



# INVL Emerging Europe Bond Subfund



2024 September



## 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](http://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 45 M (master fund) / Strategy AUM: EUR 274 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

4

Expense

\* Rankings as of September 2024

\*Total expense ratio (TER) is the average share of subfund's net assets used to cover its management costs.

\*\*The conditional TER (Total Expense Ratio) is the ratio where the denominator is the average net assets of the subfund for the relevant period, and the numerator is obtained by summing the subfund's total operating expenses included in the calculation of its TER, as well as all other expenses related to the subfund's investments in other collective investment schemes, and adding the subscription and redemption fees paid to the collective investment scheme in which the investment is made.



# Strategy

Focused Emerging Europe government and corporate bonds TOP picks

## Objective:

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

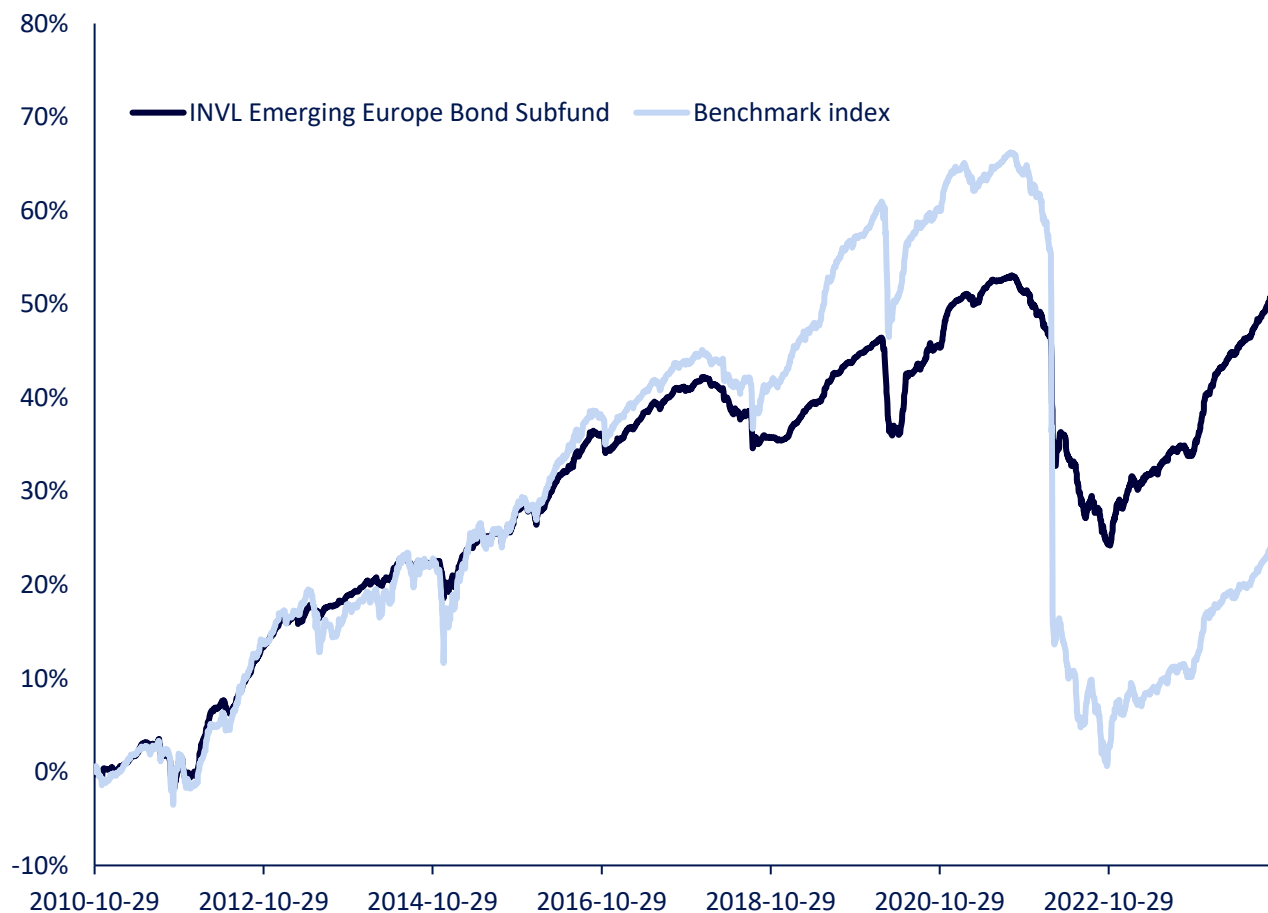
## Strategy:

- 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: **5.1%** (in EUR terms);
- Duration: **3.3 years**

Source: SB Asset Management, September 2024  
\*Fund characteristics are provided based on master fund portfolio positions



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



	Annualized return*	Volatility	Sharpe
INVL subfund	3.0%	2.3%	1.3
Benchmark**	1.6%	5.4%	0.3

