LHV Euro Bond Fund

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Comment from the fund manager

Romet Enok



Pressure pushing interest rates up cooled off significantly in October. In this light, the fund's monthly return was +0.40%, which is close to expected.

The most noteworthy trend on the corporate bonds market continues to be large-scale borrowing by US technology firms for AI investments. These transactions are so large in volume that the cost of capital is going up for all other borrowers through money market demand, while also raising the return earned by investors. Eurozone interest rates are now higher than they were during the wave of inflation at the beginning of the Ukraine war. An overview of term deposits offered by Estonian banks, compiled by *Äripäev* journalist Priit Pokk, shows that as of early November, the highest possible interest rate in the 1-month to 2-year range was the 2-year rate offered by Holm Bank – 3.30%. At the same time, one of the current LHV Eurobonds Fund's investments with the lowest interest rate level was the SEB Swedish parent company's 1.5-year bond, with a rate of 3.30% (1). Both the deposit and the bond are bank liabilities and thus linked to the quality of loans issued by the bank. Should the bank experience problems, investors can hope for support from the Estonian deposit guarantee' fund, but the aforementioned bond is structured based on home loans issued by SEB in Sweden (thus, ultimately, apartments and houses). As a result, the bond has the absolute highest possible international credit rating. It is very unlikely for Estonian-based banks' deposits (or even the Estonian government) to achieve such a rating, and in the case of the next 1-2 years in our scope of interest, out of the question. Indeed, the attraction of the bond market lies in the fact that investors can choose not only from different companies but securities of different lengths and collateral. No investment decision should be automatic; instead it should be based on the yield offered and the risk involved.

1) (https://arileht.delfi.ee/artikkel/120621833/vordlus-hoiuseintressid-on-jatkanud-tousu-millises-pangas-tasub-raha-hoida).

Historical Results

	1 month	12 months
Fund	0.40%	0.43%

ISIN	EE3600001921
FOUNDED	02.12.2024
START OF OPERATION	28.01.2025
BASE CURRENCY	EUR
ASSET CLASS	BONDS
FUND SIZE	10 438 108

TOP 10 ISSUERS

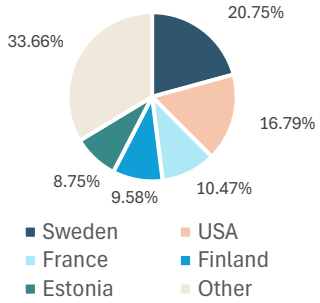
JP MORGAN CHASE & CO	6.95%
SKANDINAVISKA ENSKILDA BANKEN AB (SEB)	6.87%
EESTI ENERGIA AS	6.78%
INVESTOR AB	6.16%
SWEDBANK AB	5.02%
ING DIBA AG	4.89%
DBS BANK LTD	4.77%
OP MORTGAGE BANK	4.76%
CREDIT AGRICOLE HOME LOAN SFH	4.75%
ERSTE GROUP BANK	4.68%
10 BIGGEST TOTALS	**55.63%**
DIFFERENT INVESTMENTS	**27**

AVERAGE BONDS PERFORMANCES

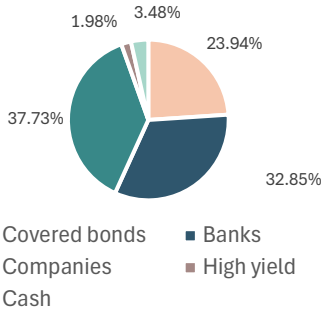
AVERAGE YIELD TO MATURITY	3.87%
AVERAGE DURATION	2.76
AVERAGE CREDIT RATING	A2

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.

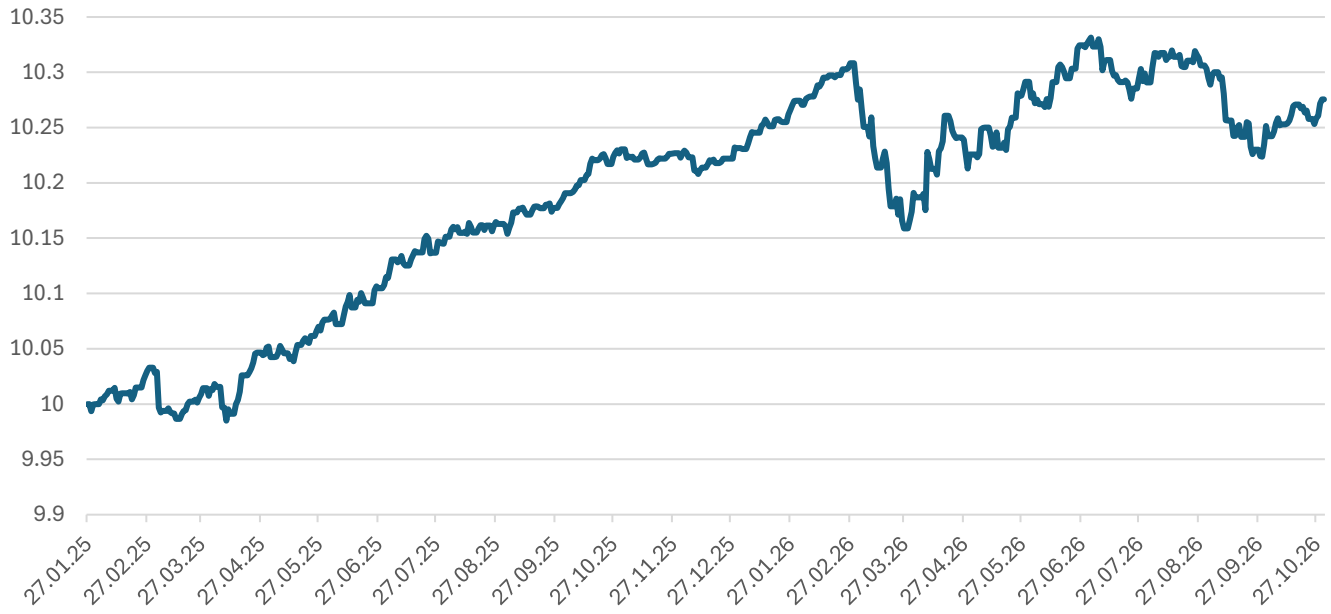
Geographical distributions



Sector



Unit price movement



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