

# CBL Eastern European Bond Fund



Class R Acc USD  
Class R Acc EUR (hedged)

January 2021

## 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
- Absolute-return mindset
- Flexibility to evaluate any investment opportunity
- ESG risk integration into fundamental analysis

## Ratings and Awards

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

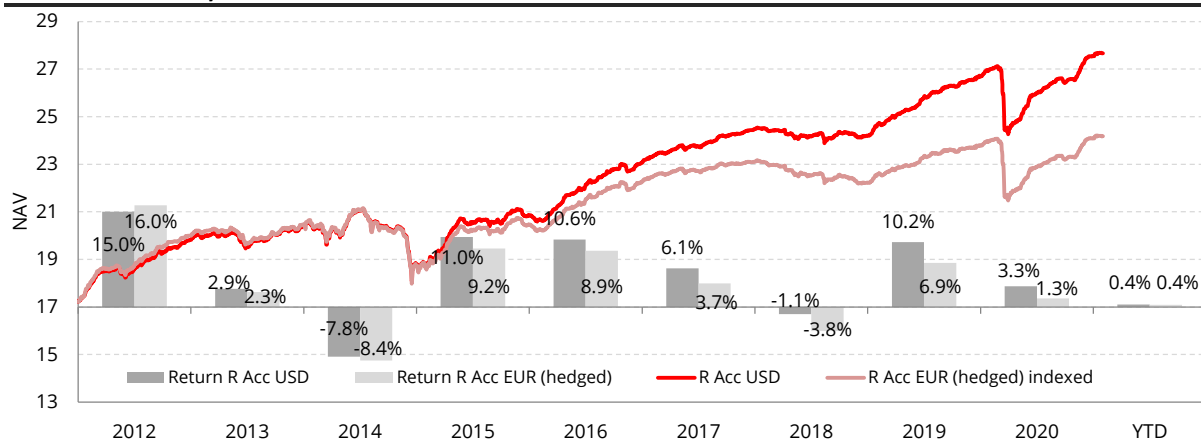
Lipper Fund Awards Europe 2016, 2017 Best Fund 3&5 Years  
Bond Em.Markets Europe

## 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 71.9 mln
Management Fee	1.25% 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	7.0 mln	53.5 mln

## Performance History



## Total Return by Period

	YTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI*	2020	2019	2018
Class R Acc USD	0.4%	0.4%	4.2%	5.5%	2.4%	5.9%	4.1%	6.0%	5.8%	3.3%	10.2%	-1.1%
Class R Acc EUR (hedged)	0.4%	0.4%	3.9%	4.8%	0.7%	3.5%	1.5%	3.6%	4.0%	1.3%	6.9%	-3.8%

\* 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
Energia	2.13%	7-Mar-27	3.4%
EP Infrastructure	1.70%	30-Jul-26	3.2%
Serbia	3.13%	15-May-27	3.2%
CTP	2.13%	1-Oct-25	3.2%
Sisecam	6.95%	14-Mar-26	3.1%
PPF Telecom Group	3.50%	20-May-24	3.1%
Maxima Grupe	3.25%	13-Sep-23	3.0%
ALROSA	3.10%	25-Jun-27	3.0%
Arcelik	5.00%	3-Apr-23	2.9%
Southern Gas Corridor	6.88%	24-Mar-26	2.9%
<b>Total</b>			<b>31.0%</b>

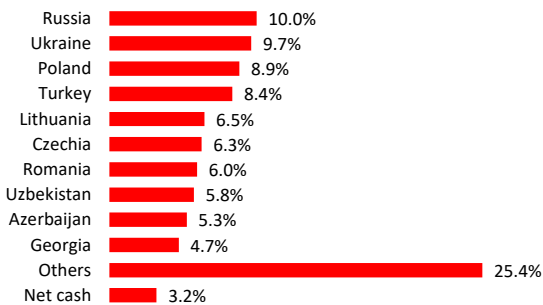
## Portfolio Statistics

Yield-to-Worst (after hedge to USD)	3.8%
Modified Duration	3.8
Average Credit Rating	Ba2
Number of Holdings	43
Average Security Weight	2.3%

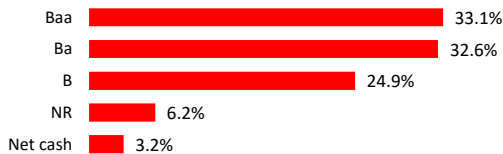
## Performance Statistics (3Y)

	R Acc USD	R Acc EUR (H)
Volatility (St. Dev., %)	6.7%	6.7%
Sharpe Ratio	0.3	0.3
Sortino Ratio	0.3	0.3
Value-at-Risk (30d / 95%)	1.1%	1.3%

