

# CBL Eastern European Bond Fund



**Class R Acc USD**  
**Class R Acc EUR (hedged)**

**May 2022**

## Investment Objective

To achieve long-term capital growth by investing in short-term and long-term debt securities issued or guaranteed by the governments, municipalities, central banks, credit institutions and corporations of Eastern European countries.

## Investment Process

- Focus on bottom-up credit selection
- Country, industry and issuer diversification
- Flexibility to evaluate any investment opportunity
- ESG risk integration into fundamental analysis

## Ratings and Awards

Morningstar Rating™  
(primary sh. class R Acc USD)

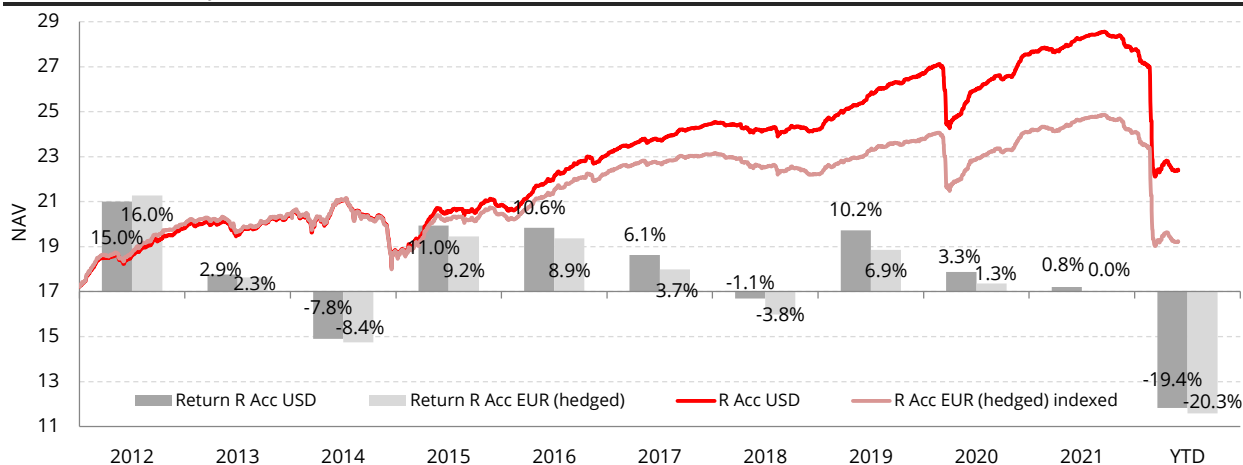


## Fund Overview

Management Company	CBL Asset Management
Fund Managers	Andris Kotans, CFA Edgars Lao, CFA
Custodian bank	Citadele banka
Inception Date	12/03/2003
Fund Size	USD 34.2 mln
Management Fee	1.00% p.a.
Front Load Fee	Up to 1.0%
Issue/redemption	Daily
Distribution Status	Accumulative
Legal Status	UCITS IV, Latvia

	Class R Acc USD	Class R Acc EUR (H)
ISIN	LV0000400125	LV0000400174
Bloomberg Code	PAREEUB LR	PAREUBA LR
Base Currency	USD	EUR
Share Class Size	3.3 mln	28.9 mln

## Performance History



## Total Return by Period

	YTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI*	2021	2020	2019
Class R Acc USD	-19.4%	-1.1%	-6.1%	-19.7%	-20.4%	-6.2%	-4.1%	-1.1%	4.3%	0.8%	3.3%	10.2%
Class R Acc EUR (hedged)	-20.3%	-1.3%	-6.8%	-20.7%	-21.7%	-7.5%	-5.8%	-3.3%	2.4%	0.0%	1.3%	6.9%

\* Class R Acc EUR (hedged) investment policy changed to a bond-only from a balanced one in January 2012

## Top 10 Holdings

	Coupon	Maturity	Weight
Uzauto Motors	4.850%	4-May-26	5.0%
Graanul Invest	4.625%	15-Oct-26	4.1%
Ipoteka Bank	5.500%	19-Nov-25	3.9%
Akropolis Group	2.875%	2-Jun-26	3.4%
Aragvi	8.450%	29-Apr-26	3.3%
KazTransGas	4.375%	26-Sep-27	3.3%
National Bank of Uzbekistan	4.850%	21-Oct-25	3.2%
InPost	2.250%	15-Jul-27	3.2%
Bulgarian Energy Holding	2.450%	22-Jul-28	3.2%
Bank of Georgia	6.000%	26-Jul-23	3.1%
<b>Total</b>			<b>35.7%</b>

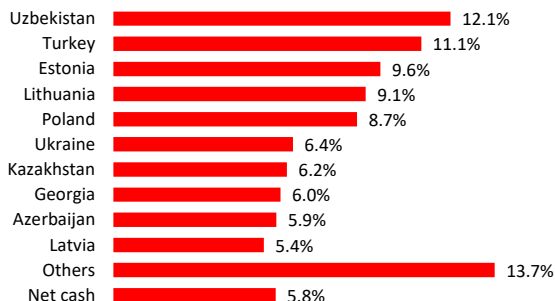
## Portfolio Statistics

Yield-to-Worst (after hedge to USD)	9.2%
Modified Duration	3.3
Average Credit Rating	Ba3
Number of Holdings	35
Average Security Weight	2.7%

