



Artea Emerging Markets Ex-Dictatorship Bond Subfund

2025 May

Disclaimer

Artea Emerging Markets Ex-Dictatorship Bond subfund (hereinafter – the Subfund) is a subfund of the open-ended harmonized investment fund Artea Umbrella Fund, managed by UAB „Artea Asset Management“ (hereinafter – the Management Company).

The assets of the Subfund are invested in debt securities (bonds) of governments, municipalities, and companies in emerging countries (securities exchanges and markets). If investments are made in foreign currency, changes in the exchange rate may affect the return on investment.

Investing into Subfund’s investment units is related to the investment risk. Subfund’s past results only show the results of the Subfund’s activities for a past period, and the past period results do not constitute a reliable indicator of the future results. Past results do not guarantee future performance. If the return on investments previously was positive, it will not necessarily be so in the future since the value of investments can both rise and fall, the investor could regain less than invested. The Management Company does not guarantee the profitability of investments. The latest values of the Subfund investment units are published on the website <https://www.artea.lt/en/private/saving-investment/investing/investment-funds/artea-emerging-markets-ex-dictatorship-bond-subfund>.

Before making a decision to invest, the investor should personally or with the help of investment advisors assess the Subfund’s investment strategy, applicable fees and all investment-related risks. The investor should also carefully read the Subfund’s Rules, Prospectus, Key Investor Information Document and other documents intended for the investors, which are to be found on the website of the Management Company <https://www.artea.lt/en/private/saving-investment/investing/investment-funds/artea-emerging-markets-ex-dictatorship-bond-subfund> or may be obtained free of charge at the customer centres of the Management Company.

The Subfund uses a composite benchmark index which is chosen to reflect as precisely as possible the investment strategy (asset types and proportions) specified in the Rules and Prospectus, as well as the strategic distribution of the Subfund’s investments.

All the information presented is of a promotional nature and cannot be construed as a recommendation, offer or invitation to invest in the Subfund or any other financial instruments. The information provided here cannot be the basis for any subsequently concluded agreement. Although this information of a promotional nature is based on sources considered to be reliable, the Management Company shall not be held responsible for any inaccuracies or changes in the information, or for losses that may arise when investments are based on this information.





Investment philosophy

Where does the alpha come from?



Strategy

Focused Emerging Market government, quasi-sovereign and corporate bond TOP picks

Objective:	Strategy:
maximization of risk-adjusted returns (Sortino ratio) and minimization of drawdowns	<ul style="list-style-type: none">• Focus on hard-currency short-term sovereign and corporate debt securities in Emerging Markets (currency risk hedged to EUR)• Current average credit rating: BB+• Yield to maturity: 6.8% (in EUR terms);• Duration: 3.9 years



Sources of alpha

Exploiting off-benchmark opportunities

Avoiding value-destructive positions and volatility from serial defaulters or local currencies

Usage of arbitrage opportunities between single-issuer EUR and USD bonds

Active participation in primary and secondary markets



Typical issuers that the fund is looking for: case study

Globalworth:

- Leading office investor and landlord in Central and Eastern Europe, with a portfolio of over 1 million sqm of assets:
 - Value of investment property at over 2.5 billion EUR;
 - Tenants mostly in Poland and Romania.
- Solid fundamentals, strong and stable cash flows, decent debt level – **LTV as of December 2024 was 38.1%, occupancy rate at 86.7%. EPRA net initial yield as of end of 2024 stood at 6.0%.**
- It is not included in the CEE bond benchmark due to lower than USD 500 M bond issue.
- BB-/BBB- rated issue offers a solid YTM of around 6.3%.