## Country Breakdown



## Credit Rating Breakdown



## Events of the Month

- During the first month of the new year, vaccination programs kicked off across the world, however, at the pace that is somewhat disappointing. Market sentiment was further dented by the uncertainties over USD1.9tn US stimulus plan and disputes over vaccine supply in Europe. As a result, risk assets shed some of the previous gains, with main US and European equity indices (S&P500 and Stoxx 600, accordingly) drifting lower, on average, by around 1%;
- On the other hand, Brent oil price was up by another 8%, as a result of Saudi Arabia's announced plan to limit oil supply, pledging voluntary output cuts. Meanwhile, the 10-year UST yield closed the month at 1.07%, adding some 15bp in January, hovering above 1% level for the first time since last March. In other news, Joe Biden was sworn in as the 46th US president;
- Eastern European bond market was broadly flat during the month, as the positive performance by the region's corporates was outweighed by the negative performance of the sovereign segment. Owing to the Fund's bias towards corporate sector, it managed to outperform the broader market, gaining 0.4% in the first month of 2021;
- In January, Armenia stood out as the region's best performing bond market, gaining 2.6% on average. At the end of the month it placed a new 10-year Eurobonds to replenish its coffers after the military conflict with Azerbaijan that cost it control over parts of the disputed Nagorno-Karabakh region. On the other hand, Serbia's USD-denominated government bonds dropped by almost 2% during the month, although it is carrying out one of the fastest vaccine campaigns in Europe. Serbia is using vaccines produced in both developed markets, as well as in Russia and China. Meanwhile, protesters in Moscow and in at least another 100 cities across the country, gathered to support detained opposition leader Alexey Navalny, who has been arrested since mid-January. As reported, protesters were met with one of the fiercest crackdowns in recent history in Russia.

## Contributors and Detractors

- Country-wise, the Fund gained relatively less in Turkey due to our strategically lower allocation there than in market indices, while our security selection was largely in line with the market;
- + At the same time, the Fund continued to benefit from relatively lower allocation in Russia, further supported by better security selection (i.e., Petropavlovsk);
- + Also, we had an excellent security selection in Ukraine, as the market in general was in the red, while one of positions, DTEK Renewables, surged amid some progress with state debt settlement towards renewable energy producers.

## Outlook and Strategy

Global risk assets are pressured by massive and still growing liquidity on one hand and tighter and tighter valuations on the other. As a result, we see rising potential for a broader market drawback at some point, which could also affect riskier fixed income markets. Therefore, we plan to tactically take off some chips from the table in the areas where further upside seems limited and to reduce the overall risk level in the portfolio somewhat further. At the same time, we see that Eastern Europe compares very well with other EM regions in terms of risk premia relative to companies' fundamental credit quality (e.g., measured by financial leverage). Hence, our medium to long-term outlook remains positive.

## Contact Information

CBL Asset Management  
Republikas Laukums 2a  
Riga LV-1010

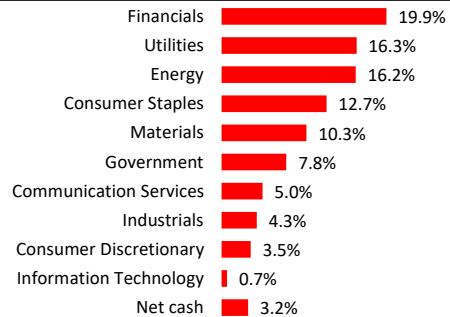
Tel: (371) 67010810

asset@cbl.lv  
<http://www.cblam.lv/en>

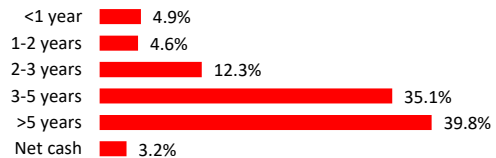
Signatory of:



## Sector Breakdown



## Maturity Breakdown



## Portfolio Positioning

- At the beginning of the month, we invested in renewable energy producer's bonds with assets in Romania and Poland;
- Towards the month-end, we increased exposure to Uzbekistan's Ipoteka Bank and opened new position in Turkey's confectionary producer Ülker amid attractive valuations;
- We partly took profits in Ukraine's Metinvest and reinvested proceeds in DTEK Renewables.

## Disclaimer

This document or any its part shall not be regarded as an offer, confirmation nor undertaking to enter any type of legal commitment. This document is for information purposes only, and shall not be considered as marketing/advertising message, public offer, investment advice nor a recommendation to buy, hold, sell any of the mentioned financial instruments nor participate in any of the related activities. The information contained herein is not an investment analysis, investment research nor annual/semi-annual report required by laws and regulations; further, the document does not contain all of the risks related to the financial instruments. The information contained in this document in no case is produced to be adapted to neither individual investment needs, objectives, risk tolerance, knowledge and experience in financial markets nor to any other investor's investment decision considerations and constraints. The authors of the material personally as well as IPAS CBL Asset Management, its affiliates or representatives shall not be liable for the consequences of using the information and statements contained herein or any its part; that includes declining of any liability for any direct or indirect damages (including lost profit) and penalties as well, even in cases when the user of information has warned there could be any. The information and statements contained in this review are made in good faith based on information available to the authors and obtained from the sources believed to be reliable (Bloomberg, Reuters, other mass media, stock exchanges, central banks and statistic bureaus, information found on company websites, etc.) – however, IPAS CBL Asset Management can not and does not guarantee accuracy and completeness of such information, and the authors of the document do not assume commitment to inform users if the information contained herein proves to be inaccurate, misleading or not corresponding to other sources.

In Switzerland, the Fund has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland, Tel: +41 21 311 17 77, email: [info@oligofunds.ch](mailto:info@oligofunds.ch). The Fund's paying agent is Banque Cantonale de Genève. In respect of the Shares distributed in or from Switzerland, the place of performance and jurisdiction is Lausanne (Switzerland).