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

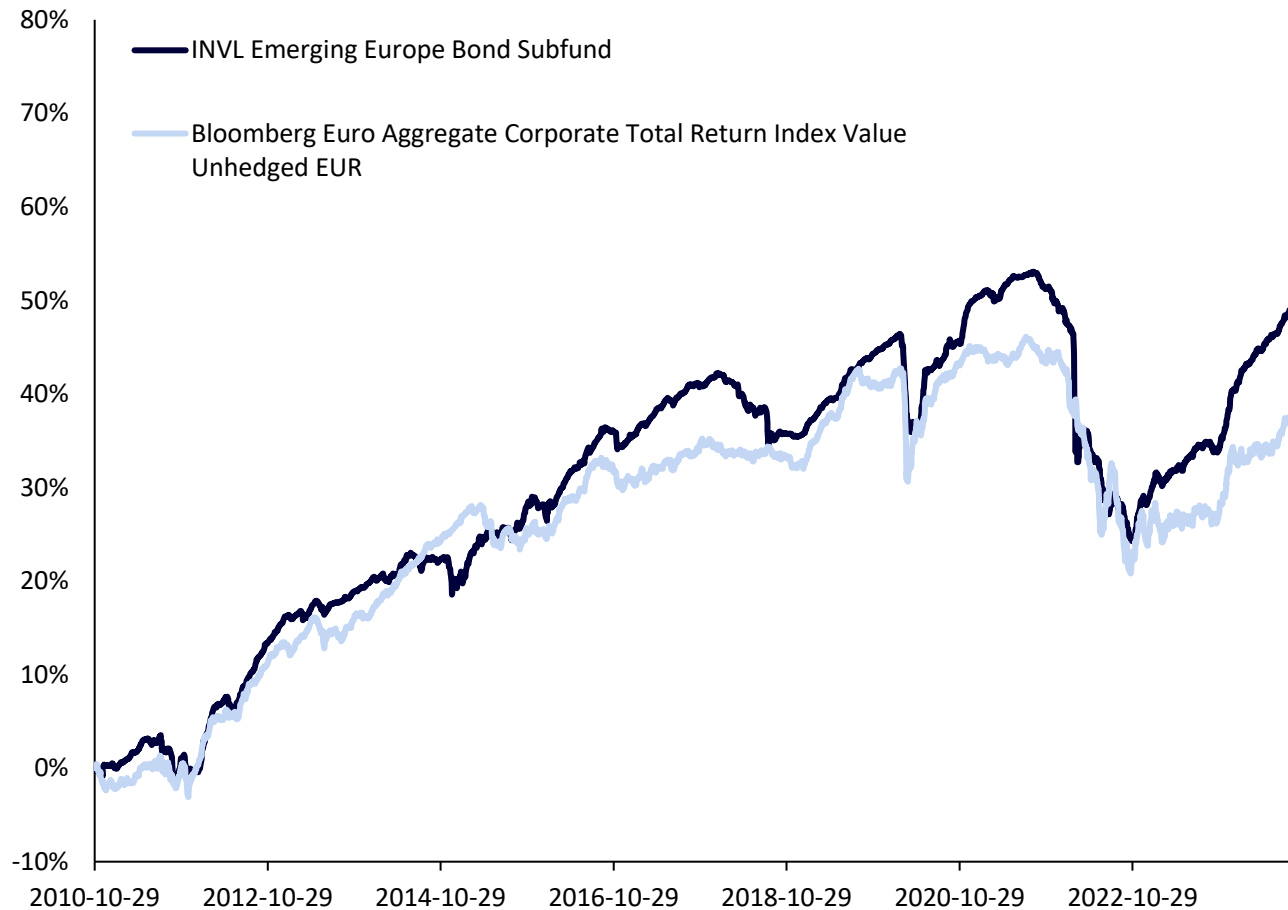
Source: SB Asset Management, Bloomberg, September 2024

\*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	3.0%	2.3%	1.3
IG corp bond index	2.4%	3.1%	0.8

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, September 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 June 2024 was 39.9%, occupancy rate at 86.1%. EPRA net initial yield as of end of 2023 stood 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 7.1%.



