

**STRATEGY**

INVL Russia ex-Government Equity Subfund has a concentrated portfolio of 15 - 25 positions in the financial instruments of enterprises operating in the Russian Federation or former CIS countries, except for enterprises controlled by the State (less than 20% shareholding). Every pick comes from a thorough fundamental bottom-up analysis. Concentrated portfolio means maximum focus on each investment idea. Fund manager looks for underresearched picks outside the benchmark and has investments into small-caps and mid-caps, as well as large-cap companies. Higher concentration comes with the risk of higher deviation in subfund's net asset values.

Recommended investment period – more than 5 years.

**FACTS**

Management company	INVL Asset Management
ISIN code	LTIF00000435
Inception date	2010-10-29
Minimum investment	EUR 0
AUM, EUR M	5,2
Management fee	1,5%
Subscription fee	2%
Success fee	20% (over 8% hurdle)
Base currency	EUR
Countries of distribution	Lithuania, Latvia, Sweden, Denmark, Finland, Norway, Germany

For more information on the fund (prospectus, benchmark, results) please click on the link below:  
<https://www.invl.com/en/investment/mutual-funds/invl-russia-top20-subfund/fund-information/>

**RESULTS**


	<b>Fund</b>	<b>Benchmark ***</b>
Return YTD	-8,1%	-8,5%
Return 1Y	6,9%	14,0%
Return 3Y	22,3%	29,4%
3 year annualized return	6,9%	9,0%
5 year annualized return	4,2%	4,9%
Volatility (St. deviation)*	19,8%	24,7%
Sharpe ratio**	0,2	0,2

**FUND MANAGER COMMENT**

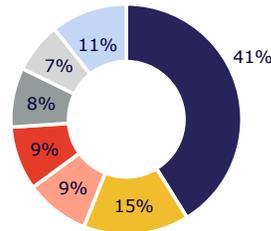
It was a tough January for investors in Russia and CIS equities. First, Kazakhstan unrest exploded with no advance warnings. Brutal protests in cities with attacks on government buildings were caused by the rise in car fuel prices. Police and army fought back and regained the order. Fortunately for investors the escalation was short, lasted less than 2 weeks. As a result, the current president Tokayev consolidated its power and pushed former president's Nazarbayev family out of some key government and state company positions. The Fund has one Kazakh position in portfolio - Halyk bank. We reduced its weight by half to account for higher risk. In the middle of January Russia-Ukraine tensions escalated to new highs. US made number of announcements pointing that Russia is readying invasion into Eastern Ukraine. As punishment for potential attack new harsh sanctions are discussed in US. On the other hand Moscow voiced several ultimatums where it requests US/NATO guarantees that NATO block will not allow any new members from former Soviet Union (Ukraine and Georgia in particular). As a result, number of meetings/negotiations were held by Russia/US, Russia/NATO, Russia/EU. Russia told that those talks were unsuccessful, but diplomatic efforts continue to this day. On top of that the new Russian army training was announced to be held in Belarus near the other Ukraine border around February 10. In response to the escalation some Western countries started shipping weapons and ammunition to Ukraine in show-off of the support. Media announced that US and some other countries have instructed for evacuation their diplomat family members in Ukraine. Not a big surprise that investors reacted by fleeing Russian market. The correction was close to 20%. However, soon some anti-war comments from Russian officials calmed the market a bit and stocks retraced more than half of the losses. Apart from Russia, Ukraine, and Kazakhstan stories, the Nasdaq correction put even more pressure on US and UK listed Russian internet stocks. Fund has used the volatility to reposition its portfolio. We exited or reduced some less liquid positions (Astarta, Global Ports, etc.). We increased the commodity heavy and highly liquid names (Phosagro, NLMK). We also used the opportunity (correction in tech stocks) to build positions in some Russian internet stocks like Ozon, TCS Group, HeadHunter.

\*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.

\*\*Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratio value corresponds to the period shown in the historical returns graph.

\*\*\*Benchmark index:

100% MSCI Russia 10-40 Net Total Return EUR Index (MN40RUE Index)

**BREAKDOWN OF INVESTMENTS**


- BY SECTOR**
- Materials
  - Financials
  - Consumer Staples
  - Information Technology
  - Telecommunication Services
  - Cash and cash equivalents
  - Other

**TOP 10 PORTFOLIO HOLDINGS**

SEVERSTAL - GDR REG S	9,3%	Materials
NOVOLIPETSK STEEL PJSC-GDR	9,3%	Materials
PHOSAGRO PJSC-GDR REG S	9,2%	Materials
BANK ST PETERSBURG PJSC	6,9%	Financials
QIWI PLC-SPONSORED ADR	4,6%	Information Technology
SEGEZHA GROUP PJSC	4,6%	Materials
MAGNITOGORS-SPON GDR REGS	4,6%	Materials
VEON LTD	4,6%	Telecommunication Services
HALYK SAVINGS BANK-GDR REG S	4,4%	Financials
YANDEX NV-A	4,3%	Information Technology

**REASONS TO INVEST**

- High discount relative to emerging markets.
- Relatively low valuations - estimated forward P/E ratio is 7.9 and EV/EBITDA ratio is 4.8 (MSCI Russia 10/40 Index).
- Russian stocks offer ~4.7% average expected dividend yield (RTS).
- Being actively managed, the fund has flexibility to focus on only up to 25 investments fund manager deemed to have the most promising business case, dividend policies, quality of management and treatment of minority shareholders.

**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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