

FUND'S STRATEGY

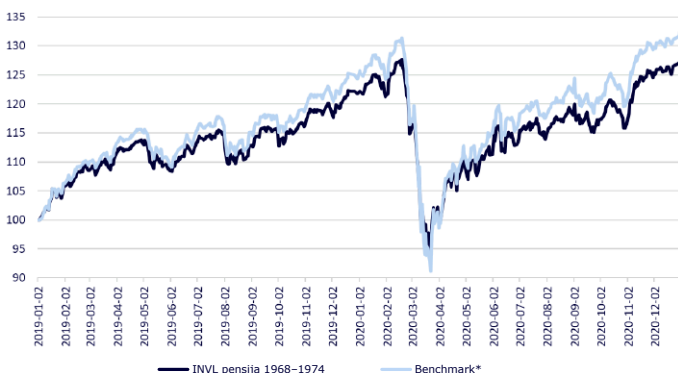
INVL pensija 1968–1974 is a pension accumulation fund for the target group of persons born in the years specified. In forming and managing its portfolio of investments, the ratio of risky to less risky asset classes is adapted to the length of time the fund's participants have left to take part in pension accumulation. The fund's management company invests the fund's assets according to a pre-selected investment strategy which changes over time. The investment strategy changes based on the age of the participants for whom the fund is intended. While participants are younger, the fund invests in riskier asset classes and as the age of the fund's participants nears the age of retirement, to protect the accumulated amount, the weight of less risky asset classes increases.

COMMENT

The last quarter of this year was full of events. It is worth mentioning the tense US presidential election, which ended in the victory of the Democratic Party candidate, and the tense process of handover of power. Despite extremely tight restrictions, investors' optimism was strongly encouraged by the positive results of COVID-19 vaccines as well as official approvals and launch of the first vaccines that followed shortly. The Brexit deal that allowed avoiding the worst-case exit scenario became a late Christmas present for European investors, especially those in the United Kingdom. Despite a highly volatile and unpredictable quarter, stock indices were at record highs at the end of the year. 2020 can also be crowned as the year of the IPO (initial public offering), when the highest number of public offerings was recorded since 2000, with an average first-day trading return of about 48%.

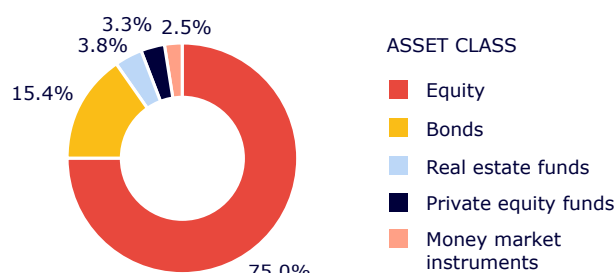
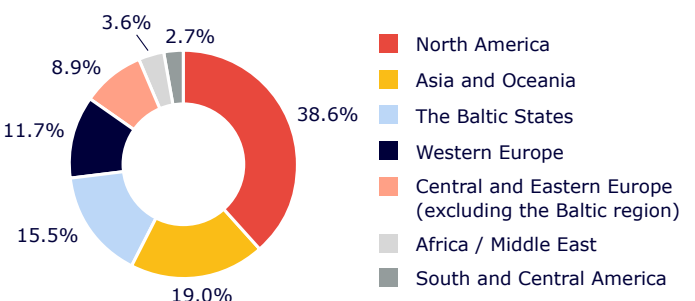
During the last quarter of 2020, positive returns were also recorded on bond markets. Favourable results of vaccine tests have caused investors' risk appetite to grow and the higher-yield hunting season to resume, leading to a situation where the highest price rises were seen in emerging market and non-investment grade bonds. The situation has been exploited by governments and companies, who issued new bonds, thus reducing borrowing costs and strengthening balance sheets. The central banks and authorities of the main developed countries continued to pursue incentive policies, so investment-grade bonds have maintained the current price level and even slightly gone up. The ECB has announced that it will provide an additional EUR 500 billion for the ongoing quantitative incentive programme and signalled that the programme will be extended at least until March 2022. US authorities have approved an additional USD 900 billion stimulus package, under which many Americans will receive allowances of USD 600 each and additional funding will be provided to pay benefits for the unemployed and affected businesses.

Considering the situation in the stock market, we redistributed part of our pension fund investments in the United States and directed them to the USA minimum volatility stocks. The active decision has been made on the basis of the observation that the return on low-risk stocks is currently at a record low compared to that on a broad US stock index, so low-volatility stocks have the potential to show better performance. At the end of the quarter, we also directed part of the assets of higher-risk pension funds to international private equity funds in order to realise the potential return of niche investment directions. The distressed debt fund managed by OakTree Capital acquires corporate debt securities or redeems bank loans at a discount, while generating return when the issuer resolves liquidity issues. The preferred equity fund managed by 17Capital provides companies with mezzanine financing and offers investors an attractive risk-return ratio.

PERFORMANCE SINCE FUND INCEPTION

FUND'S RETURN IN DIFFERENT PERIODS

	Fund's return	Benchmark return
1 month	2.09 %	2.43 %
3 months	8.55 %	9.70 %
6 months	11.86 %	13.46 %
1 year	4.36 %	6.55 %
Since Fund Inception	27.12 %	32.45 %

Please note that the fund's past performance does not guarantee the same results and profitability in the future. Past performance is not a reliable indicator of future results.

