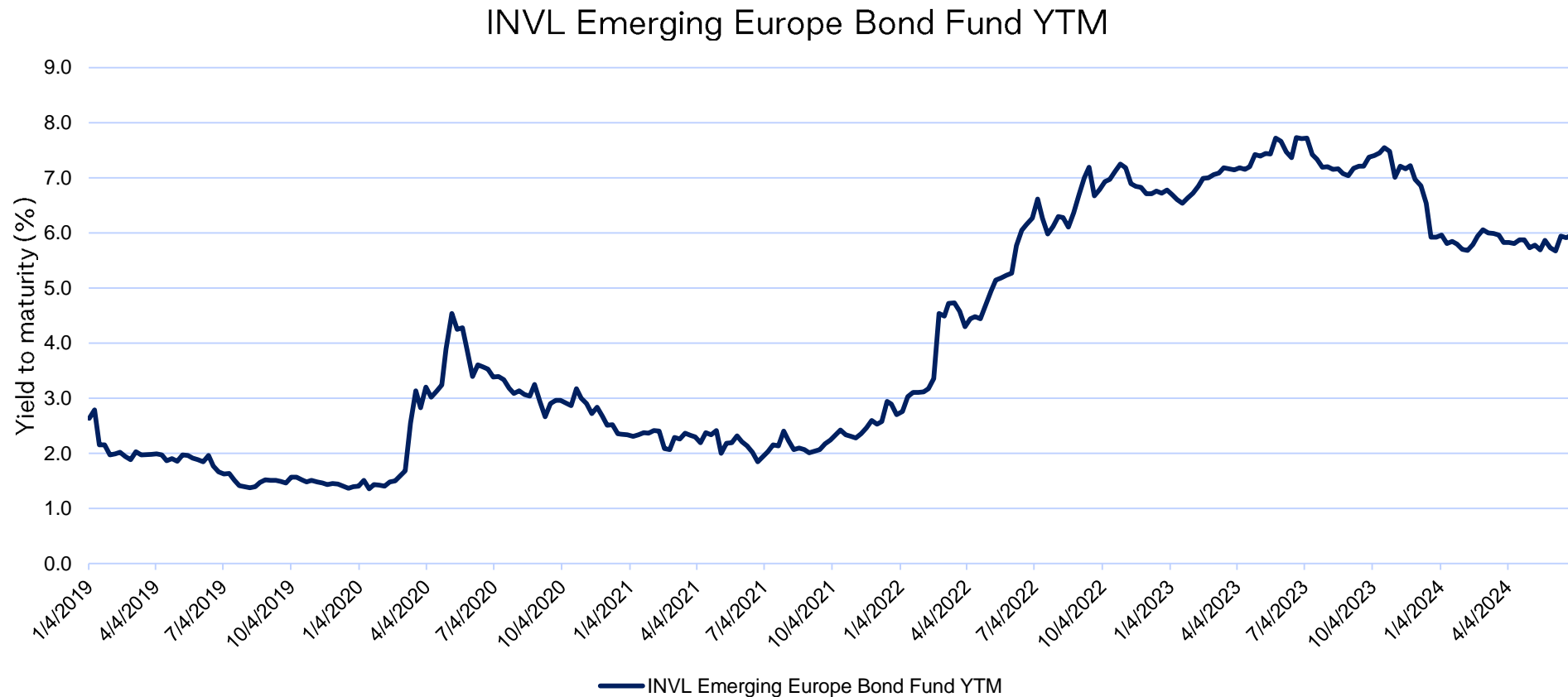
Source: Company filings, SB Asset Management, June 2024



Main characteristics and comparisons



Fund's yield has recently increased

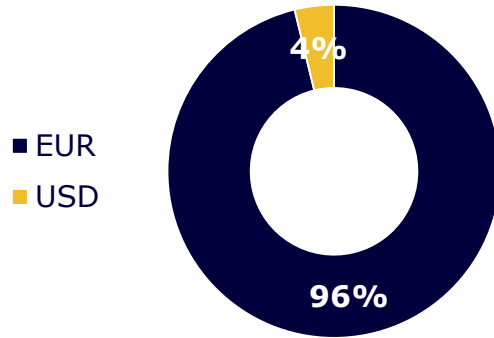


Source: SB Asset Management, June 2024
Disclaimer: Previous performance cannot be taken as a reliable indicator for future performance
*YTM is provided for master fund portfolio positions

