INVL GLOBAL EMERGING MARKETS BOND SUBFUND

December 2024

STRATEGY

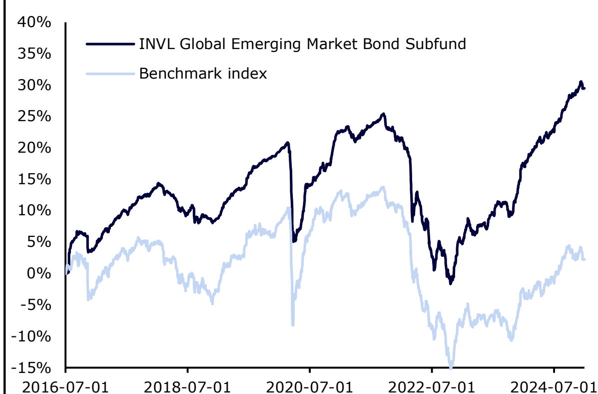
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	11.8
Strategy AUM, EUR M	337
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/en/private/investing/investment-funds/invl-global-emerging-markets-bond-subfund

RESULTS



	Fund	Benchmark ***
Return YTD	10.1%	4.7%
Return 1Y	10.1%	4.7%
Return 3Y	6.5%	-7.7%
3 year annualised return	2.1%	-2.6%
Return since inception	29.5%	2.3%
Volatility (St. deviation)*	3.3%	5.4%
Duration	4.2	6.1
YTM	6.2%	4.8%
Sortino ratio**	-0.4	-1.0

FUND MANAGER COMMENT

The fund capped the year with a double digit 10.1% return for the year and strongly outperformed the benchmark which rose 4.7%.

Despite the U.S. Federal Reserve and the European Central Bank each cutting interest rates by 0.25% in December, government bond yields spiked across the developed world, with 10-year yields rising by 40–50 basis points. In the U.S., this surge was primarily driven by ongoing concerns over inflation, fueled by the anticipated economic policies of incoming president Donald Trump, including higher tariffs and lower corporate taxes. In Western Europe, the increase in yields was attributed to weak growth prospects, challenges with public finances, and heightened political instability. Meanwhile, government bond yields in Central and Eastern European countries also rose but performed better than their Western European counterparts. In Romania, following the annulment of the presidential elections, voters returned to the polls for parliamentary elections, where pro-Western parties secured approximately 60–70% of the seats. The new date for the presidential election has been scheduled for May 2025. Brazil bonds faced pressure as finance minister unveiled fiscal program, but the measures are widely seen as insufficient to compensate for the revenue losses. Mexico retained BBB rating from S&P, expecting pragmatic relations between the US and Mexico.

December was very muted in terms of primary market activity as usual during the holiday season, however the fund added two new positions during the month. Firstly, the fund added iron ore mining and steel production company Companhia Siderurgica Nacional (CSN) bonds at 8.2% yield (in USD). We also took profit in Nova Ljubljanska Banka subordinated 2032 issue (sold at 4.8% yield) and entered subordinated bonds of Estonian Luminor Bank issue at 5.1% YTW. The switch was not only aimed at capturing extra yield pick-up, but Luminor's issue is also considerably better rated (Baa3 vs BB for NOVALJ 32s). Moreover, we decided to exit bonds of real estate operator NEPI Rockcastle as yield of the issue fell below 3.7%, signifying that the investment idea had materialised and more attrative investment alternatives are available. Overall, the fund maintains lower interest rate sensitivity than the benchmark (4.2 and 6.1 duration 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)

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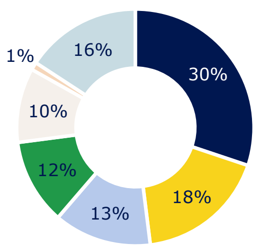
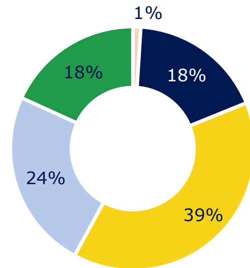
BREAKDOWN OF INVESTMENTS

BY SECTOR



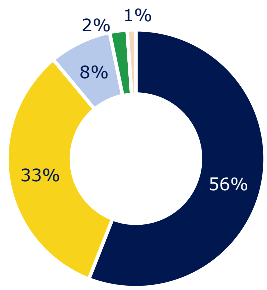
- Government
- Consumer Staples
- Financials
- Energy
- Real Estate
- Cash and cash equivalents
- Other

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
- Other
- Asia
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

ROMANI 5 5/8 02/22/36	Government	4.3%
SNSPW 2 1/2 06/07/28	Materials	3.9%
ECOPET 8 7/8 01/13/33	Energy	3.9%
ARAGVI 11 1/8 11/20/29	Consumer Staples	3.9%
GWILN 6 1/4 03/31/30	Real Estate	3.8%
ULKER 7 7/8 07/08/31	Consumer Staples	3.7%
PEPGRP 7 1/4 07/01/28	Consumer Discretionary	3.7%
COLOM 7 1/2 02/02/34	Government	3.5%
MLGPW 6 1/8 10/15/29	Real Estate	3.3%
FRICON 7.7 07/21/28	Consumer Staples	3.3%

The Fund 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 1.5 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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