

# LHV Euro Bond Fund

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## Comment from the fund manager

Romet Enok



Within the very sharp fluctuations in the financial markets seen in March, gains amounting to several months of interest income were reversed. The result for the month was ultimately -1.3%.

We have been prepared for sudden market volatility – as noted in previous monthly overviews, we have invested the fund's assets above all into a) shorter-term bonds and b) stronger companies' bonds. As for the current problematic regions, it should be said that the fund has no Middle East positions and our only holding in Asia, which bore the brunt of the initial impact of the energy shock, is in Southeast Asia's largest bank, DBS, controlled by Singapore. About 10% of the fund's assets are in the large oil companies Exxon, Total and Shell, which do have production capacities in Qatar and the UAE, but these earn more from oil price rises than they would lose from supply disruptions in a single region.

In the turmoil of the Iran war, the markets now face contradictions. On one hand, interest rates on bonds have risen sharply, indicating that central banks are quickly hiking interest rates to counter (fears of) inflation. But if the main problem is an oil shortage and rising oil prices, it is far from certain that raising interest rates suddenly would even be necessary. An energy shock and falling stock prices would themselves do much to cool the economy. Many recall the 1970s oil price rises and the wave of inflation that followed. However, the economy half a century ago was very strongly influenced by trade unions and their wage demands, while today the story is about potential job losses due to AI and weakening in organized labour's position in collective bargaining – at any rate, the situation is not comparable to the 1970s. The analogous example from today might instead be the behaviour of the public sector doing all it can to use subsidies to protect consumers from any kind of market volatility. The clearly limiting factor here is countries' already high debt level and the need to increase defence spending. In short, the rise in interest rates may not prove as heavy a burden as currently feared if governments do not simultaneously deepen the problem themselves with other actions.

As a result of the sharp price swings, markets now are in a situation where bonds for strong companies can be found at a 4-5% interest rate. In the long term, the price rise effect can still be expected to accrue as longer-term bonds reach the repayment phase over time. It is likely that our fund will avail itself of the opportunity to buy such undervalued bonds in the weeks ahead.

The past performance of the investment fund does not guarantee or indicate the future performance of the fund in subsequent periods. The information provided should not be construed as investment advice, an investment recommendation, or any other investment or ancillary service. Please refer to the fund's prospectus and the key investor information, and request additional information [lhv.ee/en/investment-funds](http://lhv.ee/en/investment-funds). The LHV Euro Bond Fund is managed by AS LHV Asset Management. The historical average returns of the fund for calendar years are presented as geometric averages. Due to the fund's short history, data for the 2-, 3-, and 5-year returns are not available

ISIN	EE3600001921
FOUNDED	02.12.2024
START OF OPERATION	28.01.2025
BASE CURRENCY	EUR
ASSET CLASS	BONDS
FUND SIZE	13 199 275

### TOP 10 ISSUERS

SKANDINAVISKA ENSKILDA BANKEN AB (SEB)	5.49%
JP MORGAN CHASE & CO	5.44%
INVESTOR AB	4.92%
KBC GROUP NV	4.71%
SWEDBANK AB	3.93%
OP MORTGAGE BANK	3.86%
ING DIBA AG	3.83%
DBS BANK LTD	3.75%
CREDIT AGRICOLE HOME LOAN SFH	3.73%
ERSTE GROUP BANK	3.65%
<b>10 BIGGEST TOTALS</b>	<b>43.31%</b>
DIFFERENT INVESTMENTS	32

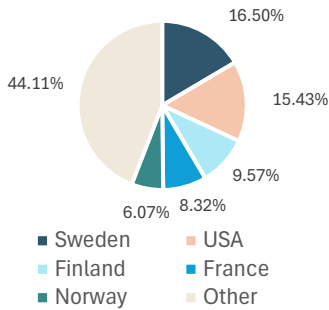
### AVERAGE BONDS PERFORMANCES

AVERAGE YIELD TO MATURITY	3.54%
AVERAGE DURATION	2.85
AVERAGE CREDIT RATING	A1

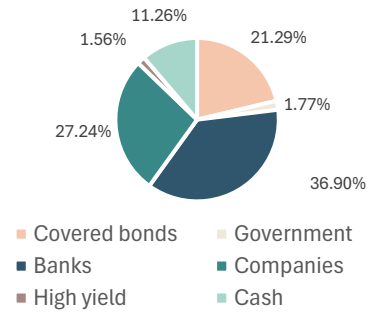
## Historical Results

	1 month	12 months
Fund	-1.3%	1.66%

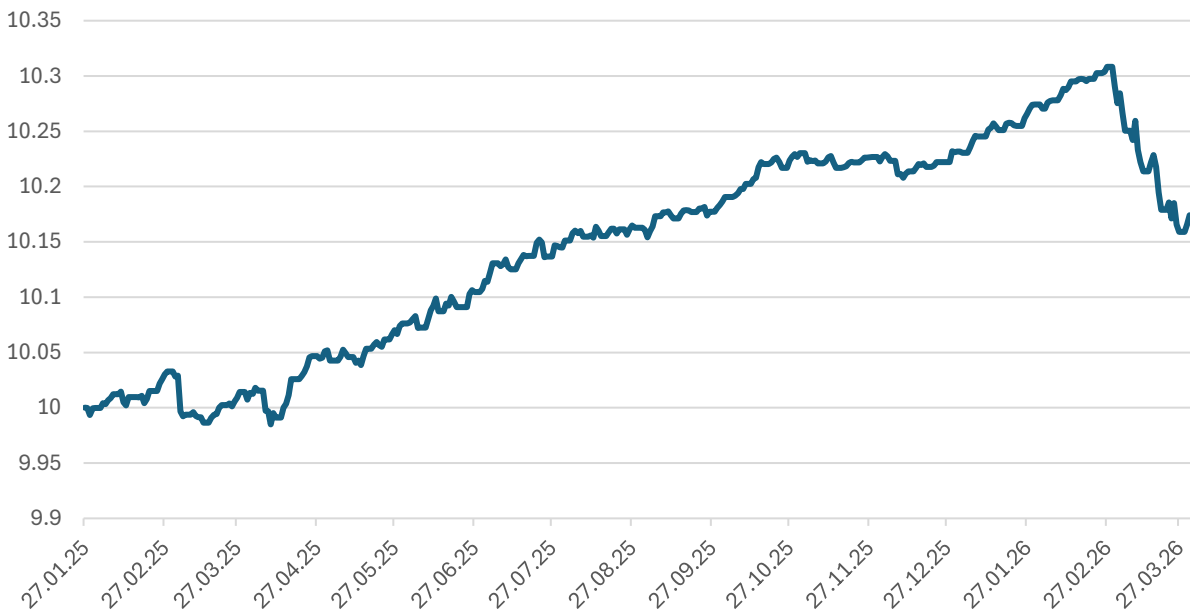
## Geographical distributions



## Sectors



## Unit price movement



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