ARTEA PAN-EUROPEAN AND BALTIC BOND SUBFUND

2026 Q2

STRATEGY

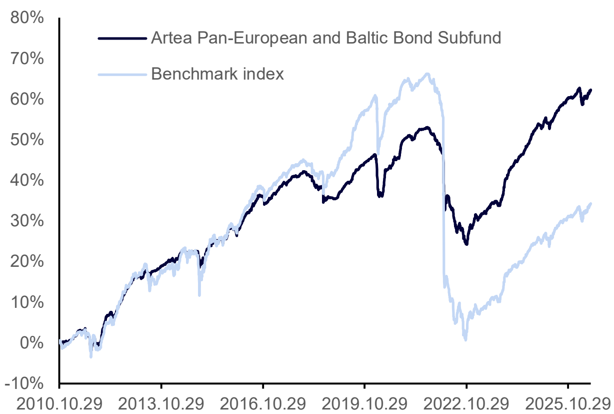
The objective of the subfund is to ensure balanced growth of the assets of the subfund by investing at least 85 percent of its net assets in the investment units of Class I of the fund Artea Pan-European and Baltic Bond Subfund (hereinafter – the Master Fund) of the umbrella investment fund Artea Fund intended for institutional investors established in the Grand Duchy of Luxembourg. This way, the subfund will operate as a feeder subfund. In its turn, the Master Fund invests up to 100 percent of its assets in government and corporate debt securities in Emerging Europe.
Recommended investment term – minimum 1 - 2 years.

FACTS

Management company	Artea Asset Management
ISIN code	LTIF00000468
Inception date	2010.10.29
Minimum investment	EUR 0
AUM, EUR M	9.7
Strategy AUM, EUR M	282
Management fee	0.45%
Currency	EUR
Countries of distribution	Lithuania, Latvia, Denmark, Finland, Norway, Germany

For more information on the fund (prospectus, benchmark, results) please click on the link below:
https://www.artea.lt/en/private/saving-investment/investing/investment-funds/artea-europe-and-baltic-bond-subfund

RESULTS



	Fund	Benchmark ***
Return YTD	1.0%	2.1%
Return 1Y	3.4%	4.7%
Return 3Y	21.7%	22.1%
3 year annualized return	6.8%	6.9%
5 year annualized return	1.2%	-4.0%
Volatility (St. deviation)*	2.2%	5.1%
Duration	3.5	
YTM	4.7%	
Sharpe ratio**	1.4	0.4

FUND MANAGER COMMENT

During the second quarter of this year, the Artea European and Baltic Bond Subfund rose by 2.3%, but lagged behind its benchmark index. The main reason for this was the lower financial duration of the bond portfolio.

Yields on government and corporate bonds fluctuated significantly during the quarter and reacted sensitively to the news regarding the war in Iran. Due to higher oil prices and inflation expectations, the European Central Bank raised interest rates by 25 basis points (from 2.0% to 2.25%). The US interest rate remained unchanged, but the new Federal Reserve Chairman, Kevin Warsh, demonstrated highly hawkish rhetoric in his first statement and abandoned traditional forward guidance. He made it clear that the 2% inflation target remains an unconditional priority, meaning high interest rates could persist longer than the market anticipated. In the face of higher uncertainty, the credit spread for European investment-grade and high-yield corporate bonds widened slightly, though it still remains at a very low level. The credit spread for emerging market bonds remained at a 20-year low compared to US Treasuries. In Central and Eastern Europe, Hungary experienced a historical political shift – Viktor Orbán suffered a defeat in the parliamentary elections after 16 years in power. The pro-European "Tisza" party not only won the majority of seats in parliament but also secured a two-thirds majority, which is required to pass constitutional amendments. As a result, Hungary's sovereign bonds are among the best-performing securities in Europe year-to-date.

New bond issues were launched by Maxima Group, Luminor Group, Eesti Energia, and CEZ Group. Borrowing interest rates ranged between 4.3% and 4.75%. Meanwhile, the benchmark index yield for investment-grade companies of a similar duration stands at just 3.6%. The fund's return was negatively impacted by a drop in bond prices for the Moldovan company Trans-Oil at the very end of the quarter. This was due to emerging speculation that the company's main shareholder (not the company itself) was involved in commodity trading with Iran. Since the company has already taken action to factually refute these speculations, we expect the bond price to recover in the near future. Currently, the fund's duration is lower (3.5 compared to the benchmark's 4.7), while maintaining a higher yield (4.7% compared to the benchmark's 4.4%) and preserving a weighted average investment-grade credit rating.

**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.*
***Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratio value corresponds to the period shown in the historical returns graph.*
****Benchmark index (since 30 November 2023):*
50% Bloomberg Pan Euro EM: Europe Total Return Index Unhedged EUR (I04339EU Index)
40% Bloomberg Pan-European High Yield (Euro) TR Index (I02501EU Index)
10% European Central Bank ESTR OIS Index (OISESTR Index)

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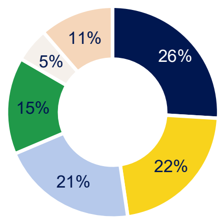
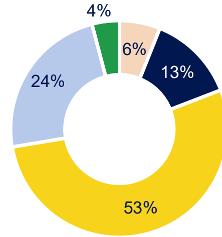
BREAKDOWN OF INVESTMENTS

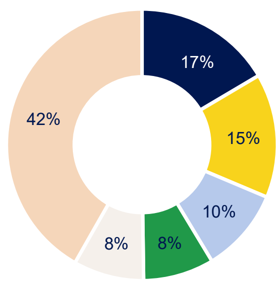
BY SECTOR



BY DURATION



BY COUNTRY



TOP 10 PORTFOLIO HOLDINGS

Akropolis Group 6% 05/15/30	Real Estate	5.7%
Bulgarian Energy Holding	Utilities	4.6%
Slovenské elektrárne 3.875% 11/20/32	Utilities	4.5%
Globalworth Real Estate 6.25% 03/31/30	Real Estate	4.5%
EEEC 6.5% 05/15/30	Utilities	4.3%
MLP Group 6.125% 10/15/29	Real Estate	4.3%
Banca Transilvania 5.125% 09/30/30	Financials	4.2%
Supernova 5% 06/24/30	Real Estate	4.1%
North Macedonia 1.625% 03/10/28	Government	4.1%
Limak Cimento 9.75% 07/25/29	Materials	3.7%

The Fund does not have exposure to Russian and Belarusian bonds

REASONS TO INVEST

• Combination of only hard currency (EUR or USD) sovereign and corporate debt ensures attractive yield, while limited credit and duration risk provides for low volatility.

• Fund maintains average investment grade credit rating. Lower government debt levels – Central and Eastern Europe 54%, Eurozone 88% (as of the end of Q1 2025).

• Active share of over 80% (creating value through off-benchmark picks, participation in primary issues, inefficiencies in the market).

• Historical Sharpe ratio exceeding 1 places the fund among the best Emerging Europe bond funds in the world by risk-adjusted returns.

COMPANY

Artea Asset Management is the investment management company of Artea bankas group. The team of experienced investment managers is one of the largest and most capable in the Baltic States and has been managing clients' assets since 2003. Investment managers make investment decisions on behalf of more than EUR 1.1 billion of clients assets.

Investment managers are guided by the principles of long-term investing and fundamental investment analysis while specializing in Central and Eastern European equity and bond markets. The team flexibly take advantage of investment opportunities that arise in the markets. The managers' expertise is proven by consistently high ratings in international fund rankings.

CONTACT

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Breakdown of top holdings and investment characteristics is based on a look-through approach using feeder fund's investment into master fund.