## Poland



## Regional Poland



## Warsaw



## Romania



## Regional Romania Industrial



## Bucharest



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

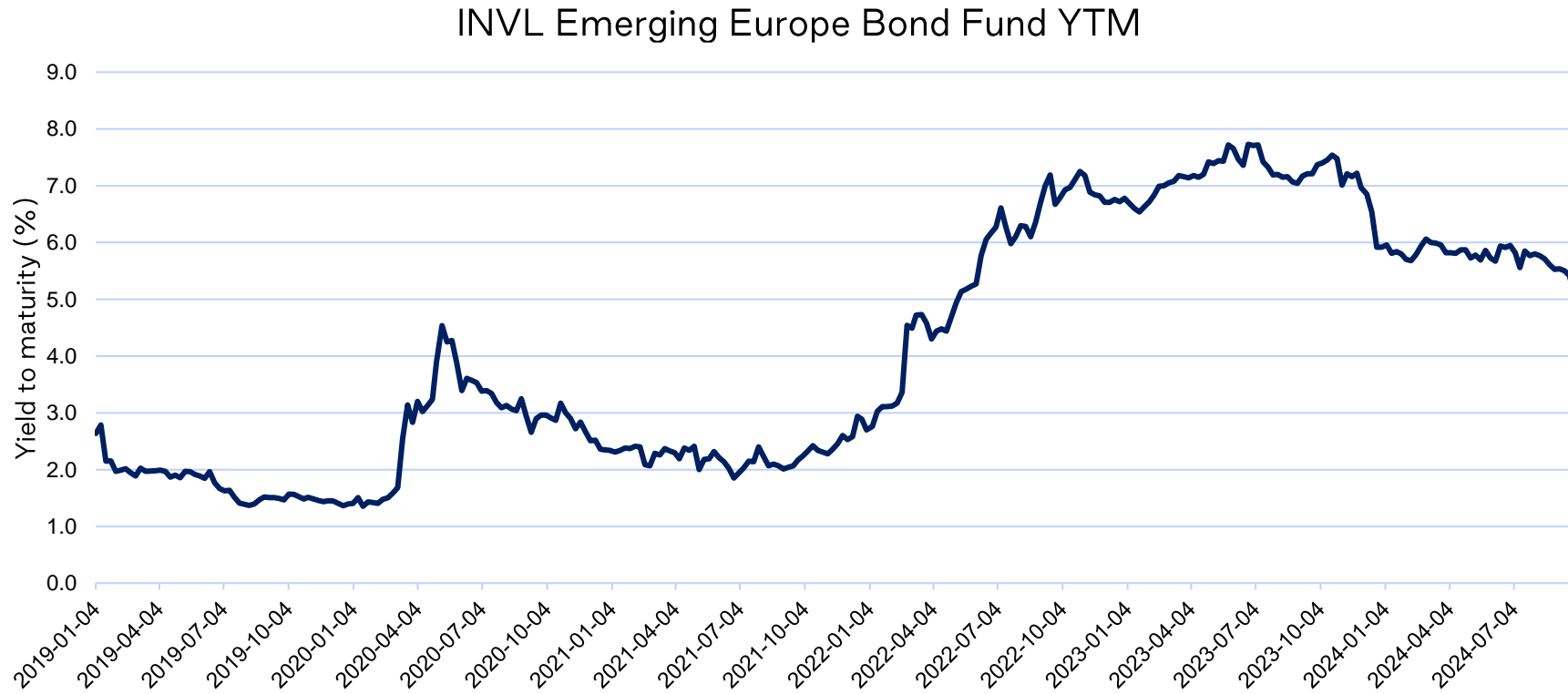
Source: issuer filings, SB Asset Management, September 2024



# Main characteristics and comparisons



# Fund yield remains attractive

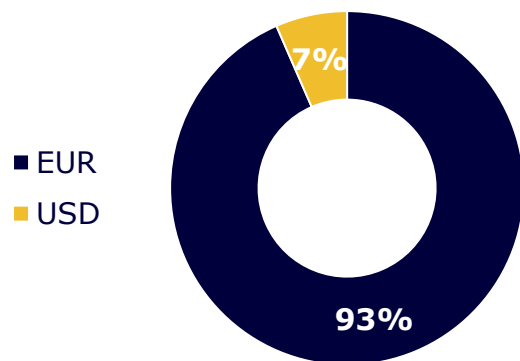


Source: SB Asset Management, September 2024  
Disclaimer: Previous performance cannot be taken as a reliable indicator for future performance  
\*YTM is provided for master fund portfolio positions