Poland



Regional Poland



Warsaw



Romania



Regional Romania Industrial



Bucharest



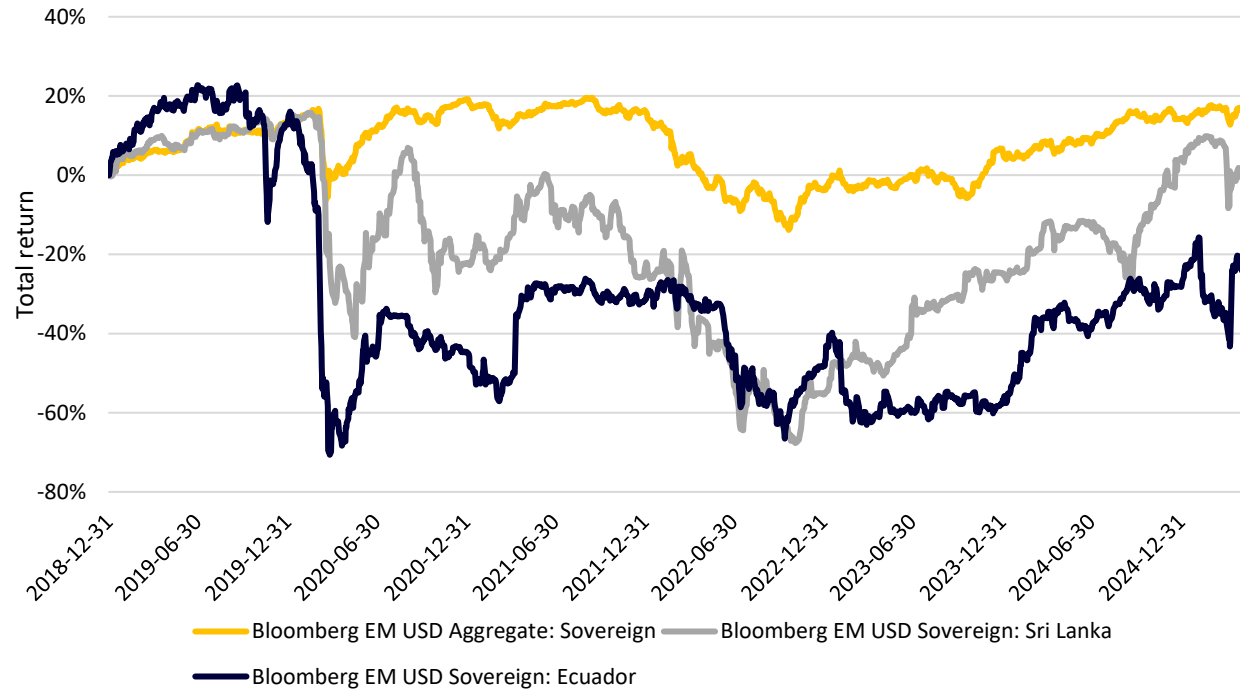
*In are the number of standing properties in each region / city



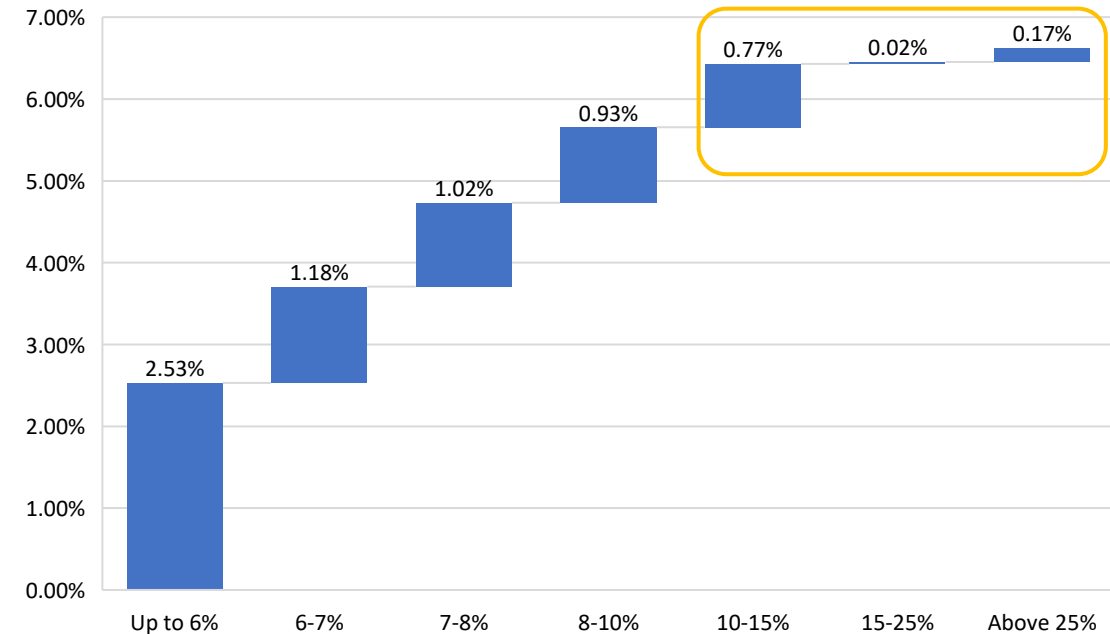
Avoiding value destruction in heavily leveraged countries and serial defaulters

