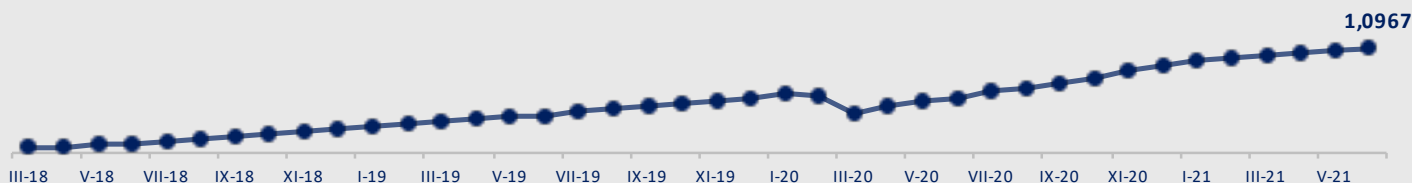


EnCor Fixed Income Strategy

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

| | |
|-------------------------|--------------|
| ISIN: | CZ0008043106 |
| Currency: | CZK |
| Period : | June 2021 |
| Asset under management: | 428 mil. CZK |
| Value of share: | 1,0967 CZK |
| Fund performance 12M: | 4,57% |

Net Asset Value per Share development in CZK



Market update



Global credit markets rallied throughout June before steadying in the midsummer of July. Very high liquidity in financial markets and concurrent very high GDP growth numbers as the world economy continues to recover from the COVID-19 shock underpinned that performance. The rallying bond prices have taken yields down to levels that suggest investors and commentators see the present spikes in rates of inflation around the world as only temporary. The evidence from the latest inflation readings suggests something different, with US CPI at 5.4%, almost the highest level for 30 years and US, German and Chinese producer price inflation at 7.3%, 8.5% and 8.7% year-on-year. Producer price inflation normally seeps through to consumer price inflation with a lag. Credit markets will be vulnerable to a correction if a longer-lasting surge in producer and consumer prices unfolds in coming months.

Czech government bond prices and yields steadied in both June and July, absorbing the first interest rate hike (since the COVID-19 shock) from the CNB on 23 June. Upward pressure on Czech bond yields is likely if inflation surprises on the upside in coming months. Czech CPI came in at 2.8% for June but producer price inflation registered at 6.1% year on year, the highest rate in a decade. This producer price pressure plus rampant Czech house prices, tightness of labour markets and low unemployment all suggest that consumer price inflation could surprise commentators and lead to more than the expected 1-2 more rate hikes in the rest of 2021.

Mark Robinson, Member of the Investment Committee

Portfolio update



We made several diversifying investments in June, while seeking to retain the relatively short duration profile of the portfolio in expectation of interest rate hikes. We bought bonds of three issuers, all maturing in 2022: those of industrial real estate player Accolade, diversified financial services group J&T and hydro-power plant holding company Renfin International.

We bought a small position in the 2021 bonds of Czech-Slovak conglomerate Penta. We also initiated a position in the longer-term subordinated bonds of Moneta Money Bank. We added marginally to our existing position in real estate developer Finep's Hloubetin issue. Inflows and an exit from the very short term reverse repo backed by the Wood Retail Real Estate Fund funded these acquisitions. Short-term liquidity in the portfolio remains well above our present 15% limit. Further diversifying investments are expected in July.

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 informative only and does not constitute a proposal for conclusion of a contract or public offer according to the provisions of the Civil Code.

