

EnCor Fixed Income Strategy

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

ISIN:	CZ0008043106
Currency:	CZK
Period :	March 2021
Asset under management:	365,9 mil. CZK
Value of share:	1,09 CZK
Fund performance 12M:	5,41%

Net Asset Value per Share development in CZK



Market update



Global credit markets steadied in March and into April as the selling pressure seen earlier in the year abated. Markets have by now priced in the probability of a rise in inflation readings in G10 countries in the coming months and credit investors must now wait until the summer before it becomes more clear whether this inflation spike turns into something more enduring. Only in the case that the "COVID-19 reopening" recovery, the huge fiscal stimulus applied in the US and elsewhere or another shock sustaining this higher inflation will G10 government bond markets react by pricing in more future interest rate hikes. Government bond yields would rise in this case, putting widening pressure on credit "spreads". Those "spreads", the gap between the yields on credits and government bond yields, are very narrow compared to history and are thus not pricing in much risk.

Czech government bond prices and yields also steadied in the last few weeks. CPI inflation registered at 2.3% year-on-year in March, though the market expects a higher reading in April. Interest rate hikes from Central Banks in other Emerging Markets continued in March and April, indicating that monetary authorities elsewhere are cognizant of the inflation risk. Czech economic data for Q1 indicate the impact of the latest COVID-19 "lockdown" phase, with February retail sales down -5.8% year-on-year and overall GDP growth expectations for Q1 in negative figures. The Czech export sector remains the one brighter spot.

Mark Robinson, Member of the Investment Committee

Portfolio update



Turnover in the portfolio picked up during the month of March, due to inflows and also the maturity of two positions: the variable rate bonds we held of Slovak-based real estate player HB Reavis and the Czech-Slovak conglomerate Penta 2021 bonds both paid out. The Fund no longer holds positions in these names. We acquired two new positions, in the 2027 bonds of Czech armaments producer Ceska Zbrojovka Group and in the new 2026 issue of real estate developer Finep Barrandov.

We reduced the position in the very short term reverse repurchase agreement secured by the Wood Retail Fund, while increasing our smaller position in the very short term reverse repo backed by Wood & Company Financial Services. Further diversifying investments are expected in April. The running yield of the Fund dropped to 3.56% at March month-end, with the monthly return standing at +0.25%.

Lubor Žalman, Founder of the fund

Contact for investors

Tel: +420 230 234 112

info@encorfunds.com

www.encorfunds.com

Disclaimer

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