Subfund does not invest into such troubled countries which are deemed as too risky and/or leveraged

		Total return since 2018-12-31	Difference
Sri Lanka Government Bonds	USD	5.8%	-11.6%
Ecuador Government Bonds	USD	-15.9%	-33.4%
Aggregate Sovereigns	USD	17.4%	



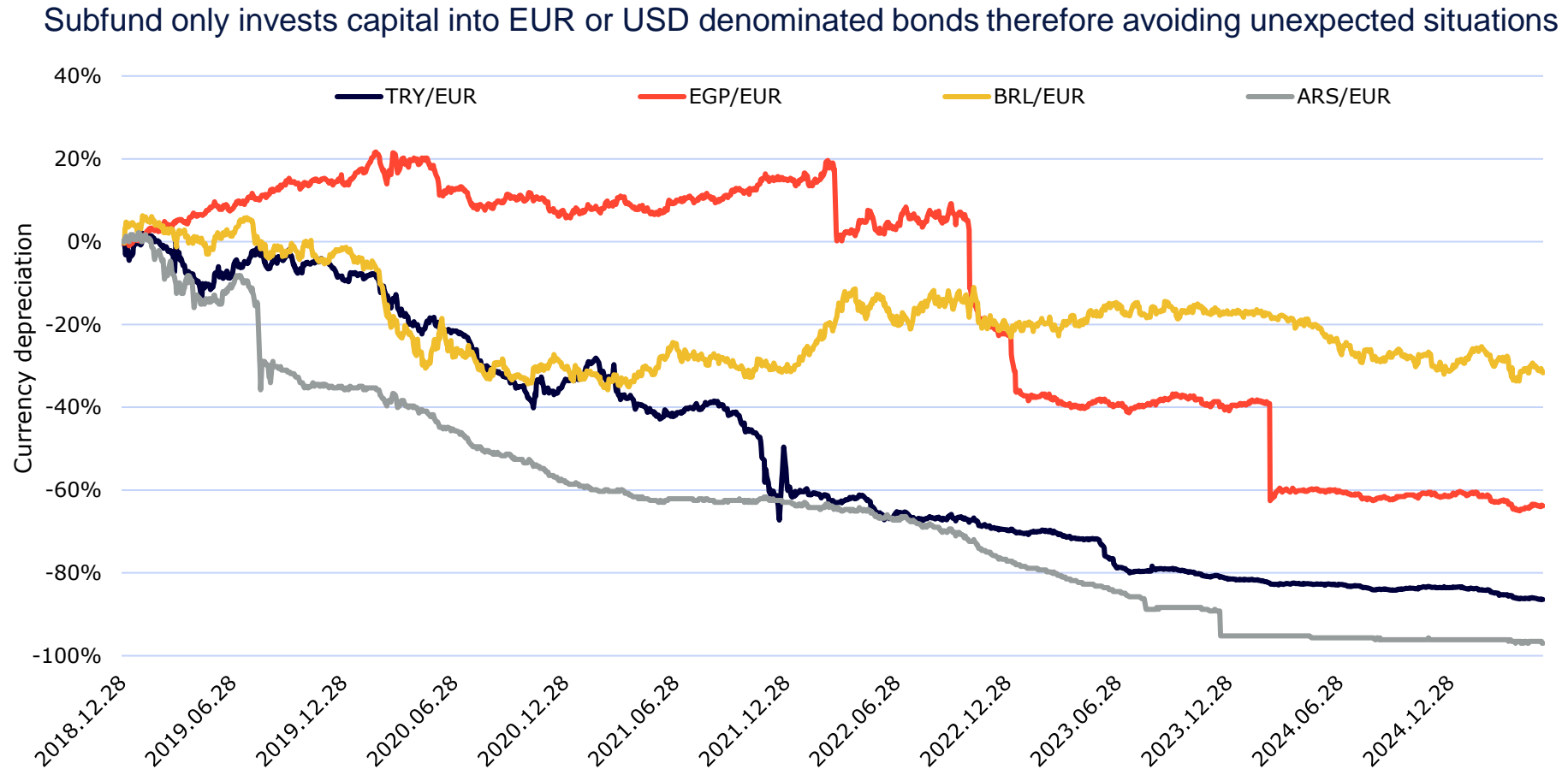
EM bond universe YTM split by YTM bracket*



Source: Artea Asset Management, Bloomberg, Blackrock, May 2025
 *based on iShares J.P. Morgan USD EM Bond EUR Hedged ETF holdings data as of May 2025