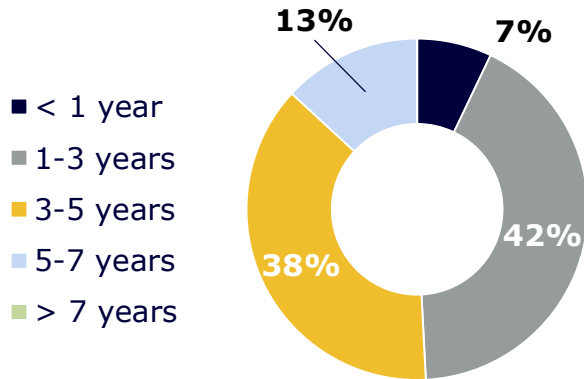


Fund portfolio characteristics

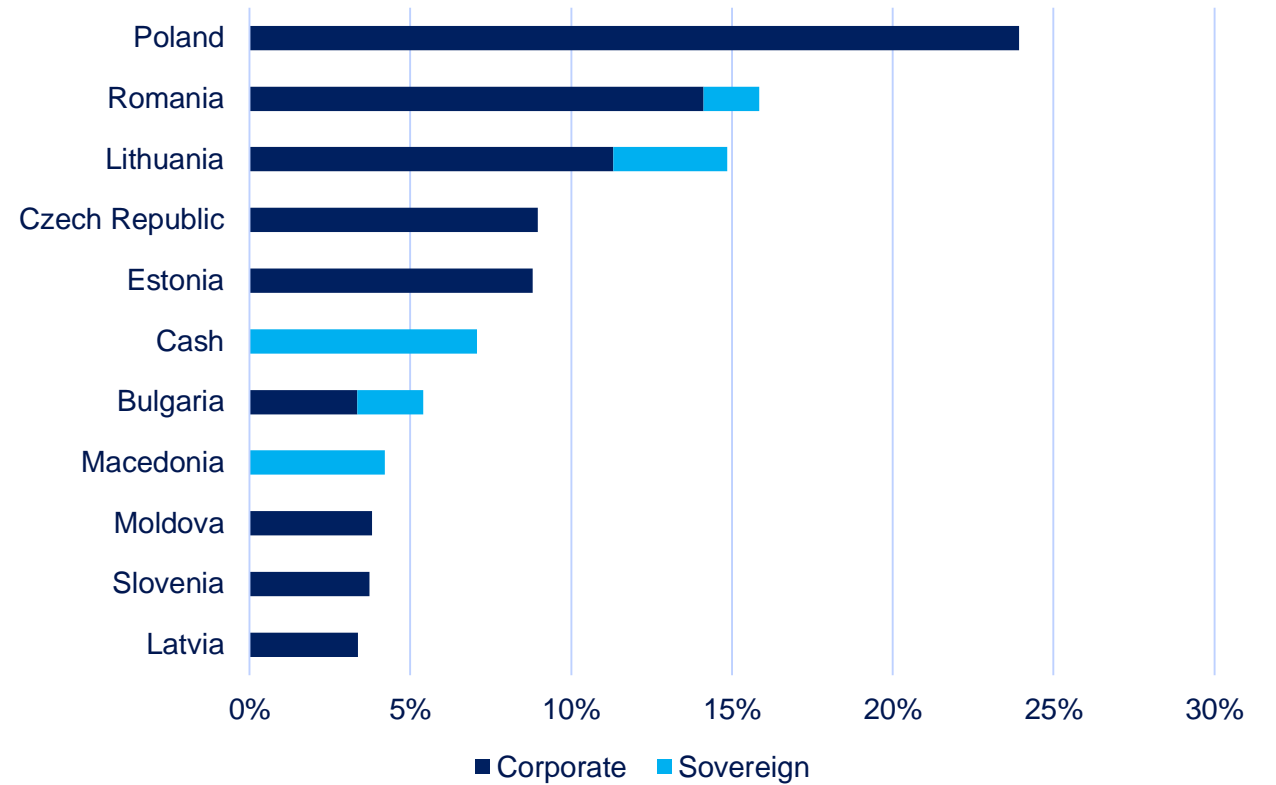
Currency



Duration



Country and credit profile



Source: SB Asset Management, June 2024

*Fund characteristics are provided based on master fund portfolio positions



5 largest positions

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

5.5%

- 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.

PEPGRP 7 1/4 07/01/28
(Pepco Group)

5.3%

- Large-scale discounter operating from around 4,000 stores in 20 countries in Europe;
- Impressive growth track record and robust business model;
- Financials are intact (ND/EBITDA at <2x, strong generational capacity of cash from operations) and company received BB+/BB-/Ba3 ratings;