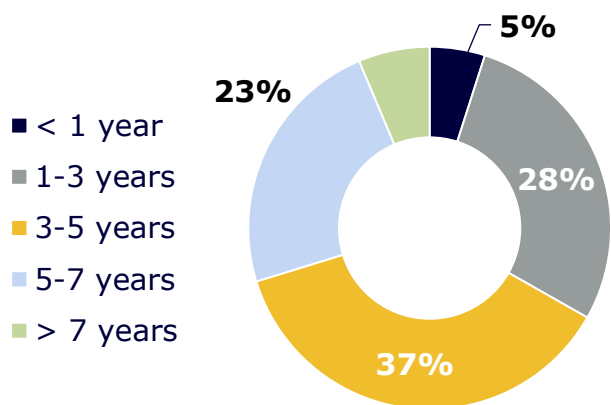


# Fund portfolio characteristics

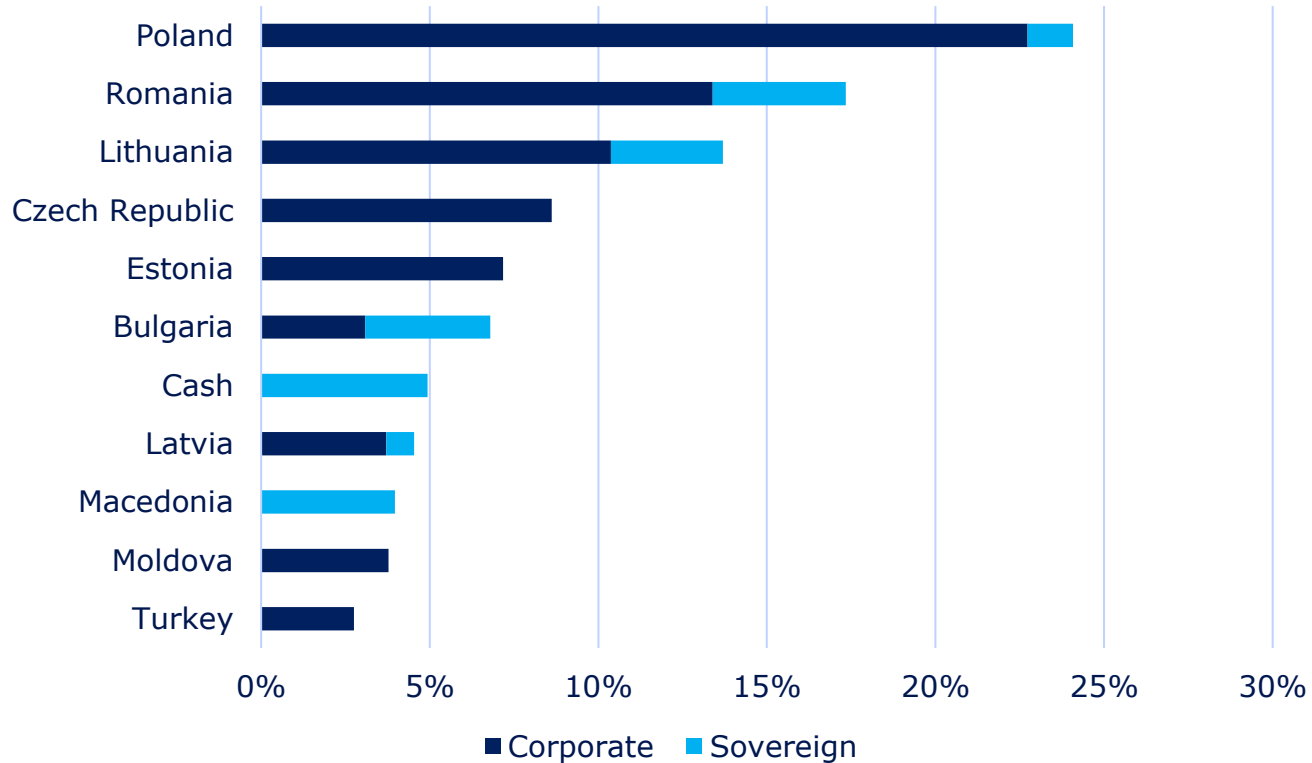
Currency



Duration



Country and credit profile



Source: SB Asset Management, September 2024  
 \*Fund characteristics are provided based on master fund portfolio positions