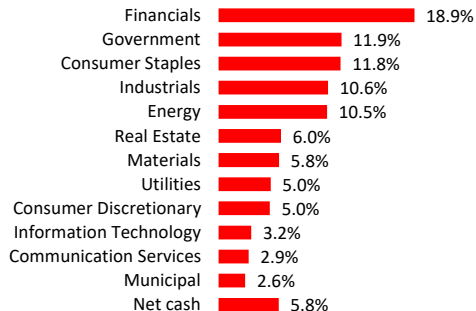
## Performance Statistics (3Y)

	R Acc USD	R Acc EUR (H)
Volatility (St. Dev., %)	10.4%	10.5%
Sharpe Ratio	-0.5	-0.5
Sortino Ratio	-0.6	-0.5
Value-at-Risk (30d / 95%)	8.4%	8.6%

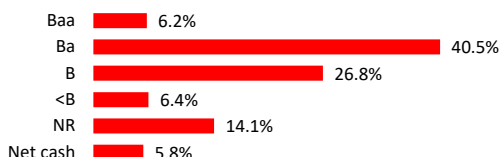
## Country Breakdown



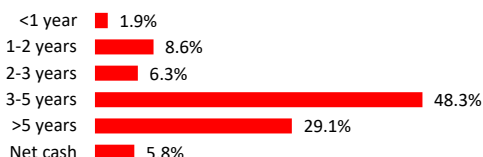
## Sector Breakdown



## Credit Rating Breakdown



## Maturity Breakdown



## Events of the Month

- During the month, risk assets showed diverging performance, with S&P500 being flat, amid relief-rally in the second part of May, while Stoxx 600 detracted by another 1.6%, with China's severe lockdowns posing further strains on the global supply chains and the war in Ukraine continuing. The ongoing war has pushed up both food and energy prices due to potential global grain shortage, while the EU agreed to pursue a partial ban on Russian crude imports, at a time of rising demand and depleting stockpiles;
- Early in May, the Fed raised its main rate by 50bps to a range of 0.75-1.0% and also decided to start shrinking its nearly USD9tn balance sheet as early as 1st of June. While inflation remains central bank's main concern, now running at an annual pace of 8.3%, and above expectations, Chairman Powell noted that the FED is not actively considering a 75bps rate hike, focusing on rate hikes of 50bps in both June and July instead. Inflation in the Eurozone hit a record 8.1% in May, paving the way to raise ECB's main interest rate in July (and exiting negative interest rate policy altogether by September). During the month, 10-year US Treasury yield slid by close to 10bps to finish the month at 2.84%, 10-year Bund yield rose by close to 20bps to 1.12%;
- Eastern European bond declined by 0.8% amid increasing risk premia, owing to volatile risk sentiment in the global financial markets during the month. Meanwhile, the region's average yield has reached 10% – the level unseen since the Global Financial Crisis of 2008/2009. In May, Turkey's assets underperformed amid soaring inflation and its Eurobond market lost 2.7%, on average. On the other hand, Ukraine's bond market recovered 14%, on average, despite tough fights with Russian army in Donbass region. In May, CBL Eastern European Bond Fund decreased by 1.1% in value.

## Contributors and Detractors

- In relative terms, the Fund missed part of the rebound in Ukraine's sovereign bonds that surged by 17% during the month, although we did switch into the sovereign segment during the first half of month;
- + On the other hand, the Fund benefitted in relative terms from significantly lower allocation to Turkey that underperformed in May, as local inflation rate is now above 50%;
- In absolute terms, the Fund benefitted from the rebound in Ukraine's assets, while Eurobonds of Eldorado Gold Corporation, gold miner with assets in Turkey, struggled after weak financial reporting.

## Portfolio Positioning

- At the end of April we noted a decoupling in Ukraine's sovereign and corporate bond prices, hence in the first half of May, we opted to take advantage of that opportunity and switched from more expensive corporate Eurobonds into cheaper sovereign ones;
- In May, we also closed out completely the remaining insignificant exposure to Russia's issuers.

## Outlook and Strategy

Since the beginning of the year, fixed income, as a broad asset class, has regained its attractiveness, in our view, following the steep surge in benchmark rates and rising risk premia. The overall yield in Eastern European bond market has surpassed 10% level, which has happened only three times during the Fund's almost 20-year history. As the history suggests, these events have been followed by solid returns in the following periods, e.g. annual returns in the range of 10-17% for the next 3 years. All in all, we currently see numerous investment opportunities in the region with a very attractive return potential. However, it is also clear that an in-depth bottom-up security selection is crucial in this market environment to manage the underlying risks.

## Contact Information

CBL Asset Management  
Republikas Laukums 2a  
Riga LV-1010

Tel: (371) 67010810

asset@cbl.lv

<http://www.cblam.lv/en>

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