GWILN 26s
(Globalworth)

4.4%

- Leading office investor and landlord in Central and Eastern Europe, with a portfolio of over 1.4 million sqm of assets.
- BBB-/BB+ rated issue offers a solid YTM of around 7.5%.

EPEN 6.651 11/13/28
(EPH)

4.2%

- 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).

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

4.2%

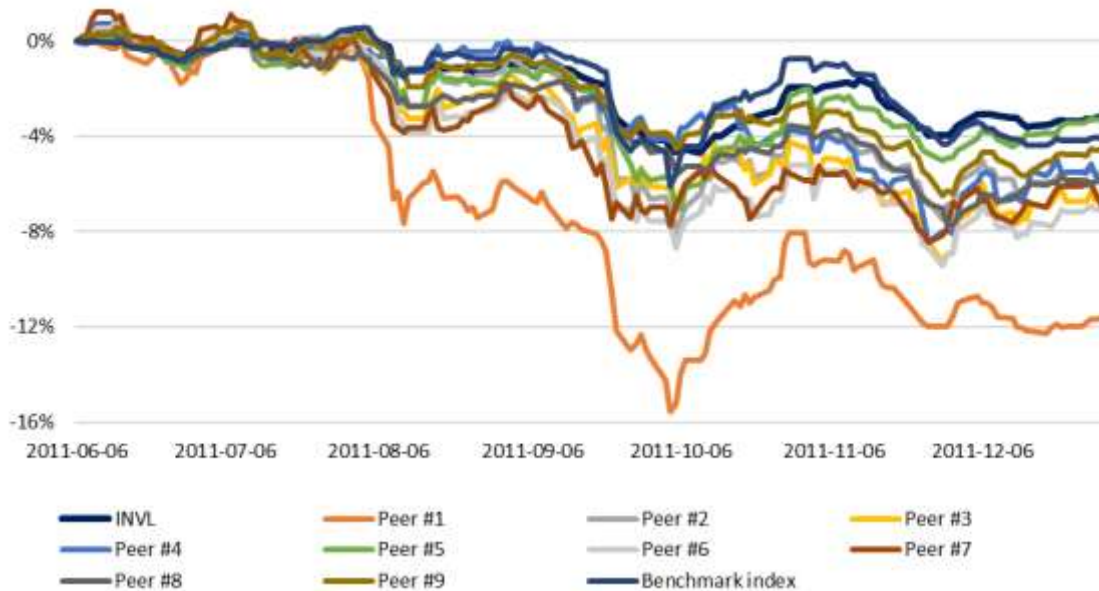
- Leading European producer of synthetic rubber and insulation materials;
- Acceptable leverage and access to equity injection should it be needed;
- Senior secured issue offering 6% YTW for lower than 4Y duration and BB+/BB/Ba2 rating.