## 5 largest positions

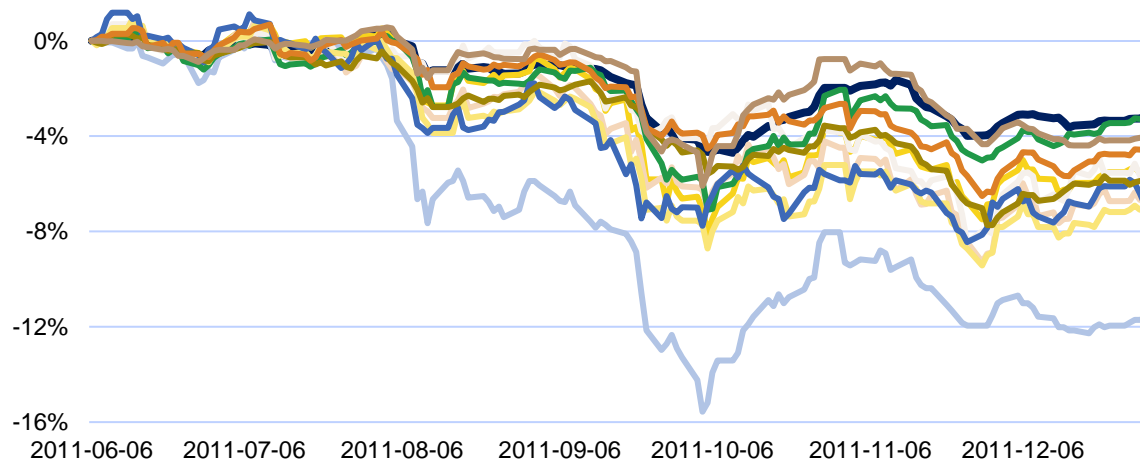
AKRPLS 2 7/8 06/02/26 (Akropolis)	5.0%	<ul style="list-style-type: none"><li>- Dominating shopping and entertainment center operator in the Baltics;</li><li>- Attractive around 5% YTW for BB+ rated less than 3Y duration issue;</li><li>- Conservative net LTV at 26% as of 2024 Q2.</li></ul>
PEPGRP 7 1/4 07/01/28 (Pepco Group)	4.8%	<ul style="list-style-type: none"><li>- Large-scale discounter operating from around 4,000 stores in 20 countries in Europe;</li><li>- Impressive growth track record and robust business model;</li><li>- Financials are intact (ND/EBITDA at &lt;2x, strong generational capacity of cash from operations) and company received BB+/BB-/Ba3 ratings;</li></ul>
EPEN 6.651 11/13/28 (EPH)	4.0%	<ul style="list-style-type: none"><li>- EPH boasts a large and diversified European power generation fleet, making it one of the top 10 European power producers by size;</li><li>- Intact leverage (1.3x ND/EBITDA on a group level).</li></ul>
MACEDO 1 5/8 03/10/28 (North Macedonia)	4.0%	<ul style="list-style-type: none"><li>- Relatively stable Balkan economy with attractive ~5.5% YTM for BB+/BB-rating</li><li>- Moderate leverage metrics: public debt to GDP at ~50% while household debt at around 30%</li></ul>
SNSPW 2 1/2 06/07/28 (Synthos SA)	3.8%	<ul style="list-style-type: none"><li>- Leading European producer of synthetic rubber and insulation materials;</li><li>- Acceptable leverage and access to equity injection should it be needed;</li><li>- Senior secured issue offering 5.7% YTW for around 3Y duration and BB+/BB/Ba2 rating.</li></ul>

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

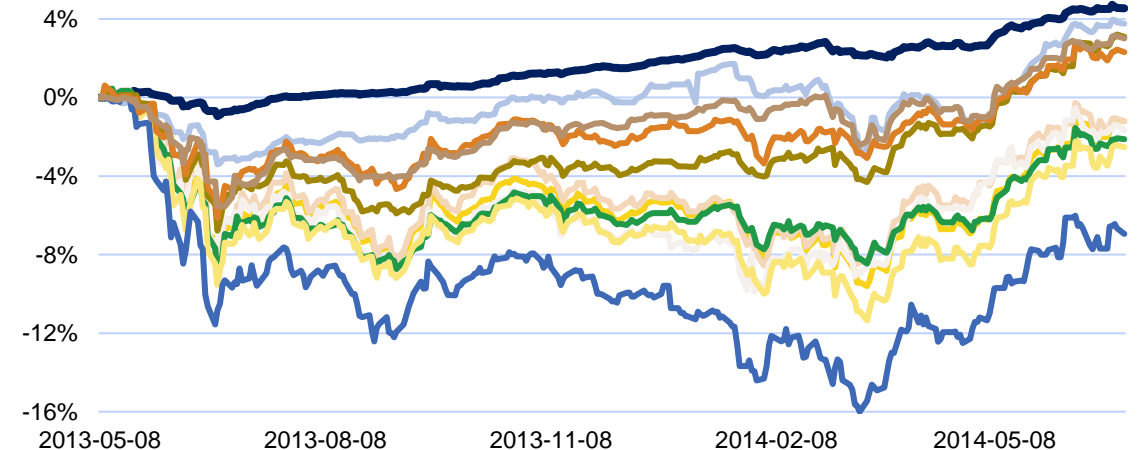


# Value of risk management strategy in turbulent markets – total returns

## Eurozone Debt Crisis



## FED Taper Tantrum



INVL Peer #1 Peer #2 Peer #3  
 Peer #4 Peer #5 Peer #6 Peer #7  
 Peer #8 Peer #9 Benchmark index

