INVL GLOBAL EMERGING MARKETS BOND SUBFUND

January 2021

STRATEGY

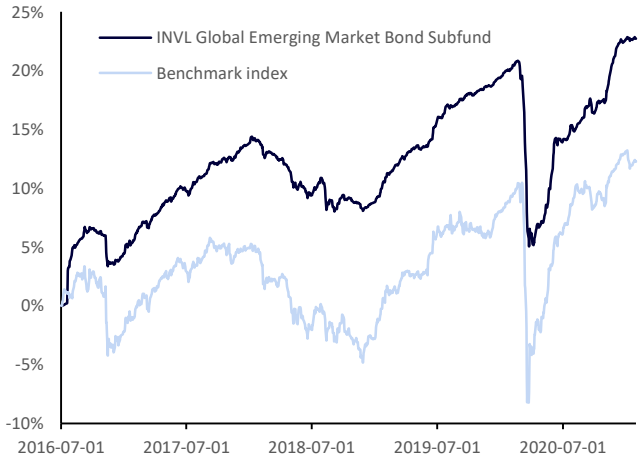
The objective of INVL Global Emerging Markets Bond Subfund is a maximum total return, consistent with preservation of invested capital. Focused on hard-currency sovereign and corporate debt securities in Emerging Markets, the fund aims to capture higher yields and growth potential in rapidly developing 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	200
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



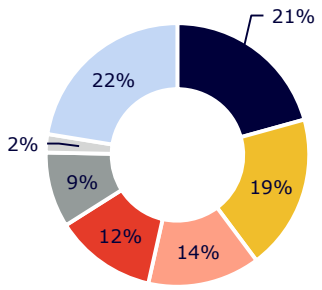
	Fund	Benchmark ***
Return YTD	0.0%	-0.8%
Return 1Y	2.1%	2.7%
Return since inception	22.7%	12.3%
Volatility (St. deviation)*	3.0%	5.8%
Duration	3.9	7.0
YTM	3.3%	2.8%
Sortino ratio**	0.3	0.2

FUND MANAGER COMMENT

In January INVL Global Emerging Markets Bond subfund unit's value remained neutral and outperformed the benchmark which experienced a 0.8% decline. As national authorities across the globe carried on with the vaccination procedures, expecting to vaccinate the critical mass in developed economies still in 2021, equity markets reached new record levels fueled by higher economic growth expectations and reassurance from central banks that interest rate hikes or tapering are still long way to go both in the US and Europe since economies are still in a relatively bad shape. On Jan 20th Joe Biden was finally inaugurated as the president of the US and proposed a new fiscal stimulus package of $2 trillion USD which would provide an additional boost to the economy. As a result, 10-year US Treasury yield breached the 1% psychological level and bond markets retreated slightly (in USD terms). Nevertheless, both sovereign and corporate primary markets remained strong as issuers continued their borrowing spree with significant oversubscriptions on the investor side. Almost 60% of January's EUR issues were for a period longer than 10 years.
In the EM government bond universe, Ecuador and Ethiopian government bonds were among the worst performers. Ecuadorians were waiting for outcome of the presidential election in which a left-wing candidate seemed to hold some lead over other more market-friendly candidates. Ethiopia, on the other hand, became the second African economy to require debt restructuring process due to covid-19 pandemic. Costa Rica and Sri Lanka were the top performers. Costa Rica managed to reach a deal with the IMF while Sri Lankan economy showed signs of recovery and opened its airports to international tourists.
Fund participated in the new issues of Turkey 26s USD and Atrium Real Estate 27s bonds which, due to oversubscriptions, appreciated shortly afterwards. Moreover, fund sold MTN 24s bonds as business case has materialized and there was not much upside left. Fund's top performers were corporate issuers – Credito Real (which was also the best performer in December) and Bulgarian Energy.
Fund portfolio yield is about 3.3% in EUR after hedging costs for a duration of 3.9 years which is significantly lower than the benchmark.

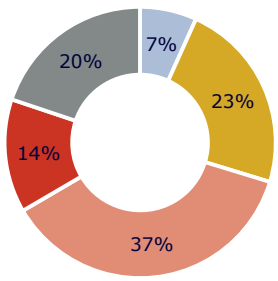
**Standard deviation is used to measure risk. Standard deviation is an indicator that measures how strongly fund's daily return deviates from its mean. The lower the standard deviation the lower the fund's risk. The standard deviation value corresponds to the period shown in the historical returns graph.*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



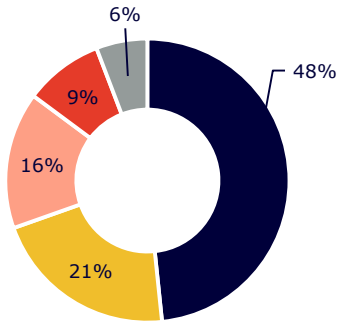
BY SECTOR

- Government
- Consumer Staples
- Financials
- Telecommunication Services
- Energy
- 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

ULKER 6.95 10/30/25	Consumer Staples	4.2%
ELLAKT 6 3/8 12/15/24	Industrials	4.0%
MACEDO 3.675 06/03/26	Government	3.9%
ARAGVI 12 04/09/24	Consumer Staples	3.8%
PPFARA 3 1/8 03/27/26	Telecommunication Services	3.8%
MEX 1 1/8 01/17/30	Government	3.4%
CREAL 5 02/01/27	Financials	3.4%
ECOPET 6 7/8 04/29/30	Energy	3.3%
OCPMR 5 5/8 04/25/24	Materials	3.2%
BHARTI 5.35 05/20/24	Telecommunication Services	3.2%

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.

CONTACT

INVL Asset Management

Gyneju 14, 01109 Vilnius, Lithuania

+370 686 15273

tomas.dacys@invl.com

http://www.invl.com