Hard currency only: avoiding the volatility of local currencies



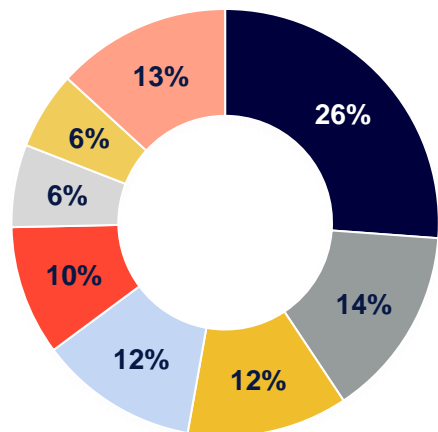


Main characteristics and comparisons

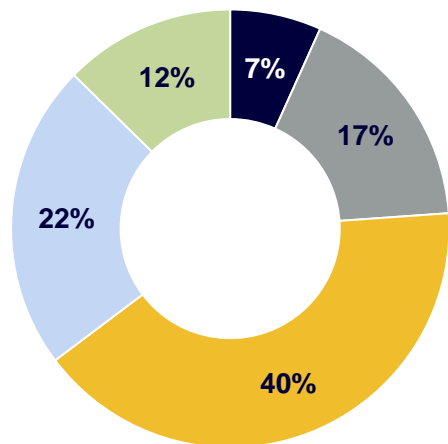


Subfund investment breakdowns

Sector



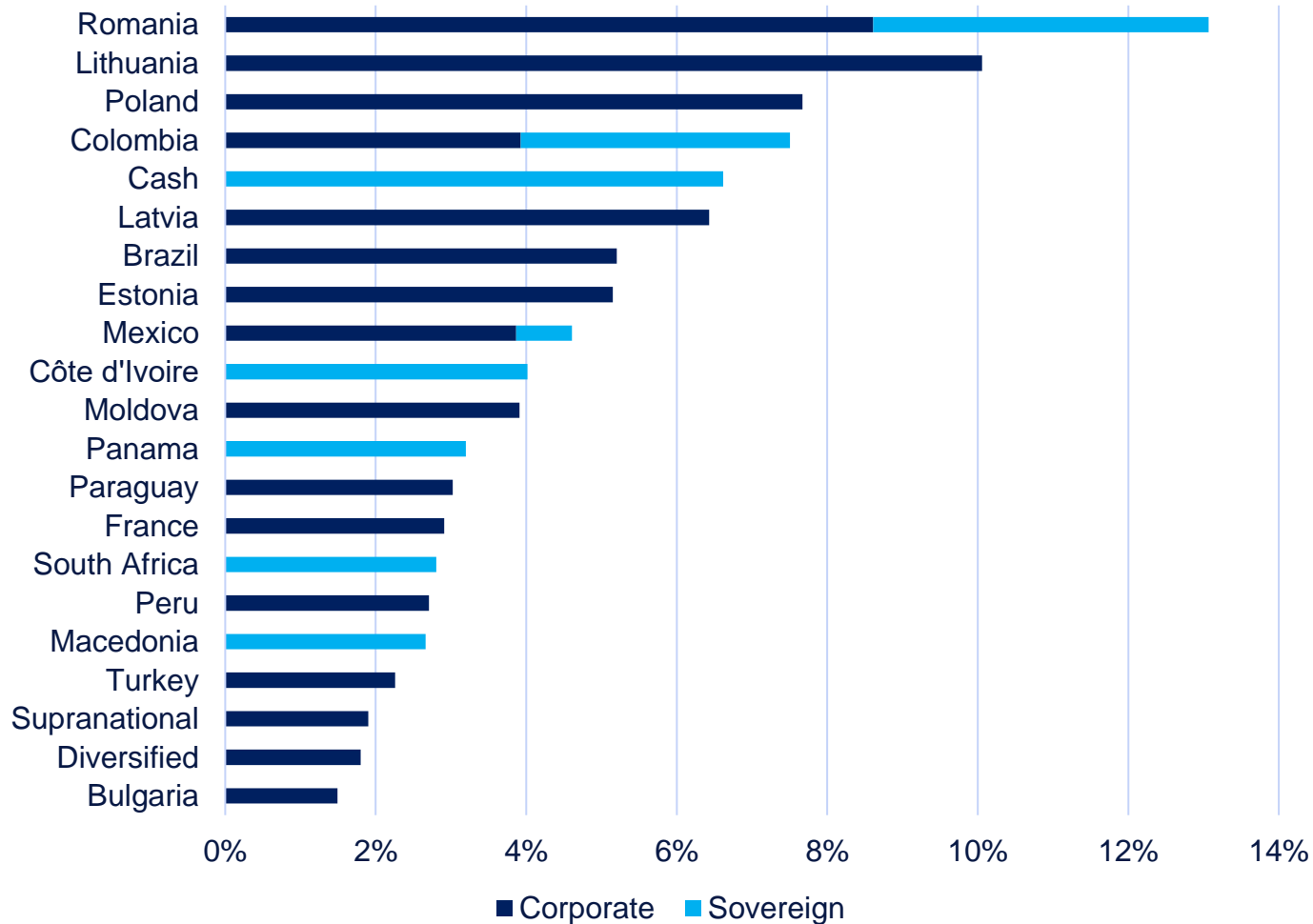
Duration



- Government
- Financials
- Real Estate
- Consumer Staples
- Energy
- Consumer Discretionary
- Materials
- Other

