INVL GLOBAL EMERGING MARKETS BOND SUBFUND

November 2020

STRATEGY

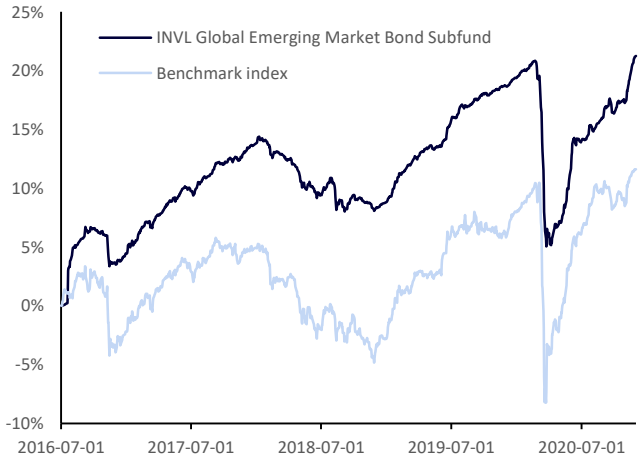
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	8,2
Strategy AUM, EUR M	185
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/lit/en/investment/investment-funds/invl-global-emerging-markets-bond-subfund

RESULTS



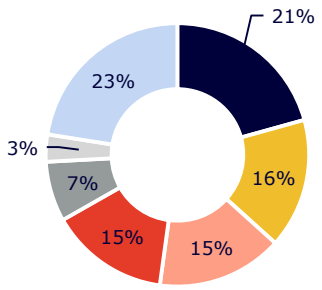
	Fund	Benchmark ***
Return YTD	1,6%	3,4%
Return 1Y	2,1%	5,0%
Return since inception	21,3%	11,6%
Volatility (St. deviation)*	3,1%	5,9%
Duration	3,8	8,6
YTM	3,3%	2,9%
Sortino ratio**	0,2	0,1

FUND MANAGER COMMENT

In November Global Emerging Markets Bond subfund unit's value jumped further by 3.4% outperforming the benchmark which printed a 2.9% gain. Last month was marked by historic events and abnormally large returns as both equity and bond markets set a strong risk-on tone. Not only has uncertainty regarding the US presidential election faded but there was some very promising data on the covid-19 front as several pharmaceutical companies have announced their vaccine trial results which have significantly exceeded market expectations - Pfizer and Moderna reported an efficacy rate of roughly 95%. Therefore, vaccinations are expected in the first half of 2021 as national authorities approve vaccines globally and pharmaceuticals begin mass production. Moreover, market participants are still expecting that authorities will keep monetary and fiscal stimulus in place until restrictions due to covid-19 are removed and economies begin the recovery process.
Global risk-on mood has spilled over to EM bond universe as well. As markets are expecting a broad recovery and gradual return to "normal", oil prices climbed by more than 25% and oil exporting African countries like Angola or Nigeria were the top performers in EM sovereign universe. As a result of oil price hike, Russian ruble also found support. Sri Lanka printed a solid gain of more than 10% as government acknowledged the need to consolidate the deficit and stabilize the debt burden. In addition, Turkey's Erdogan fired the head of central bank with the goal of stabilizing the inflation and currency fluctuations. Changes brought quick results and in the second half of November Turkish bonds and equities rallied after a dramatic interest rate hike of 4.75%. Ethiopian bonds embarked on a roller coaster as the national government got in a war with the Tigray region dissidents but managed to take control. On the other hand, Argentinian peso continued its fall and depreciated further. Zambia was the first African country to default on its 2024s bond due to covid-19 pandemic.
The fund added a Mexican consumer lending company Credito Real which offered a roughly 7.5% YTM in EUR terms for a 7Y bond. In December fund managed to outperform the benchmark with significantly lower duration and continues to keep it shorter as borrowing costs for governments, investment-grade and high yield corporates are at multi-year lows, however, the fund is almost fully invested. The fund portfolio's yield is about 3.3% in EUR for a portfolio with 3.8 year duration.

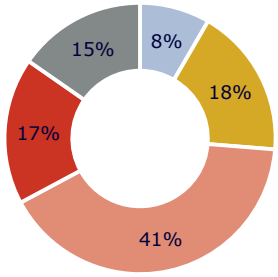
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*
***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 monthly 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



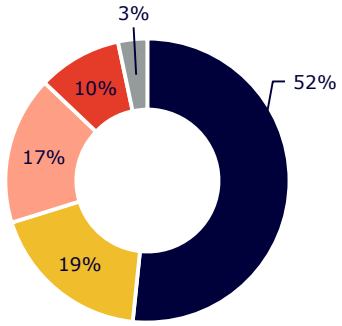
BY SECTOR

- Government
- Consumer Staples
- Telecommunication Services
- Financials
- Industrials
- Cash and cash equivalents
- Other



BY DURATION

- < 1 year
- 1-3 years
- 3-5 years
- 5-7 years
- > 7 years



BY COUNTRY

- Central and Eastern Europe
- Latin America
- Africa and Mideast
- Asia
- Cash and cash equivalents

TOP 10 PORTFOLIO HOLDINGS

ELLAKT 6 3/8 12/15/24	Industrials	4,5%
MACEDO 3.675 06/03/26	Government	4,2%
ARAGVI 12 04/09/24	Consumer Staples	3,9%
PPFARA 3 1/8 03/27/26	Telecommunication Services	3,9%
OCPMR 5 5/8 04/25/24	Materials	3,4%
BHARTI 5.35 05/20/24	Telecommunication Services	3,4%
CREAL 5 02/01/27	Financials	3,4%
LUKOIL 3 7/8 05/06/30	Energy	3,3%
ULKER 6.95 10/30/25	Consumer Staples	3,3%
KERPW 6 1/2 10/17/24	Consumer Staples	3,3%

REASONS TO INVEST

• Historically, Emerging markets‘ economies have been growing almost twice as fast as Developed markets.
• Government debt levels in emerging countries 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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