

LHV Euro Bond Fund

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Comment from the fund manager

Romet Enok



By its second full month of activity, the fund had largely completed its portfolio build-out. By the end of March, it was most heavily invested in the banking sector, which made up one-third of the portfolio. By home country, banking sector allocations are distributed between US, Western European, Scandinavian, Polish and Baltic banks. Another significant type of bond in the fund's portfolio is covered bonds. Covered bonds have a long history in Europe for financing home loans – besides the bank's own guarantee, mortgage loans (and indirectly, the real estate associated with the mortgages) are pooled specifically to secure the bonds, which makes covered bonds the most stable bond class. For the fund in question, we have selected covered bonds in equal measure from four large European home loan markets – Germany, Scandinavia, France and Spain. Since bonds from non-financial-sector companies are currently not at an attractive price level, the share of these securities in the funds is currently lower than they will ordinarily be.

At the same time, the fund entirely lacks issuers with lower credit quality – as of late March, subordinated bonds from Luminor Bank had the lowest rating in the portfolio. As of the end of the month, we had invested close to 70% of the fund's volume into bonds. The fund also earns floating interest rate based income from its cash position, but ordinarily our preference is for bonds and almost all of the fund's portfolio is expected to be allocated in the coming weeks.

The most important event on the European bond market in the past month was German Parliament passing a major increase in public borrowing. More borrowing means higher interest rates, which lowered bond prices. As a result, the fund was slightly in the red for the month. When the plan is implemented, the German government loan market growth in the coming years will be significant and interest rates will also be higher than previous expectations. Government bonds are not our first preference as far as asset classes are concerned, but their higher interest rates would also spill over to types of securities that are in our sphere of interest.

ISIN	EE3600001921
FOUNDED	02.12.2024
START OF OPERATION	28.01.2025
BASE CURRENCY	EUR
ASSET CLASS	BONDS
FUND SIZE	9 742 001

TOP 10 ISSUERS

JP MORGAN CHASE & CO	7.88%
ING DIBA AG	5.31%
SKANDINAVISKA ENSKILDA BANKEN AB (SEB)	5.30%
CREDIT AGRICOLE HOME LOAN SFH	5.01%
LUMINOR	4.79%
NORDEA BANK ABP	4.16%
BANK POLSKA KASA OPIEKI SA	3.66%
SAMPO OYJ	3.57%
BANK GOSPODARSTWA KRAJOWEGO	3.56%
KBC GROUP NV	3.22%

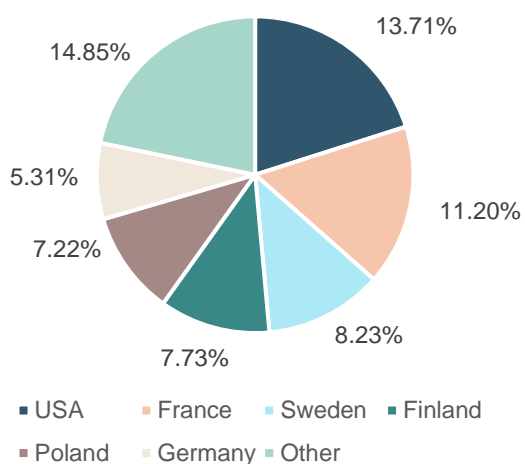
10 BIGGEST TOTALS	46.46%
DIFFERENT INVESTMENTS	20

AVERAGE BONDS PERFORMANCES

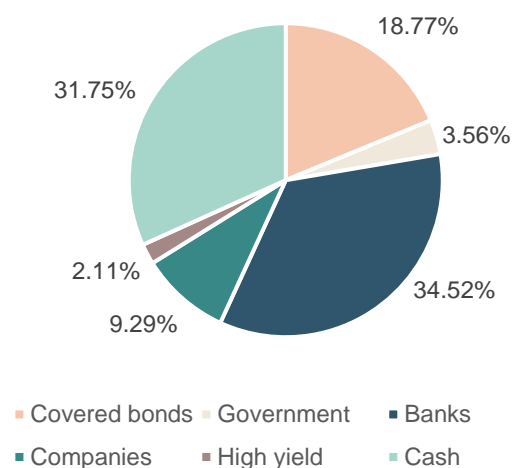
AVERAGE YIELD TO MATURITY	3.68%
AVERAGE DURATION	3.99
AVERAGE CREDIT RATING	A1

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 at lhv.ee/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.

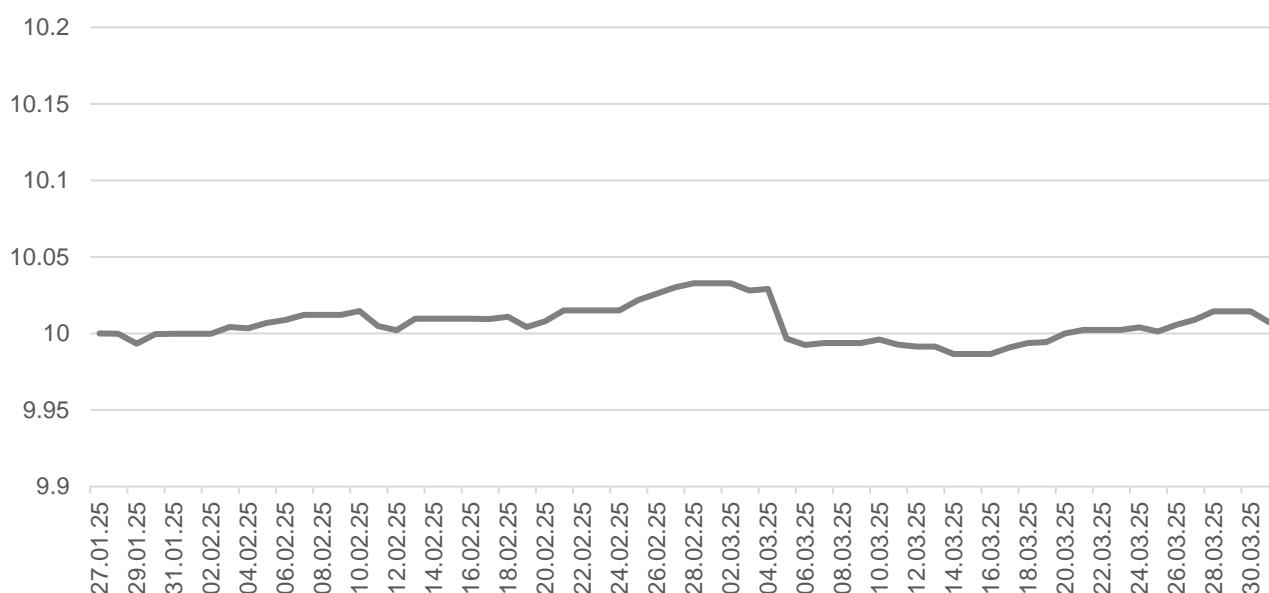
Geographical distribution



Sectors



Unit price movement



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