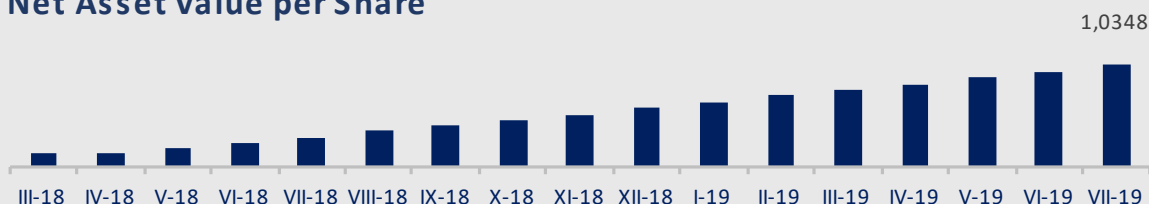


EnCor Fixed Income Strategy Fund

ISIN: CZ0008043106
Currency: CZK
Period : 31.07.2019
Asset under 222 mil CZK
Value of share: 1,0348 CZK
Fund performance 12M: 2,79%

Net Asset Value per Share



Market update



The stabilization of credit markets observed in June and July morphed into a period of risk aversion in early August. Sovereign bond yields in G10 economies fell throughout the summer, at first due to indications of ample future liquidity provision to markets from the central banks but were then sent tumbling further on global growth and trade concerns into August. Sovereign yields hit record lows in several countries, with for example the entire German government bond yield curve presently sitting at negative yields. The total of listed debt globally trading with negative yields stands at over USD 16trn at the moment, as we discussed in our recent blog :<https://bit.ly/31WHU6g>

Even some “sub-investment grade”, more risky, corporate issuer yields have breached 0%. All of this points to bond and credit markets expecting an economic slowdown and disinflation/deflation to take hold. More risky credits in global markets are not pricing this scenario at all and are thus vulnerable to a pricing correction. In the Czech economy, inflation (CPI at 2.9% year-on-year in July) is still relatively high but industrial production is clearly contracting (-3.8% year-on-year in June), whilst June retail sales growth slowed to just 0.2% year-on-year. Retail sales excluding autos stood at a more robust 4.6% year-on-year.

Mark Robinson, Portfolio manager

Portfolio update



We still see the likelihood of one more hike from the CNB in 2019, especially if disinflation does not take hold in the Czech Republic and CPI stays elevated. We thus stay invested in floating rate bonds or those with short term maturities, as we see the risk of credit spreads widening. Investing in shorter term bonds prevents capital losses from occurring if yields shift upwards as a consequence of our predictions. Driven by the moves in global markets, Czech sovereign yields sit at levels well below the local inflation rate, presently and could well move up again. In terms of portfolio activity during the month of July, we initiated a position in the Wood reverse repo backed by media player CETV and increased positions in other reverse repos marginally. We allowed a further portion of our Penta 12-month promissory note position to mature. The current portfolio yield stands at 4.31% per annum at the July month end. The unit value grew 0.27% in July.

Lubor Žalman, Founder of the fund

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Disclaimer

EnCor Funds SICAV a.s., a variable-capital investment fund, is a fund of qualified investors. Only a fully qualified investor within the meaning of ACT 272 of law no.240/2013 Sb., On Investment Companies and Investment Funds, can become an investor in the Fund. The investment company reminds investors that the value of the investment in the fund may vary, and the return of the originally invested amount of money is not guaranteed. Historic fund performance does not guarantee same or higher performance in the future. Investment in the fund is designed to yield returns in medium and long-term horizon and is therefore not suitable for short-term speculation. Potential investors should, in particular, consider specific risks that may arise from the investment objectives of the Fund as set out in its Statute. Investment objectives are reflected in the recommended investment horizon, as well as in fees and costs of the fund. Key Information about the Fund (KID) is available at www.avantfunds.com/information-info/ or www.encorfunds.com. In paper form, the information can be obtained at AVANT Investment Company, a.s., ROHAN BUSINESS CENTER, Rohanské nábřeží 671/15 (reception B), 186 00 Praha 8. This information is informative only and does not constitute a proposal for conclusion of a contract or public offer according to the provisions of the Civil Code.