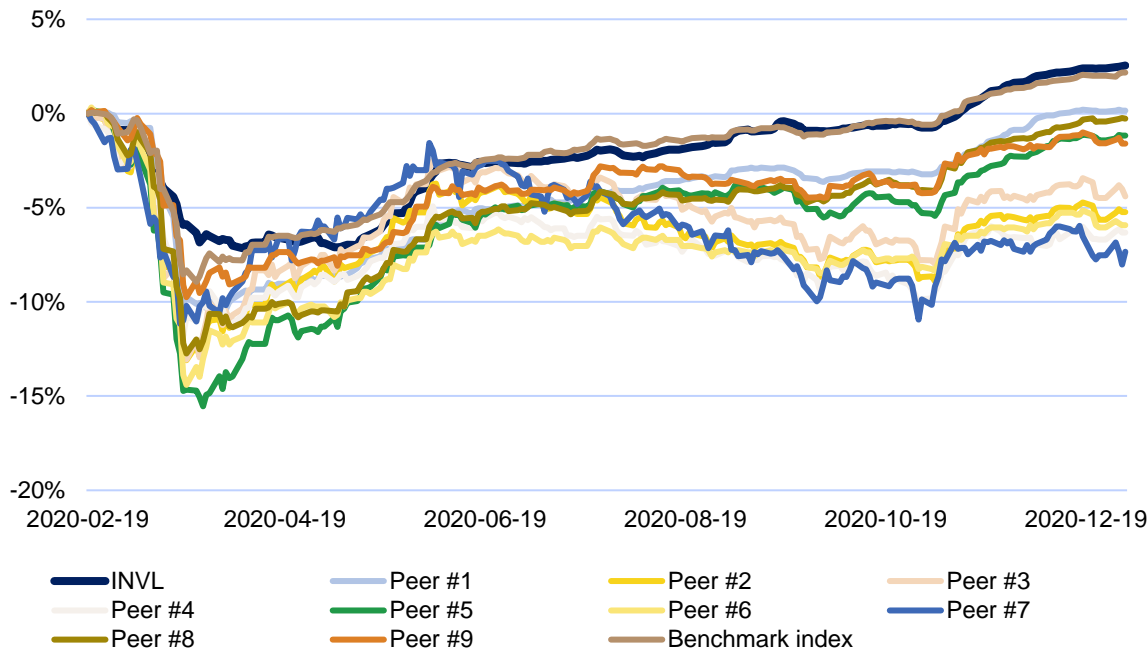
INVL Peer #1 Peer #2 Peer #3  
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Source: SB Asset Management. September 2024  
 \*Multiple peers were liquidated during 2022, so their returns are no longer displayed in the latest graph. Peers have been selected based on internal evaluation in effort 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.

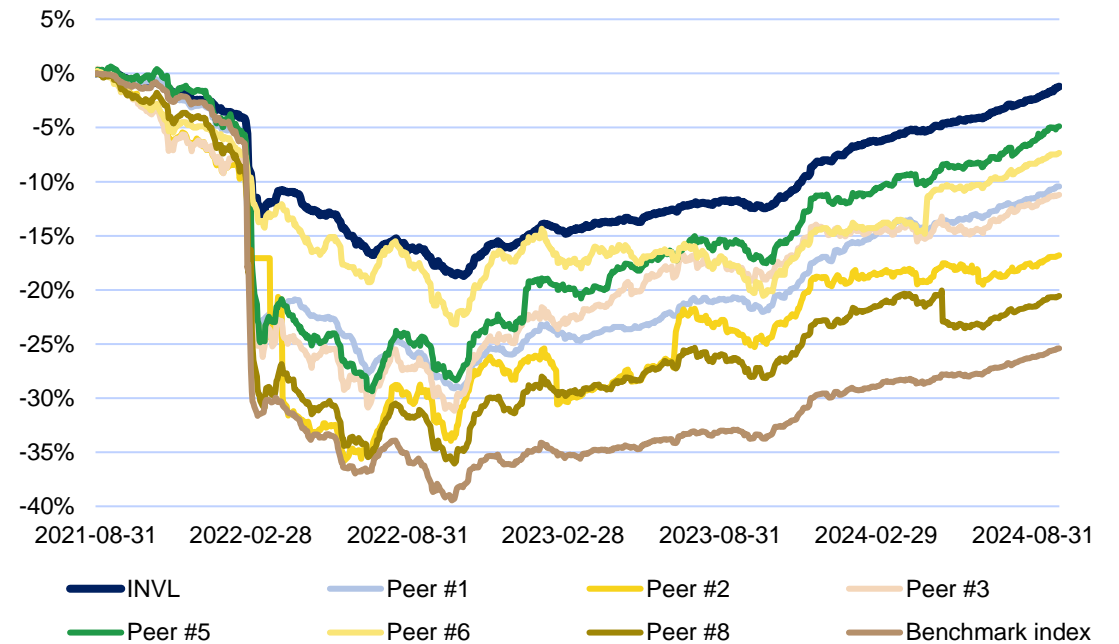


# Value of risk management strategy in turbulent markets – total returns

## Covid-19 sell-off



## Inflation shock, rate hikes, war in Ukraine



Source: SB Asset Management. September 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.

