

# CBL Eastern European Bond Fund



CBL ASSET  
MANAGEMENT

Class R Acc USD

Class R Acc EUR (hedged)

February 2024

## 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)



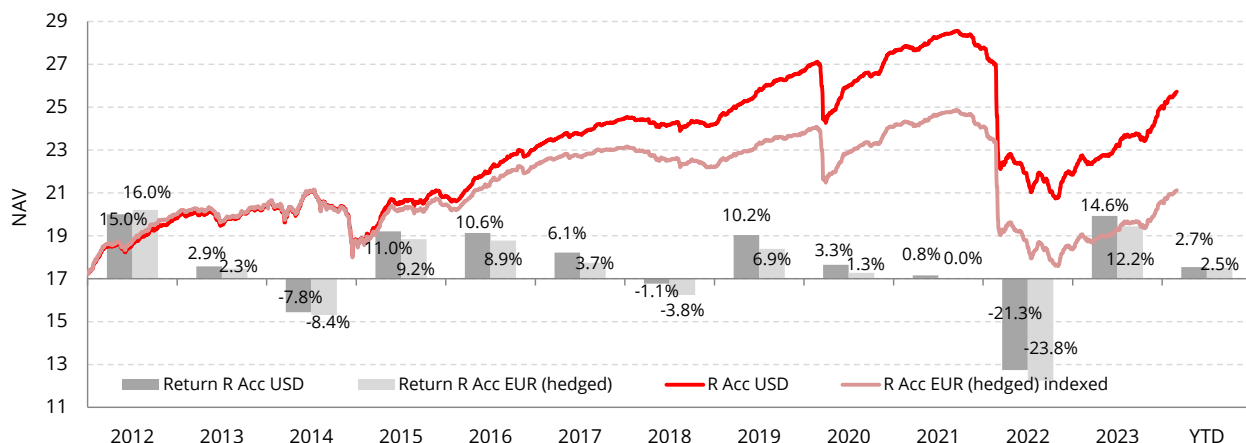
## Fund Overview

Management Company	CBL Asset Management
Fund Managers	Edgars Lao, CFA Artis Mezis
Custodian bank	Citadele banka
Inception Date	12/03/2003
Fund Size	USD 32.2 mln
Management Fee	1.00% p.a.
Front Load Fee	0%*
Issue/redemption	Daily
Distribution Status	Accumulative
Legal Status	UCITS IV, Latvia

\* CBL Asset Management does not charge any entry fees, but the person selling you the Fund may apply their own fees. In case of buying the Fund units outside of Citadele group, please check the pricelist beforehand.

	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	2.4 mln	27.5 mln

## Performance History



## Total Return by Period

	YTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI*	2023	2022	2021
Class R Acc USD	2.7%	1.1%	6.0%	8.6%	14.6%	3.9%	-2.5%	0.7%	4.6%	14.6%	-21.3%	0.8%
Class R Acc EUR (hedged)	2.5%	0.9%	5.6%	7.6%	12.1%	1.3%	-4.5%	-1.4%	2.7%	12.2%	-23.8%	0.0%

\* 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
Akropolis Group	2.875%	2-Jun-26	3.8%
Luminor Bank	7.750%	8-Jun-27	3.8%
Bulgarian Energy Holding	2.450%	22-Jul-28	3.6%
Globalworth	2.950%	29-Jul-26	3.6%
InPost	2.250%	15-Jul-27	3.5%
Romania	2.875%	13-Apr-42	3.5%
Eldorado Gold Corp	6.250%	1-Sep-29	3.3%
MHP Lux	6.950%	3-Apr-26	3.3%
Synthos	2.500%	7-Jun-28	3.2%
Polski Koncern Naftowy ORLEN	4.750%	13-Jul-30	3.2%
<b>Total</b>			<b>34.7%</b>

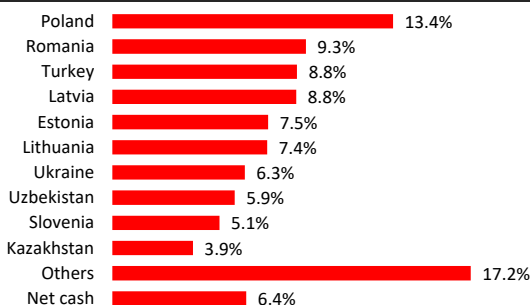
## Portfolio Statistics

Yield-to-Worst (after hedge to USD)	7.9%
Modified Duration	3.3
Average Credit Rating	Ba2
Number of Holdings	38
Average Security Weight	2.5%

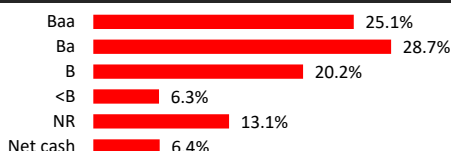
## Performance Statistics (3Y)