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

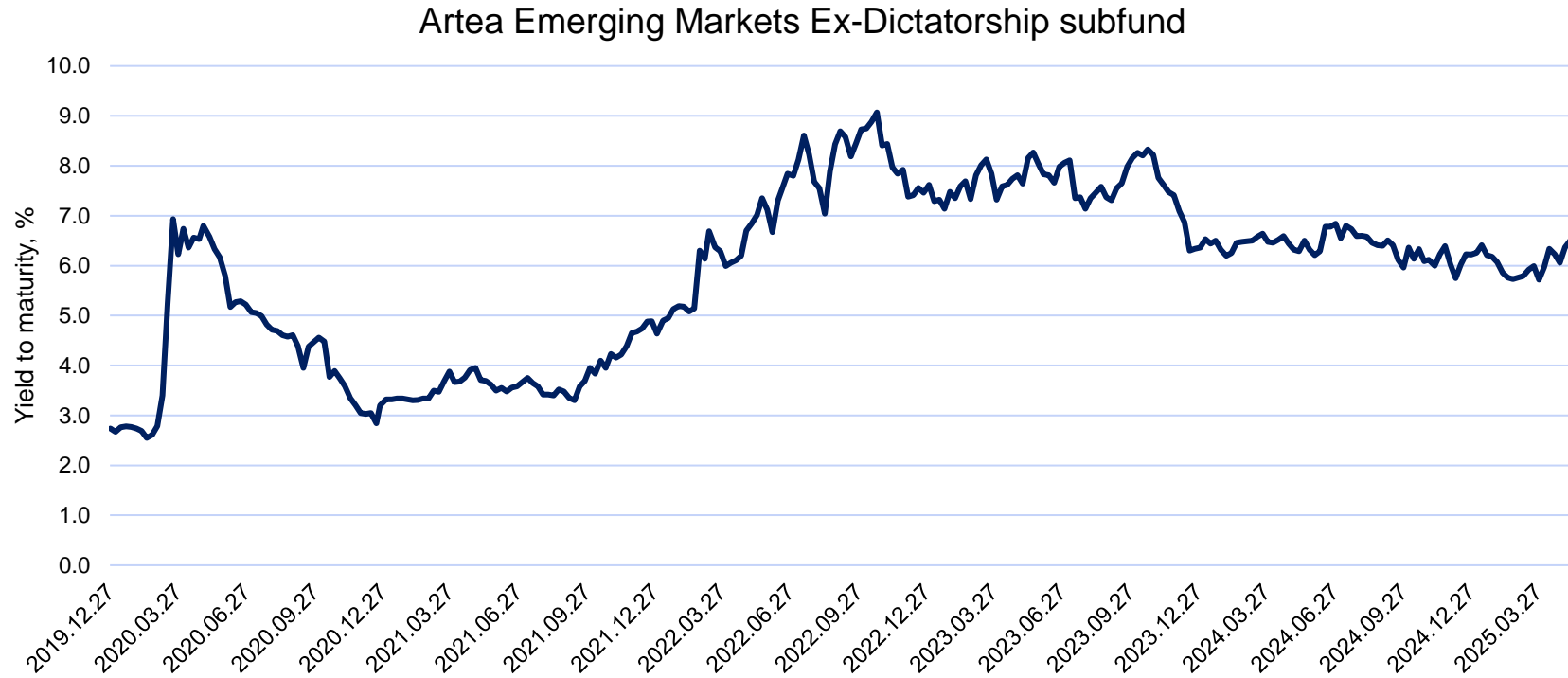
Country and credit profile



Source: Artea Asset Management, May 2025



Subfund's yield has remained attractive

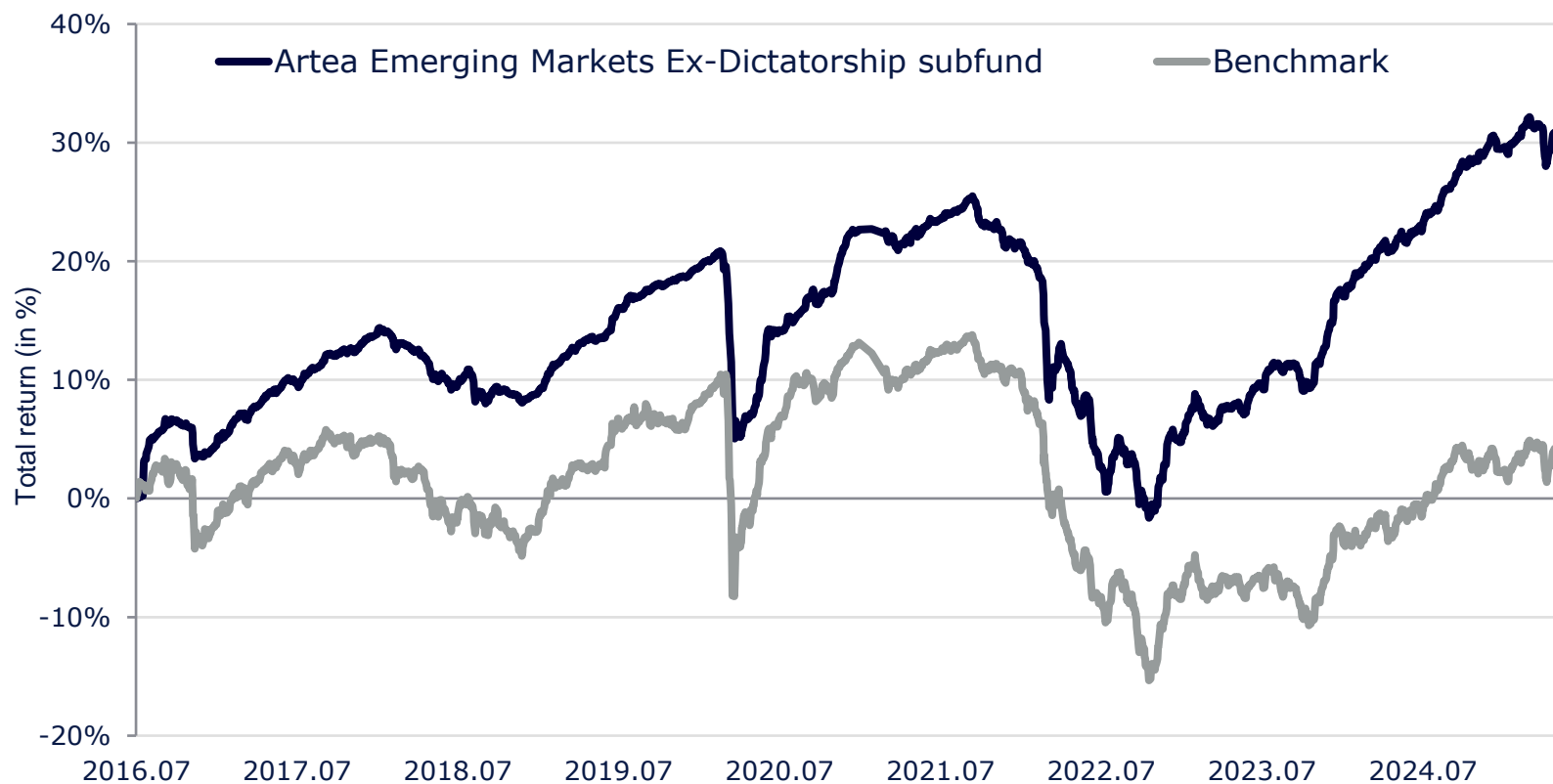


Top 5 investments

ROMANI 5 5/8 02/22/36 (Romanian Government)	4.5%	<ul style="list-style-type: none">- Relatively low level of public debt (close to 60% of GDP);- Investment grade rating (BBB-) and NATO membership;- More than 7% YTM for a 7.5Y duration bond.
GWILN 6 1/4 03/31/30 (Globalworth)	4.2%	<ul style="list-style-type: none">- Leading office investor and landlord in CEE region with a portfolio of over 1 million sqm of assets;- Solid metrics: LTV as of December 2024 was 38.1%, occupancy rate at 86.7%;- Senior unsecured issue at 6.4% YTW for around 4Y duration and BB-/BBB- rating.
PEPGRP 7 1/4 07/01/28 (Pepco Group)	4.0%	<ul style="list-style-type: none">- Large-scale discounter operating from around 4,000 stores in 20 countries in Europe;- Impressive growth track record and robust business model;- Financials are intact (ND/EBITDA at <2x, strong generational capacity of cash from operations) and company received BB+/BB-/Ba3 ratings.