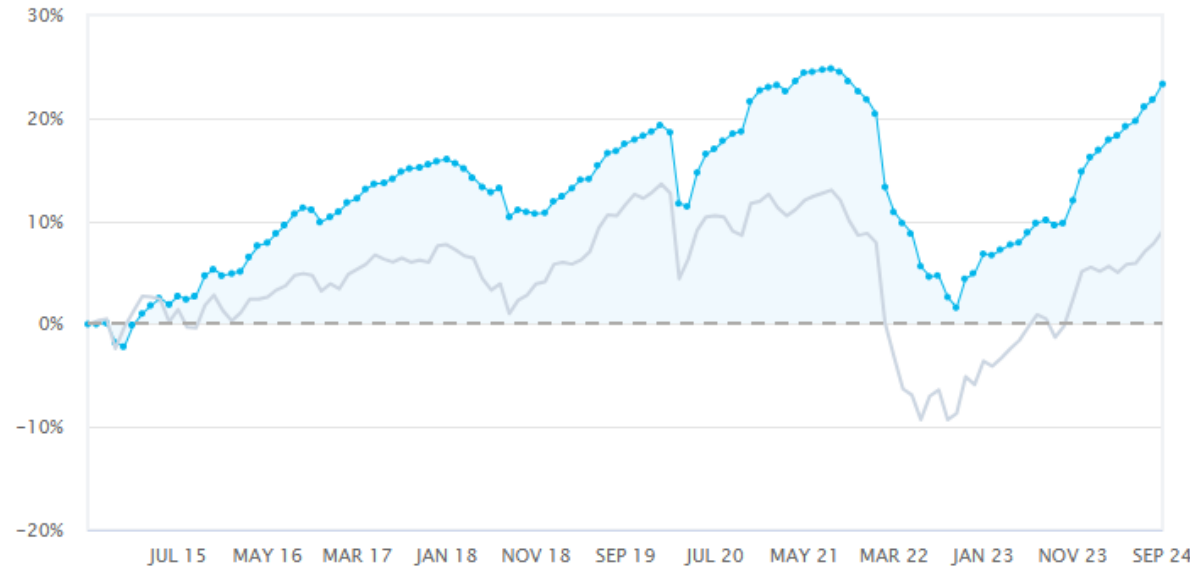


# Subfund performance comparison with peer group over last 10 years

## Performance

Time period **10 years** ▾

### Total Return



#### RETURN

**23.3%**

to 30/09/2024

#### RANK

**4 / 16**

in Bonds - Emerging Markets Europe

● INVL Emerging Europe Bond

● Sector Average

TOTAL RETURN  
RANK 4/16

STANDARD DEVIATION  
RANK 1/16

MAX DRAWDOWN  
RANK 6/16

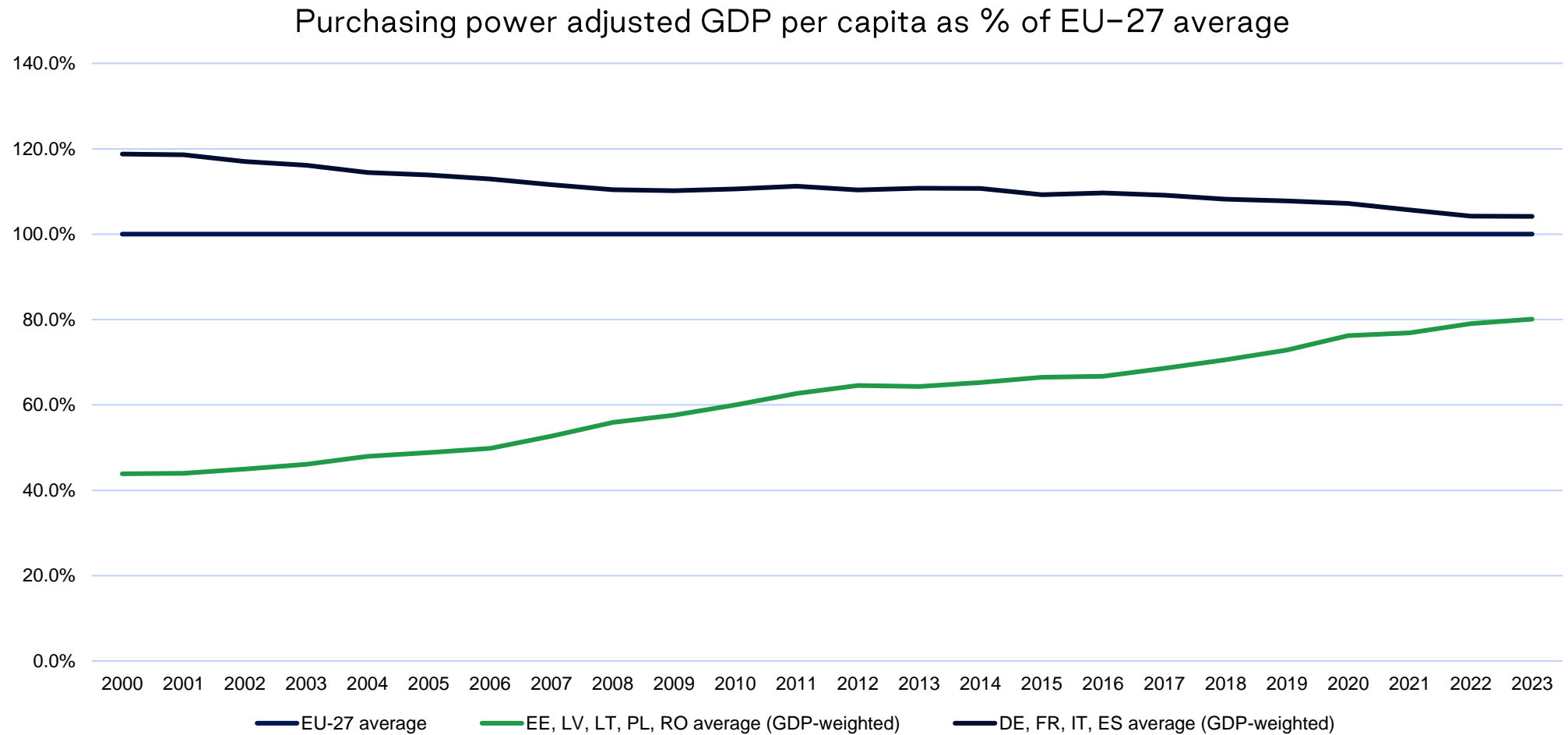
Source: citywireselector.com (Comparison with peer group over 10 years) as of September 2024