Source: SB Asset Management, Bloomberg, company filings, June 2024
*Fund characteristics are provided based on master fund portfolio positions

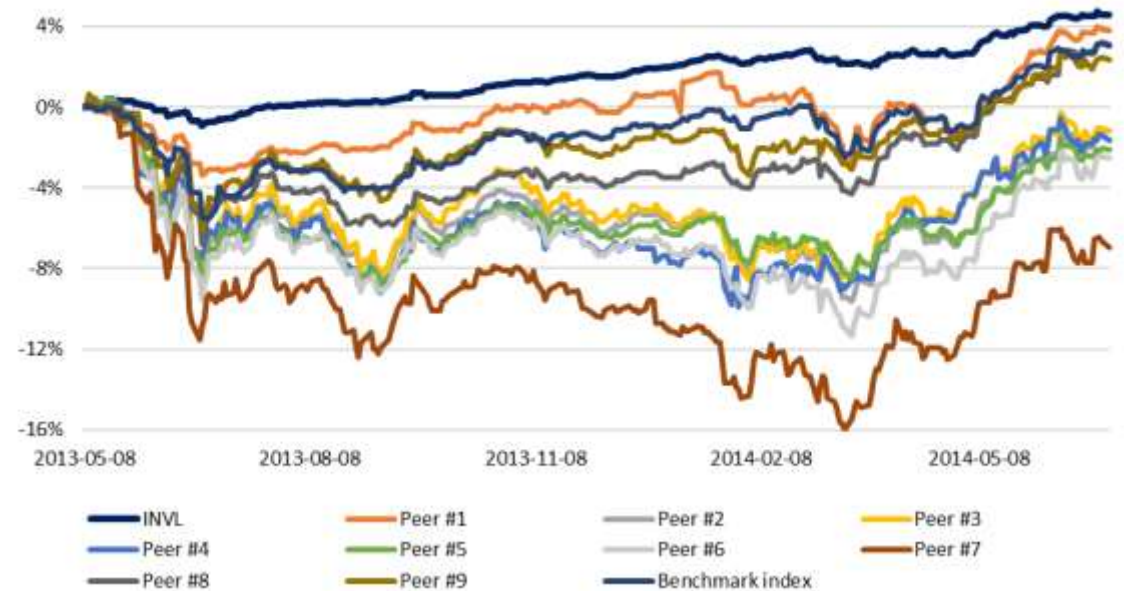


Value of risk management strategy in turbulent markets – total returns

Eurozone Debt Crisis



FED Taper Tantrum

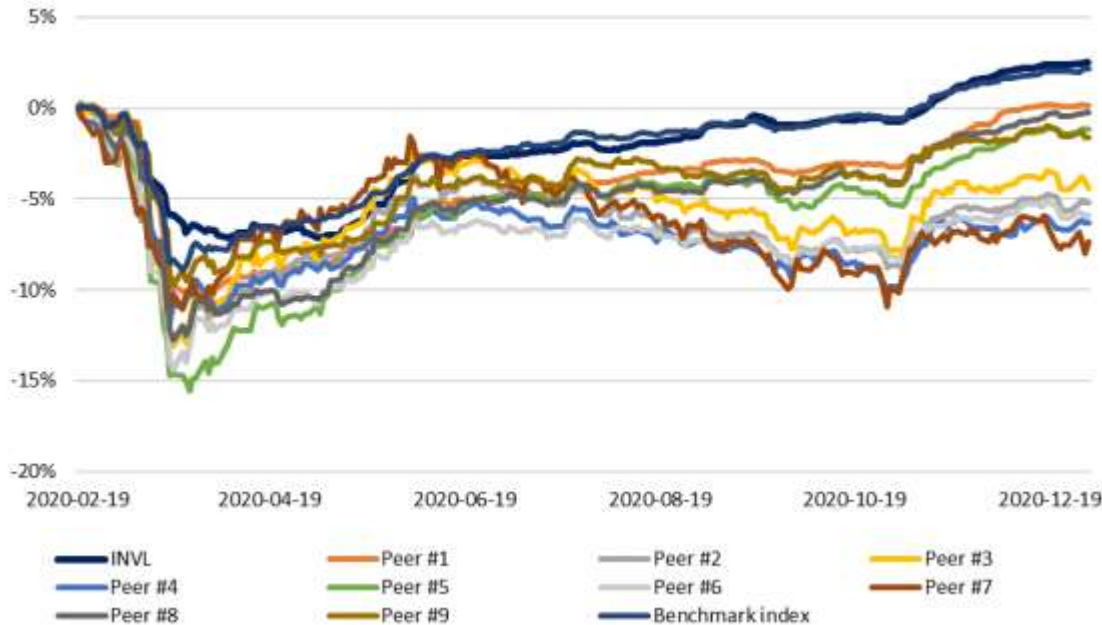


Source: SB Asset Management. June 2024
*Multiple peers were liquidated during 2022, so their returns are no longer displayed in the latest graph. Peers have been selected based