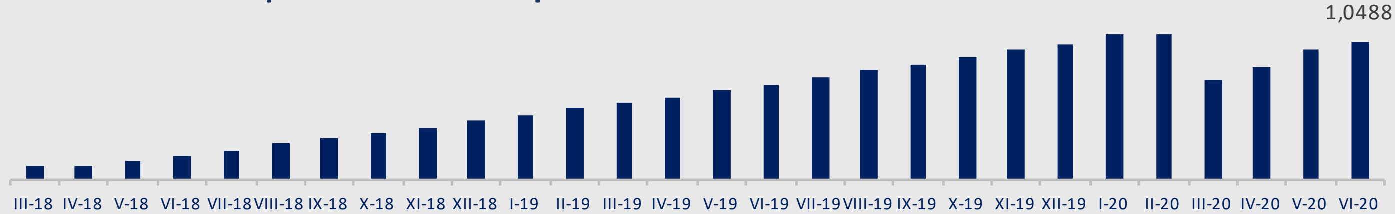
EnCor Fixed Income Strategy

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

ISIN:	CZ0008043106
Currency:	CZK
Period :	June 2020
Asset under management:	241 mil. CZK
Value of share:	1,0488 CZK
Fund performance 12M:	1,63%

Net Asset Value per Share development in CZK



Market update

A resurgence of COVID-19 in Emerging Market countries and the USA in June and into July stands in contrast with the largely successful reopening of the European economies. The economic situation, though, remains brittle and vulnerable to the path of the pandemic, particularly to the supply and demand for discretionary goods and services and associated employment. The global economy is still estimated to contract -5%-7% in 2020E. Prices and spreads in global credit markets have barely changed in the past two months, reflecting the balance between improvement of activity versus the fear of further disruptions and actual bad news from corporates as results and outlooks are adjusted. Central Banks, especially the Bank of Japan and the ECB, continued to step in and support bond and credit prices, suppressing yields and commentators assume the same for the US Fed, if liquidity conditions do deteriorate. Both international and Czech credit markets remain open in terms of issuance, though the usual seasonal lull in the summer months has kicked in. Much more issuance and tests of the "solvency" risk lie ahead, as very large amounts of debt come due in the coming months and quarters in Developed and Emerging countries. Growth indicators for the Czech economy, alongside those of neighbour Germany, appear to have "bottomed" in April and May and look to be slowly improving. Czech inflation for June jumped to 3.3% year on year, well above commentator expectations, with food and import price rises still prevalent. A recent rally in the koruna might improve the imported inflation picture in coming months but also reflects the better domestic demand story, itself inflationary.

Mark Robinson, Member of the Investment Committee

Portfolio update

The Czech corporate bond market continued to stabilize in June, with the Fund delivering a +0.28% return to unit - holders in the month, thus registering 3 months of positive returns. The year-to-date return of the Fund now stands at +0.1%. The running yield of the portfolio held steady at 3.99% at June month end. The interest rate cuts seen in recent months have reduced the available yields on floating rate investments and Koruna-denominated returns from the hedging of Euro-denominated exposures. Moderate issuance activity continued in the marketplace in June and into July, indicating a gradual return to normality. We continue to monitor a limited number of industrial and consumer holdings in the portfolio that are potentially compromised by the COVID-19 lockdowns and associated recessions. Assimilating these trends, we sold the portfolio's position in national/international train and bus operator Regiojet, reduced the position in both the HB Reavis and CSG 2021 floating rate bonds and trimmed our position in Sazka's Euro-denominated bonds. We took a small position in the short-term reverse repos and remain likely to invest in new opportunities, as part of this portfolio rotation, in the near term. Short term liquidity remains above our present 15% limit.

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 nábřeží671/15 (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.