# Why CEE region and what are its main characteristics?



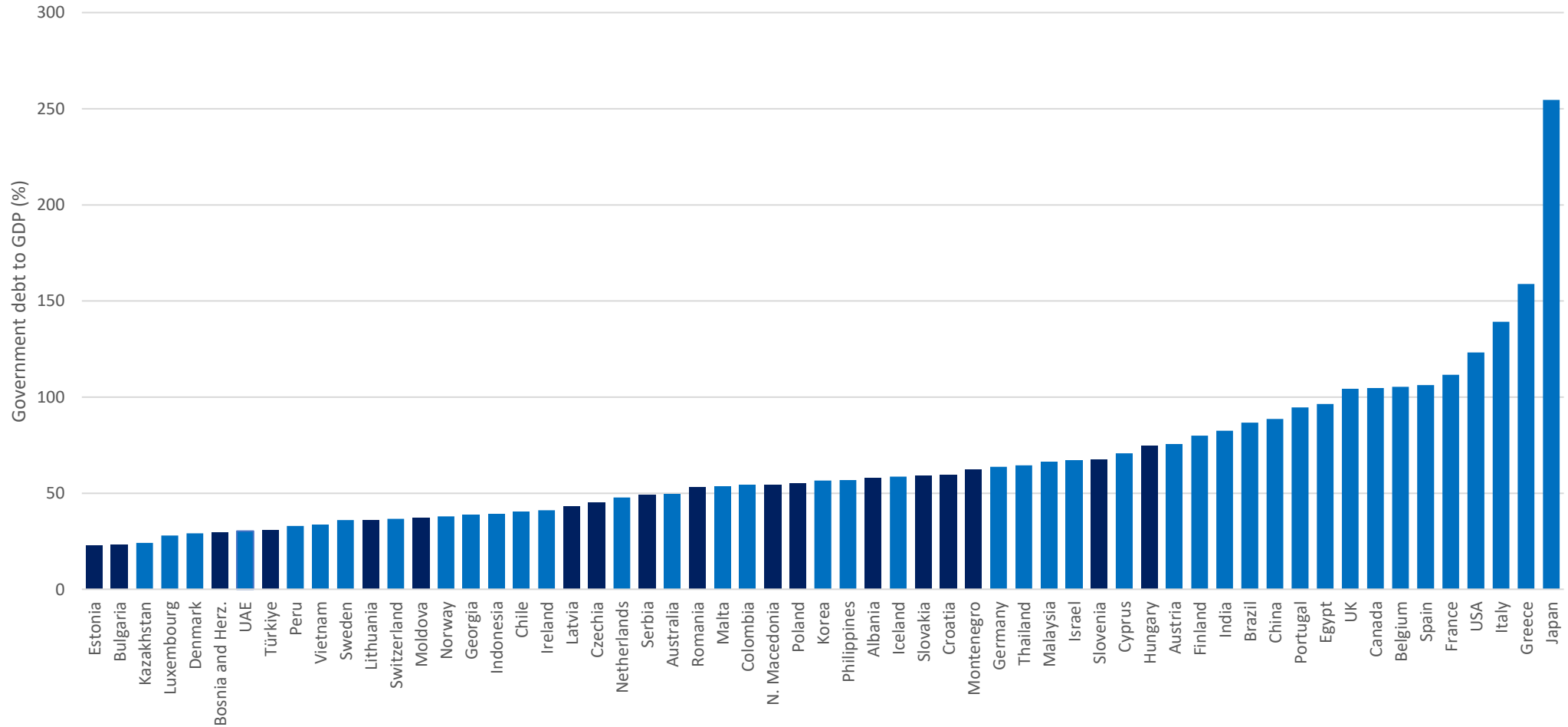
# Very evident convergence story



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 controversial weapon production and sales, tobacco, alcohol, gambling, pornography sectors.

### ESG integration

- Bloomberg ESG score which includes a set of standardized ESG metrics as well as indicators published by third parties are considered in investment decision making.



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