on internal evaluation in effort to find comparable funds that focus on CEE region. However, the list of peer funds may not be exhaustive and may have performed differently in distinct scenarios. Past results do not guarantee future performance.



Value of risk management strategy in turbulent markets – total returns

Covid-19 sell-off



Inflation shock, rate hikes, war in Ukraine

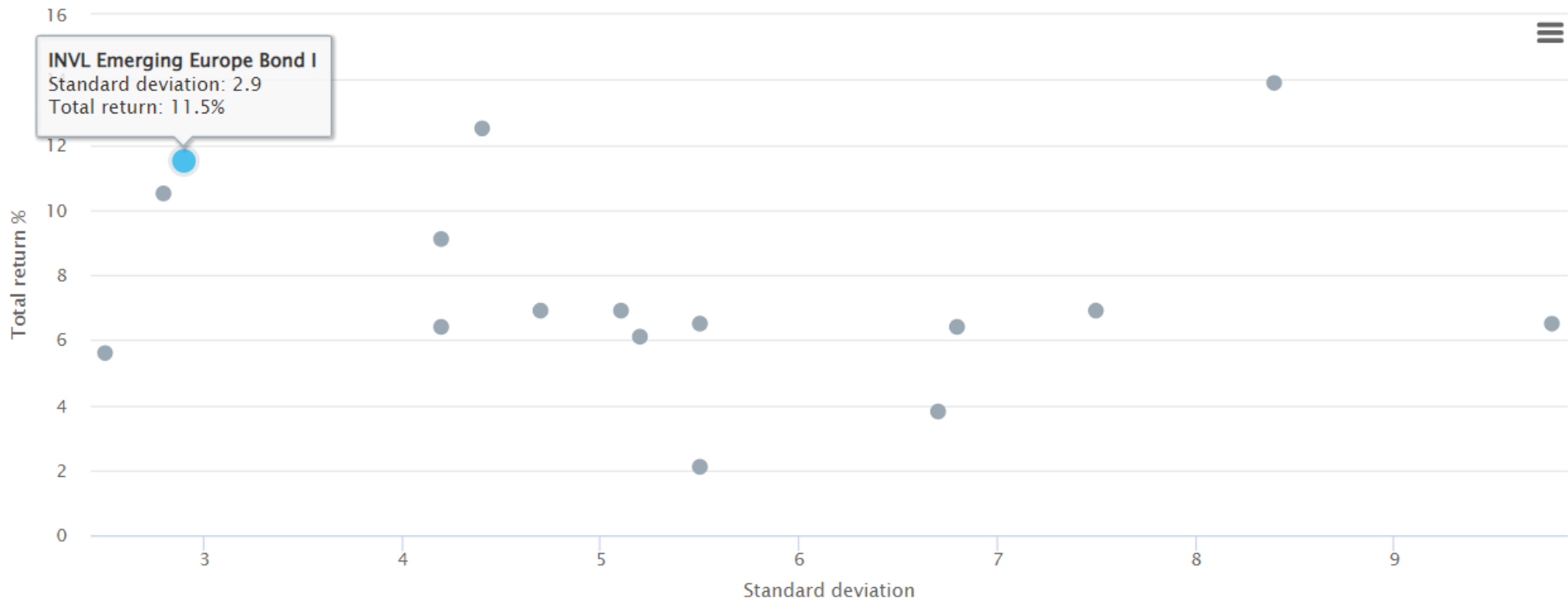


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Comparison with peers over last 10 years