ECOPET 8 7/8 01/13/33 (Ecopetrol SA)	3.9%	<ul style="list-style-type: none">- Ecopetrol is the largest petroleum company in Colombia, 88.5% owned by the Colombian state;- Acceptable leverage metrics (company-utilized Gross Debt/EBITDA ratio at the end of September 2024 stood at 2.1x).
ARAGVI 11 1/8 11/20/29 (Trans-Oil Group)	3.9%	<ul style="list-style-type: none">- Vertically integrated leading agro-industrial business in Moldova with 90%+ market share in its segment;- Majority of revenues come from international markets and are denominated in hard currencies;- Solid capitalization ratio (~40%), moderate adjusted leverage.



Significant outperformance against the benchmark



	Ann. return	Volatility	Sharpe ratio	YTM	Modified duration
Subfund	3.1%	3.3%	0.9	6.8% (in EUR)	3.9 years
Benchmark*	0.5%	5.4%	0.1		

Source: Bloomberg, Artea Asset Management, May 2025. Volatility and Sharpe ratio are calculated based on daily returns.

*Benchmark index – indicator against which subfund's return is compared:

100% Bloomberg EM USD Aggregate Total Return Index Value Hedged EUR (H00014EU Index). Previous benchmark index (until 30th November 2023): 50% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Hedged Euro Index (JPEIGHEU Index), 50% J.P. Morgan Corporate EMBI Broad Hedged Level in EUR (JBBSHEUR index)



Superior longer-term returns* compared to peers (sorted by 5Y)

Funds	YTD	2Y	3Y	5Y	Since 2016.07.01