	R Acc USD	R Acc EUR (H)
Volatility (St. Dev., %)	9.8%	9.9%
Sharpe Ratio	-0.2	-0.4
Sortino Ratio	-0.3	-0.4
Value-at-Risk (30d / 95%)	3.8%	4.1%

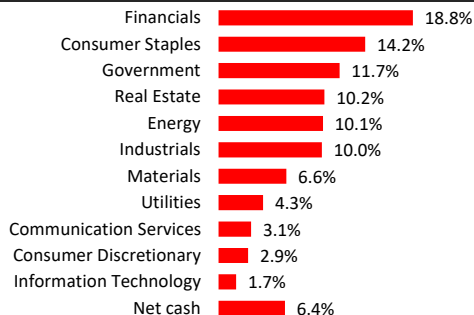
## Country Breakdown



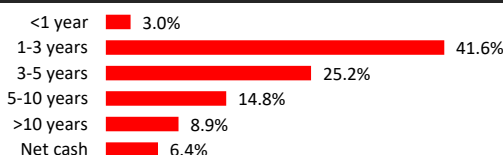
## Credit Rating Breakdown



## Sector Breakdown



## Maturity Breakdown



## Events of the Month

- In February, Eastern European Eurobond market showed moderately positive performance amid spread compression, delivering 1.1% return. Our fund performed similarly to the overall market and its outperformance for this year remained at 1.7pp;
- During the month, equivalent to EUR 10bn were raised in the region's Eurobond market. The lion's share came from sovereign issuers, as Romania borrowed EUR 2bn in 7-year and EUR 2bn in 12-year tranche, while Turkey issued USD 3bn and Lithuania EUR 1.5bn 10-year bonds. Interestingly, that this time Turkey Wealth Fund successfully printed its inaugural 5-year USD 500mn Eurobond, collecting orders above USD 7bn. To recap, more than three years ago it was forced to shelve similar plans because of adverse market conditions. In a corporate space, Turkey-based WE Soda placed its second Eurobond in four months, this time borrowing USD 500mn for 7 years, while the country's Turkiye Garanti Bankasi issued USD 500mn subordinated bond with a final maturity in 10 years;
- Annual GDP growth in CEE countries accelerated in the fourth quarter, but mostly missed expectations due to weaker results on a quarterly basis. Turkey was an exception, as country's annual GDP growth decelerated, but remained solid on a quarterly basis. On the other hand, quarterly GDP growth in Poland and Hungary came to a standstill and in Romania even turned negative in the fourth quarter. The growth is expected to pick up and become more uniform across the region in 2024. Largest CEE economies are projected to grow by 2.0 – 3.0%, while the Czech Republic is still expected to lag its regional peers. Noteworthy, the Fund currently has no positions in Czechia;
- One of the top performers in our Fund was Moldova-based Trans-Oil, as the overall outperformance was driven by several factors – the company announced solid operational figures, while later Fitch upgraded issuers credit rating by a notch to B+ with a Stable outlook, reflecting, among other things, strengthened credit profile, increased scale of operations, and wider geographical diversification outside Moldova. While we realize that there are elevated regional risks at the moment, and we continue to monitor them, we currently do not have plans to exit the name;
- Most of the risk assets continued to perform also in February, as the sentiment was boosted by soft landing optimism, reinforced mainly by solid US GDP growth and ongoing strength in the labor market. As a result, S&P500 advanced by notable 5.3%. On the other hand, the Fed noted that further evidence of disinflation is needed before starting rate cutting cycle, and that translated into a higher 10-year US Treasury yield that rose by 34bps and finished the month at 4.25%.

## Contributors and Detractors

- + The Fund relatively gained from absence of investments in Hungary, as its longer-term sovereign bonds were in the red;
- + Among individual positions, the Fund benefited strongly from rebound in Ukraine's sovereign bonds and Moldova's Trans-Oil (see comment above);
- On the other hand, long-term Romania's sovereign and Kazakhstan's quasi-sovereign bonds declined and contributed negatively to the Fund's overall performance.

## Portfolio Positioning

- During the month, we switched from Orlen'28 into Orlen'30 amid more attractive valuation;
- Also, we switched from Turkey-based Arcelik into TAV Airports, an international airport operator, based in Turkey.

## Outlook and Strategy

In February, average spread across the region's bond market tightened by some 40bps. In corporate segment, the average spread is already below long-term average level, reaffirming that it is not outright cheap. On the other hand, while we acknowledge that the start of rate cutting cycles have shifted beyond March, Eastern European bond yield, on average, stands at the level it finished at by the end of 2023, and still is attractive for long term investors, at 8.5%. That being said, we are monitoring the opportunities to secure attractive yields on higher quality issuers, if at some point the benchmark rates turn higher, reinforcing the argument for active portfolio management.

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