Returns Vs Risk



Source: Citywireselector.com (Comparison with peers over 10 years) as of June 2024

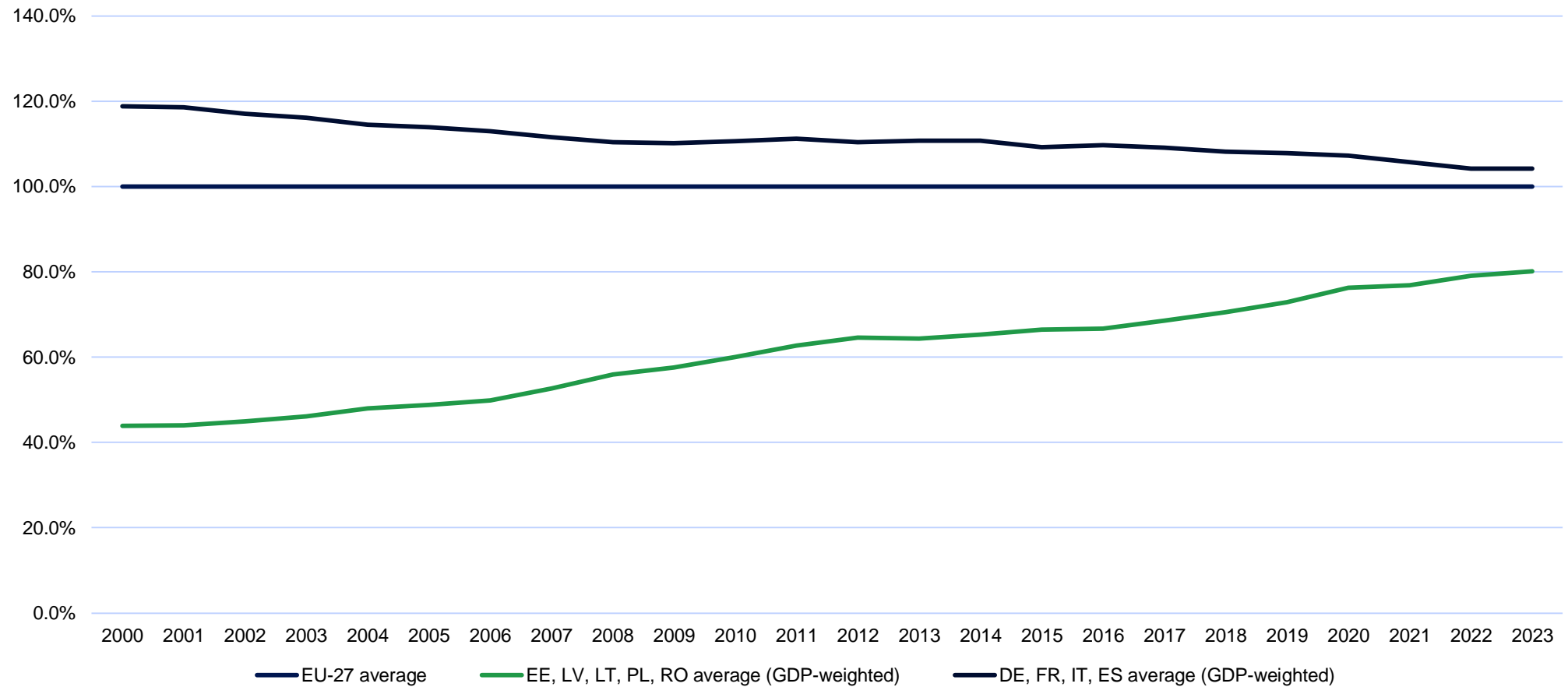


Why CEE region and what are its main characteristics?