Artea Emerging Markets Ex-Dictatorship Subfund					
Performance	1.7%	22.4%	21.1%	18.4%	31.7%
No. of competitors	114	114	114	114	114
Ranking	47	12	4	4	2
Quartile	2	1	1	1	1

Funds	YTD	2Y	3Y	5Y	Since 2016.07.01	3Y Sortino	Max DD in 3 years
Peer #1	1.2%	25.9%	25.6%	31.8%	19.2%	0.6%	-10.9%
Peer #2	2.2%	32.2%	24.7%	27.9%	42.2%	0.4%	-16.3%
Peer #3	1.4%	29.6%	25.8%	21.1%	23.3%	0.5%	-18.4%
Artea Emerging Markets Ex-Dictatorship Subfund	1.7%	22.4%	21.1%	18.4%	31.7%	0.6%	-9.5%
Peer #5	-4.2%	18.3%	13.4%	14.4%	20.2%	0.1%	-10.9%
Peer #6	1.9%	23.2%	20.3%	14.3%	21.3%	0.4%	-13.0%
Peer #7	2.5%	26.8%	16.9%	14.3%	15.7%	0.3%	-17.6%
Peer #8	2.7%	28.0%	19.4%	13.4%	16.2%	0.3%	-17.5%
Peer #9	-7.3%	23.8%	16.2%	13.3%	27.8%	0.2%	-13.9%
Peer #10	2.2%	22.0%	14.3%	12.1%	15.5%	0.2%	-16.2%
.....							
Peer #105	2.2%	7.2%	1.3%	-9.4%	--	-0.2%	-13.9%
Peer #106	1.1%	7.0%	1.0%	-9.8%	--	-0.2%	-13.8%
Peer #107	1.1%	3.4%	-1.7%	-10.3%	-11.3%	-0.6%	-7.5%
Peer #108	2.5%	14.8%	9.4%	-11.5%	--	0.1%	-14.8%
Peer #109	1.9%	3.1%	-0.4%	-13.8%	-6.0%	-0.3%	-12.5%

Source: Bloomberg, May 2025. Sortino ratio is calculated using monthly return data of 3 years.

Peers have been selected based on internal evaluation in effort to find comparable funds: i.e. those with sufficient track record, similar investment strategies etc.

