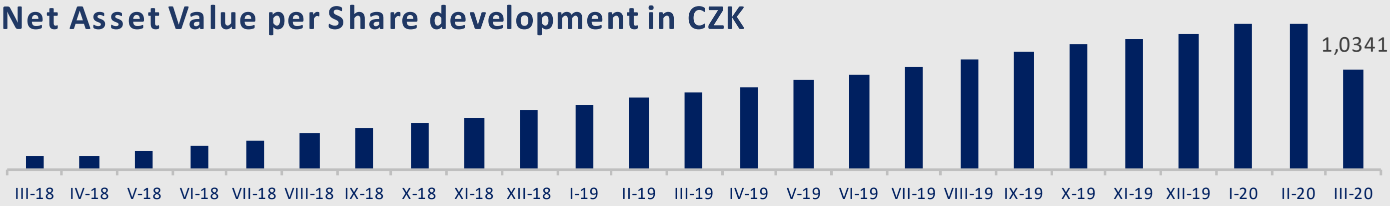
EnCor Fixed Income Strategy

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

ISIN:	CZ0008043106
Currency:	CZK
Period :	March 2020
Asset under management:	302,2 mil. CZK
Value of share:	1,0341 CZK
Fund performance 12M:	0,86%

Net Asset Value per Share development in CZK



Market update

The global spread of COVID-19 dominated asset markets in March 2020. The spread of the disease to all major economies in the world by the end of the month has resulted in the partial or complete shut-down of industrial production and all discretionary consumer activity outside of the home. The GDP of major economies are likely to take a -4%-10% annualized hit in the first and second quarters of 2020, with considerable doubt on the speed of economic recovery thereafter. This hit to GDP is greater than seen during the Global Financial Crisis of 2008-09. Global credit markets sold off heavily in the first three weeks of March before successive very heavy interventions by the US Fed, the ECB and the Bank of Japan from 22 March onwards, stabilized bond prices. All of these Central Banks are buying corporate debt in the marketplace, alleviating or removing losses for bond - holders. These interventions are unprecedented in the US, but now are regular practice in the Eurozone and Japan. The gain is a stabilization of credit markets, the loss is an absence of price discovery and proper assessment of risk. Global economic growth in the very long run is likely to be lower, in consequence. The Czech Republic, as a trading "open" economy is vulnerable both to the immediate economic disruption caused by COVID-19 and too much slower long run global growth. On the other hand, the country is still competitive in a European context and has handled the COVID-19 outbreak better than most of its peers. Czech GDP is expected to contract between -2%-6% in 2020. Czech inflation is currently stubborn, at 3.4% year-on-year for March, as food and import prices have risen, outweighing the benefit of lower crude oil prices. The CNB chopped interest rates twice in March, to a level of 1.0%. The CNB may act again, to cut rates or maybe commence "quantitative easing" via the purchase of government bonds.

Mark Robinson, Member of the Investment Committee

Portfolio update

Prices in the Czech corporate bond market also fell in March, with the Fund delivering a -1.67% return to unit - holders in the month, following a 0.42% gain in January and -0.04% loss in February. Several of our traded and non-traded bond holdings were marked down in price at March month end, with very limited liquidity for those holdings traded in the marketplace. Sentiment in the Czech credit market appeared to stabilize in April, with more trading occurring in some names at higher price levels. We remain concerned about the financial strength of a limited number of industrial and consumer holdings in the portfolio and are continuing to monitor the progress of these companies through the COVID-19 shutdown phase in the Czech and CEE economies. Capital preservation is a priority and we are conscious of the high CPI inflation rate (3.4%) versus benchmark interest rates (1%) and low government bond yields (0%-1%). We have maintained near-term portfolio liquidity levels well above our 15% minimum policy limit and retain a flexible approach to selling some holdings and considering new opportunities as the COVID-19 situation unfolds. In March, the Fund exited its long-held position in real estate exposure Finep Red Thirteen, upon maturity and invested in a fully - secured bridge loan to Prague-based developer Satpo. The Fund took a position in the new 5-year issue of Czech energy player EPH. We reduced substantially the position in the short-term Wood reverse repo backed by the Harfa real estate asset, while increasing the short-term Wood reverse repo backed by listed company CEZ. The running yield of the portfolio stood at 4.31% at March month end.

Lubor Žalman, Founder of the fund

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