Very evident convergence story

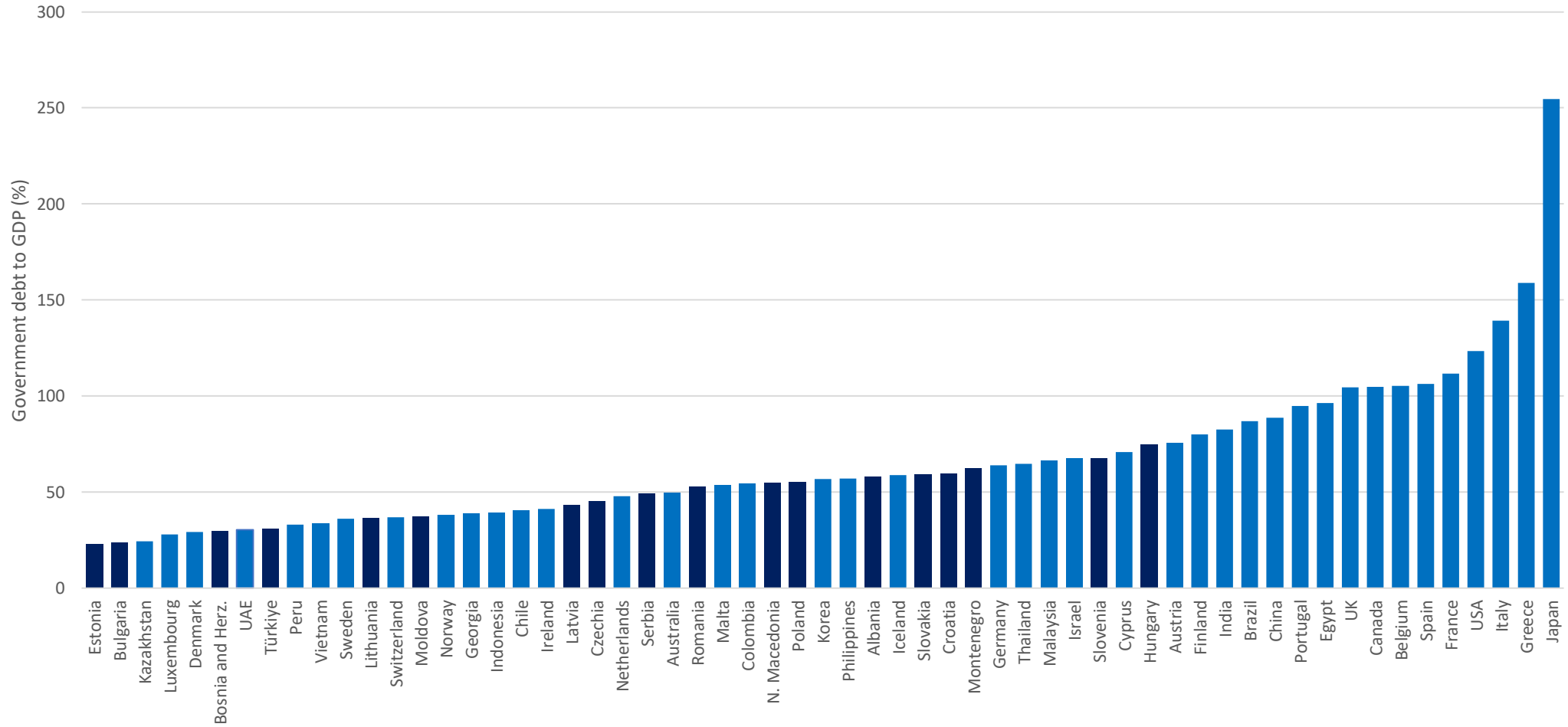
Purchasing power adjusted GDP per capita as % of EU-27 average



Source: Eurostat



CEE region clearly not as leveraged as many EU and global peers



Source: IMF. 2024 estimate figures



Summary



Asset class

Under-researched region which offers attractive opportunities for active bond selectors.



Team

Experienced team with solid track record in very active management of Emerging Europe 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.



Additional information



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**