*return after fees



Reasons to invest in global Emerging Markets

Economic growth advantage

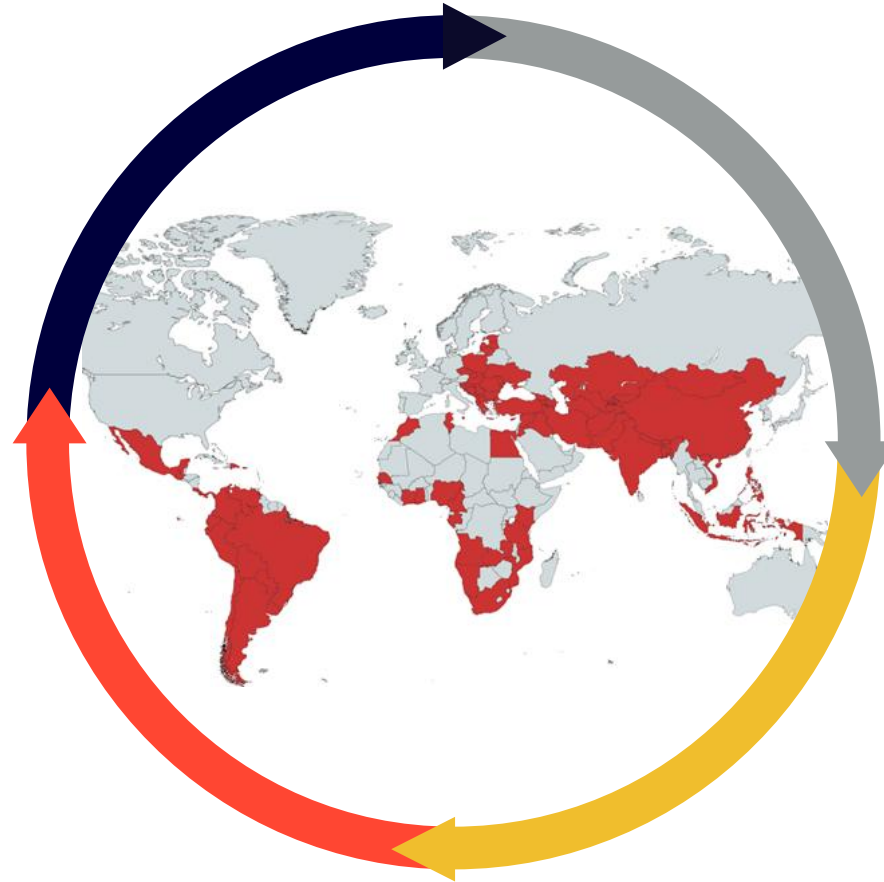
	Annual GDP growth 2017-2021	2022	Projected 2027
DM	1.5%	2.4%	1.7%
EM	3.5%	3.7%	4.3%

Source: IMF

Lower public debt levels

	Government debt to GDP	
	2023	Projected 2027
DM	111%	114%
EM	68%	75%

Source: IMF



Demographic advantage over developed markets

	Working age population	
	2020	Projected 2050
DM	0.8 bn	0.7 bn
EM	4.2 bn	5.3 bn

Source: World bank

Higher potential and attractive yields

	YTM % (in USD)
EM sovereign USD bonds	6.9%
EM corporate USD bonds	6.2%
10-year US Treasury	4.4%

Source: Bloomberg



Summary



Asset class

Under-researched region which offers attractive opportunities for active bond selectors.



Team

Experienced team with solid track record in very active management of Emerging Europe bonds and equities.



Strategy

A proven strategy of bottom-up bond picking and exploiting market inefficiencies to generate alpha.



Balanced risk / return

Short duration and hard currency investments that allow to earn sufficient returns with very moderate drawdowns.

Subfund facts

Inception: 2016

Management fee: 1.25%

2023 TER as % of NAV: 1.51%

AUM: EUR 10.6 M / Strategy AUM: EUR 344 M

Custody: SEB bank (Lithuania) / Auditor: KPMG

ISIN: LTIF00000666 / Bloomberg: INVLGEM





Additional information





ESG & sustainability



ESG integration (Article 6 under SFDR*)

“Avoid” approach with focus on downside risks

Two main ESG strategies used across fixed income strategies:

Negative / exclusionary screening

- No involvement / significant income from controversial weapon production and sales, tobacco, alcohol, gambling, pornography sectors.

ESG integration

- Bloomberg ESG score which includes a set of standardized ESG metrics as well as indicators published by third parties are considered in investment decision making.

*<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088>





Thank you & all the best
in the good work
that you do