INVL GLOBAL EMERGING MARKETS BOND SUBFUND

September 2021

STRATEGY

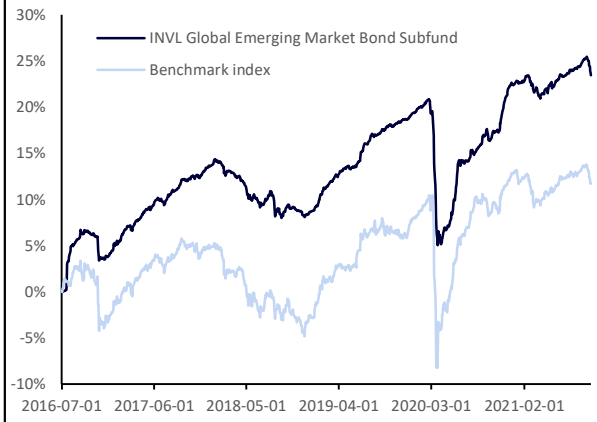
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	INVL Asset Management
ISIN code	LTIF00000666
Inception date	2016-07-01
Minimum investment	EUR 0
AUM, EUR M	8,7
Strategy AUM, EUR M	262
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.invl.com/en/investment/mutual-funds/invl-global-emerging-markets-bond-subfund/fund-information/

RESULTS



	Fund	Benchmark ***
Return YTD	0,7%	-1,3%
Return 1Y	6,1%	3,0%
Return 3Y	12,9%	12,6%
3 year annualised return	4,1%	4,0%
Return since inception	23,5%	11,7%
Volatility (St. deviation)*	2,9%	5,5%
Duration	4,9	6,6
YTM	4,0%	3,6%
Sortino ratio**	0,5	0,5

FUND MANAGER COMMENT

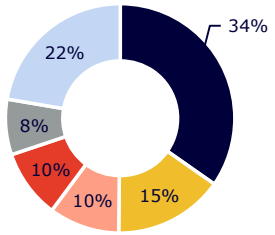
In September INVL Global Emerging Markets Bond subfund unit's value decreased by 1.2% but outperformed the benchmark which exhibited more volatility and declined by 1.6%. YTD performance of the fund is robust and leads the benchmark by nearly 2 percent (0.7% vs -1.3%). After the FED's September meeting, more signals began to emerge that tapering is expected to begin still this year (most likely in November) and even a rise in interest rates could be expected around the middle of 2022. This sent bond prices down, especially longer-term government bonds, both of investment and speculative rating. In the Emerging Market bond universe, central banks in countries such as Brazil, Mexico or Russia have all raised interest rates to curb inflation and protect local currencies from the appreciation of the dollar.

Over September, Latin (due to high duration on average) and African (usually, when there is a risk-off sentiment, lower-rated issuers see more selling pressure) sovereign, as well as Asian corporate (fears of bankruptcy stress spill-over from Evergrande towards other Chinese real estate developers), segments saw most weakness. Fortunately, our fund was only exposed to quasi-sovereign issuers in Latin America instead of pure government bonds, has only one position in a supranational bank in Africa and has no active positions in China.

Among fund's top performers were Eastern and Southern African Trade and Development Bank (previously mentioned supranational bank in Africa which saw buying interest while government bonds were sold-off), Aragvi (company tapped its bond issue and became first benchmark size issuer in Moldova) and Bulgarian Energy. Worst performer was Bahamas 2032 sovereign issue as sequence of unfavorable events resulted in a large, in our opinion partly over-done, sell-off. After the elections where left-leaning candidate won, Moody's downgraded the country on debt and fiscal deficit concerns, sparking speculations of country's default even though it still has a sufficient buffer of reserves, has no international bond maturities until 2024 and maintains amicable relationship with the IMF. Fund reduced its exposure to some short duration corporates (such as Maxima Grupe and PPF Telekom) and used the opportunity to enter into weaker longer duration bonds (bought Brazil 2030 and Akropolis 2026). Fund's YTM after hedge is about 4% for a duration of 4.9 years, which is still lower than benchmark's duration.

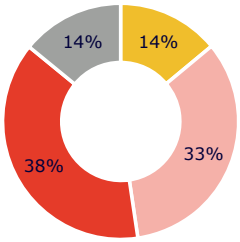
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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:*
50% JP Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index);
50% JP Morgan Corporate EMBI Broad Hedged Level in EUR (JBBSHEUR Index).

BREAKDOWN OF INVESTMENTS



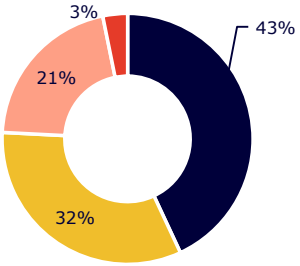
BY SECTOR

- Government
- Consumer Staples
- Real Estate
- Financials
- Energy
- Other



BY DURATION

- 1-3 years
- 3-5 years
- 5-7 years
- > 7 years



BY COUNTRY

- Central and Eastern Europe
- Latin America
- Africa and Mideast
- Asia

TOP 10 PORTFOLIO HOLDINGS

MSPSJ 4 1/4 05/19/26	Real Estate	5,0%
AKRPLS 2 7/8 06/02/26	Real Estate	4,8%
ULKER 6.95 10/30/25	Consumer Staples	4,3%
ARAGVI 8.45 04/29/26	Consumer Staples	4,2%
PTABNK 4 1/8 06/30/28	Government	4,1%
GEOCAP 6 1/8 03/09/24	Financials	4,1%
EEPPME 4 1/4 07/18/29	Utilities	4,0%
MEX 4 3/4 04/27/32	Government	3,9%
SNSPW 2 1/2 06/07/28	Materials	3,9%
AZERBJ 5 1/8 09/01/29	Government	3,8%

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 and low indebted as well as higher credit 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

INVL Asset Management is a boutique asset management company that offers a range of CEE-focused investment products since 2004.
Team of ten portfolio managers, based in Vilnius, Lithuania (headquarters) and Riga, Latvia, use primarily fundamental value, bottom up approach and manage over 1 billion EUR in assets. Being nimble and highly competitive, INVL funds consistently rank high in international rankings.
We adhere to the UN Principles for Responsible Investment (PRI) and are supervised by the Central bank of Lithuania.

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