LHV Euro Bond Fund

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Comment from the fund manager

Romet Enok

Positive spring trend continues in European bonds in June as well; fund posts +0.33% result for the month.

Unlike in the past two months, this time we made no changes in the fund's largest investments. We did however make an adjustment in Baltic-oriented investments, selling our subordinated Luminor securities and participating in the Latvenergo's new senior bond issue. Without giving up too much in expected return, we improved the portfolio's credit quality and seniority.

As of the end of the first half of the year, the fund's net return since it was established in Q1 2025 stood at +3.3%. Interestingly enough, the two most significant individual events on European bond markets during this period were political – first, the trade wars of spring 2025 and the new German government's investment programme and, second, this spring's Iran war and the resulting inflation fears. Above all, both of these impacted the movement of risk-free interest rates. In our assessment, the interest rate hikes following the Iran conflict and resulting drop in bond prices reduced the fund's return by as much as 1%.

What has been very stable in the last year has been corporate credit spreads – i.e., the extra borrowing costs companies pay compared to risk-free German government rates. This situation allows new companies to raise money in the bond market and – most important – companies already participating in the market can negotiate for the best refinancing rates. All of this is a boon for the economy in the short term, yet it has dented the return for investors.

In this light, we would like to reiterate what we stated in our last monthly newsletter – we continue to be focused on higher-rated companies.

Historical Results

	1 month	12 months
Fund	0.33%	2.16%

ISIN	EE3600001921
FOUNDED	02.12.2024
START OF OPERATION	28.01.2025
BASE CURRENCY	EUR
ASSET CLASS	BONDS
FUND SIZE	11 943 459

TOP 10 ISSUERS

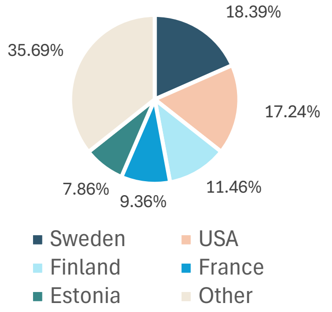
JP MORGAN CHASE & CO	6.12%
EESTI ENERGIA AS	6.09%
SKANDINAVISKA ENSKILDA BANKEN AB (SEB)	6.02%
INVESTOR AB	5.55%
SWEDBANK AB	4.41%
OP MORTGAGE BANK	4.31%
ING DIBA AG	4.27%
CREDIT AGRICOLE HOME LOAN SFH	4.12%
DBS BANK LTD	3.76%
ERSTE GROUP BANK	4.07%
10 BIGGEST TOTALS	**49.15%**
DIFFERENT INVESTMENTS	**31**

AVERAGE BONDS PERFORMANCES

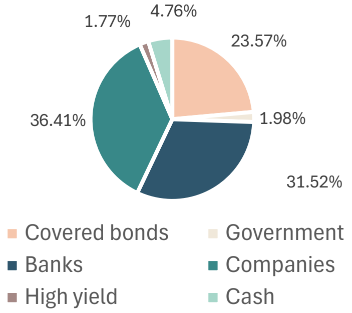
AVERAGE YIELD TO MATURITY	3.32%
AVERAGE DURATION	2.89
AVERAGE CREDIT RATING	A2

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. 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. The value of the amount invested in the fund is not guaranteed.

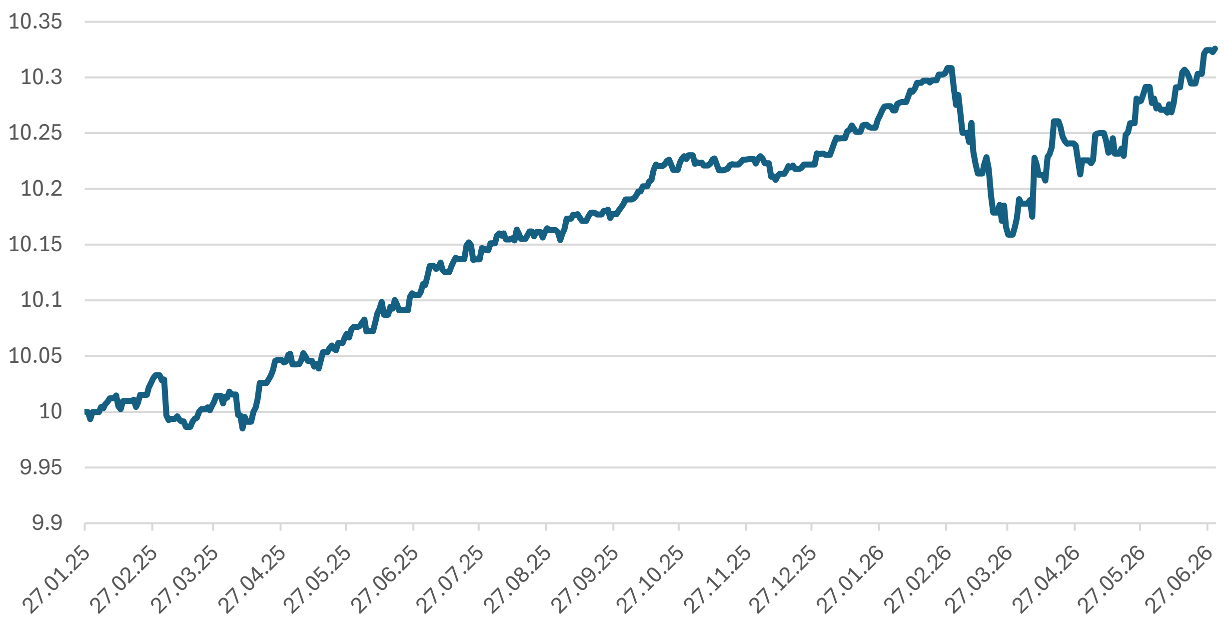
Geographical distributions



Sector



Unit price movement



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