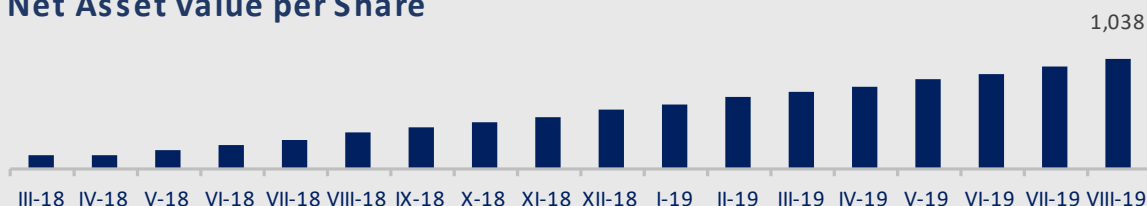


EnCor Fixed Income Strategy

Sub-fund of EnCor Funds SICAV, a.s.

ISIN: CZ0008043106
Currency: CZK
Period : 31.08.19
Asset under management: 236 mil CZK
Value of share: 1,0348 CZK
Fund performance 12M: 2,87%

Net Asset Value per Share



Market update



Credit markets shifted into a more risk-averse mode in August and sentiment largely remains cautious. This is despite an injection of fresh optimism for global economic growth seen in early September stemming from speculation over a resolution of the US- China trade issue and expectations of substantial future monetary and fiscal support for G10 economies. Sovereign bond yields in G10 economies fell in August, snapped back up in September but remain volatile. The total of listed debt globally trading with negative yields remains around USD 16trn, creating distortions in banking, credit and investment markets, especially for the profitability of financial institutions and the valuation of pension funds. The controversial September move of the ECB to cut interest rates further, restart “quantitative easing” and the present shortage of bank liquidity in US financial markets are creating more questions and risks for credit investors to consider.

An economic slowdown and disinflation/deflation taking hold looks most probable in G10 countries. More risky credits in global markets are not pricing this scenario at all and are thus vulnerable to a pricing correction. Inflation (CPI at 2.9 % year-on-year in August) in the Czech economy is still relatively high, driven by wage growth, retail demand and housing costs. This is in contrast to the weak dynamics in the industrial sector both domestically and in key export partners (especially Germany), creating a two-way “tug-of-war” situation for the Czech National Bank. The CNB opted in late September to keep interest rates flat at 2 %.

Mark Robinson, Member of the Investment Committee

Portfolio update



We still see the likelihood of one more hike from the CNB in late 2019-early 2020, especially if disinflation does not take hold in the Czech Republic and the Czech koruna weakens due to global factors. We thus stay invested in floating rate bonds or those with short 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. We were active in portfolio investment in August: we increased our position in the 12-month promissory notes of Czech energy conglomerate EPH, as well as initiating a fresh 12-month promissory note holding in Penta, the Czech-Slovak corporate grouping. We sold down our position in the reverse repo backed by Harfa and sold out of that backed by CETV. We also redeemed the fully - secured short-term bridge loan to Prague-based developer Satpo. The current portfolio yield stands at 4.68 % per annum at the August month end. The unit value grew 0.31 % in August.

Lubor Žalman, Founder of the fund

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Disclaimer

EnCor Funds SICAV, a.s. 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