DISTRIBUTION BY ASSET TYPES

GEOGRAPHICAL DISTRIBUTION**

FUND' INFORMATION

Grynujų aktyvų vertė	132 634 105 EUR
Fondo vieneto vertė	1.2712 EUR
Dalyvių skaičius	22 999
Valdymo mokestis	0.65%

CONTACTS

UAB „INVL Asset Management“	Gynėjų g. 14, Vilnius;
+370 700 55959	Jonavos g. 7, Kaunas;
pensijos@invl.com	Minijos g. 19, Klaipėda.
www.invl.com	

*The benchmark of INVL PENSIJA 1968-1974 Fund (composite benchmark applied since 02/01/2019): 84.30% MSCI ACWI IMI Net Total Return USD Index (MIMUAWON Index) (converted into EUR) + 7.58% MSCI Emerging Markets Net Total Return USD Index (M1EF Index) (converted into EUR) + 3.00% EONIA Total Return Index (DBDCONIA Index) + 1.02% Bloomberg Barclays Series-E Euro Govt 5-7 Yr Bond Index (BERPG3 Index) + 1.02% Bloomberg Barclays EuroAgg Corporate 5-7 Year TR Index Value (LEC5TREU Index) + 1.02% J.P. Morgan Euro Emerging Markets Bond Index (EMBI) Global Diversified Europe (JPEFEUR Index) + 1.02% J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Europe Index (JCBBEURO Index), insured by Bloomberg USDEUR 6 month Hedging Cost Index (FXHCUE6M Index) + 1.02% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index).

The benchmark changes over time with regard to the average participant age. The total share of risky asset classes decreases by 5.12% / n each working day (where n means the number of working days during the current year). The share of risk asset classes (i.e. stocks) of INVL Pensija 1968-1974 Fund is reduced from the beginning of 2019 until the fixed share in 2035. At the same time, the share of less risky asset classes (i.e. money market instruments and bonds) is increased.

The degree of risk of bonds is reduced at the beginning of 2025 and 2031 by choosing shorter benchmarks of euro zone governments and investment-rating companies.

**Geographical distribution is indicated with regard to the countries of the economic logic of the investment, as well as to the investment components of collective investment undertakings (CIUs) and exchange traded funds (ETFs), according to their reports. If those reports do not provide the investment components of CIUs or ETFs, the country of registration of the CIU or ETF shall be taken into account.

For participants of 2nd pillar pension accumulation, the state social insurance old-age pension for the period prior to 31 December 2018 is being gradually reduced as established by law, except for participants of pension accumulation prior to 31 December 2018 who between 1 January 2019 and 30 June 2019 exercised the right to terminate pension accumulation – reduction of the state social insurance old-age pension will not apply to them. The state's additional contribution does not reduce the size of the old-age pension. A 2nd pillar pension accumulation agreement which is in effect may not be terminated except for a first-time agreement, which the participant has the right to terminate unilaterally within 30 calendar days of making the agreement by notifying the pension accumulation company about that in writing. Persons who became participants before 31 December 2018 had the right from 1 January 2019 to 30 June 2019 to terminate their participation in pension accumulation or suspend the transfer of pension contributions to the pension fund.

Accumulating in pension funds involves assuming investment risk. The pension accumulation company does not guarantee the profitability of pension funds. A pension fund's unit value can both rise and fall. You may recover less than you invested. Past results of the management of a pension fund's investments do not guarantee the same type of results and profitability in the future. The results of a past period are not a reliable indicator of future results.

We recommend selecting a pension fund responsibly and carefully, paying attention to the risks and applicable deductions associated with investments and carefully reading the pension fund rules which are an integral part of the pension accumulation agreement.

Depending on the amount accumulated in a 2nd pillar pension fund, it may be withdrawn as a lump sum (for less than EUR 5,000) or by periodic payments (for EUR 5,000 to EUR 10,000), or a pension annuity may be acquired (when EUR 10,000 to EUR 60,000 is accumulated) which may be one of three types: standard, standard with a guaranteed payment period, or deferred. In the case of a standard annuity, the entire accumulated amount is allocated to acquire the annuity, with pension payments starting as soon as the annuity is acquired and continuing as long as you live. For a standard annuity with a guaranteed payment period, payments are also made as long as you live, but time payment until the participant reaches the age of 80 is guaranteed – if the participant dies earlier, the unpaid amount can be inherited. For both types of standard annuity, the entire accumulated amount is allocated to acquire the annuity and the state social insurance fund pays the benefits in addition to the old-age pension paid by the state. In the case of a deferred annuity, until the age of 85 benefits are paid from the private pension fund (out of the assets remaining after acquisition of the deferred annuity) and those assets can be inherited. From the age of 85, meanwhile, benefits are paid by the state social insurance fund and are not inheritable. If more than EUR 60,000 is accumulated, then the pension assets exceeding that amount may be paid out as a lump sum, while the remainder is paid while you live according to the type of annuity acquired. You can learn more about pension annuities [here](#).

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