

# EnCor Fixed Income Strategy

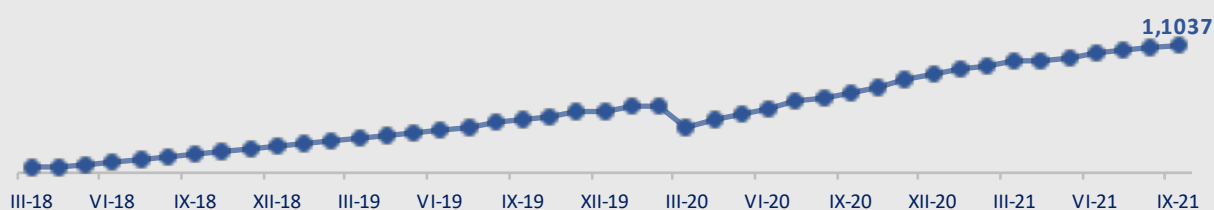
Sub-fund of EnCor Funds SICAV, a.s.

ISIN: CZ0008043106  
Currency: CZK  
Period: September 2021  
Asset under management: 567 mil. CZK  
Value of share: 1,1037 CZK

## Fund performance

Time period	1M	3M	6M	12M	Since inception
Performance	0,18%	0,64%	1,26%	3,73%	10,37%

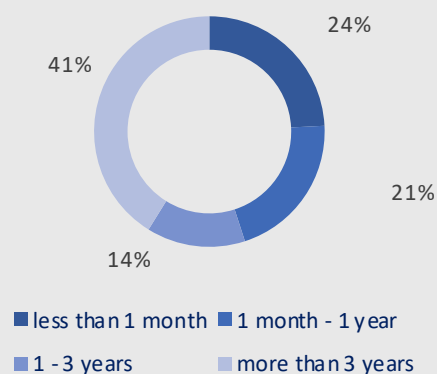
### Net Asset Value per Share development in CZK



### Top 10 positions in portfolio

Wood reverzní repo	16%
EPH 4.5/25	11%
PPF Telecom 3.25/27	7%
SAZKA 4.0/2022	6%
AIR Bank VAR/29	4%
JTFG VIII 4.0/23	4%
SAZKA 5.2/2024	4%
SATPO City Home III 5.0/23	3%
PMA bridge loan	3%
Finep IV 3.95/26	3%

### Duration structure



## Market update



The global credit arena remained stable in September and into October, even with a rise in government bond yields in both G10 countries and Emerging Markets. Two strong forces are acting against one another in interest rate markets: on the upside, consumer inflation data are now persistently higher than the expectations of commentators who believed that the post-COVID price spikes were “transitory”. The recent upward movements in energy prices and very strong producer price inflation (“PPI”) data suggest that the pricing pressure picture for consumers will deteriorate further. On the other hand, Central Bank intervention, via “quantitative easing” and bond purchases, remains in place and provides liquidity support to markets in the G10 countries. But the US Fed and the Bank of Japan are in the process of starting to “taper” these huge interventions. Taking into account the intention of G10 governments to keep fiscal spending high, the inflation risk looks like the stronger force in the near term.

The latest inflation data in CZ shocked commentators again, with September CPI rising to 4.9% year-on-year and PPI at 9.9%. The CNB reacted, pushing up policy interest rates by 75bps to 1.50% on 30 September. Up to 75bps of interest rate rises may follow in the rest of 2021, which would take the CNB policy rate back to its January 2020 level. Where the CNB goes from there will depend on the path of presently very low unemployment, high wage pressures, supply chain disruptions (also affecting economic output) and a rampant housing market. A recent weakening of the CZK even in the face of these higher interest rates adds to imported inflation. We expect further upward pressure on government bond yields and by implication, Czech corporate credit yields.

**Mark Robinson, Member of the Investment Committee**

## Portfolio update



We have positioned the portfolio for some time for corporate credit market prices to fall as interest rates rise. We achieved this via three elements: first, very short-term liquidity in the portfolio remains well above our present 15% limit. Secondly, we avoided purchasing large positions in very long term bonds. Thirdly, we purchased additional protection against rate rises in early August and late September through a new holding, CZK-denominated interest rate swaps.

We continued our portfolio diversification strategy in September: we increased our holding in the variable rate bonds of Air Bank, made a one-year CZK deposit at J&T Bank and initiated a position in a very liquid US senior loan ETF. In addition, we acquired very short term reverse repos backed by Moneta Money Bank whilst reducing our holding in the reverse repos backed by listed company Pilulka. Further diversifying investments are expected in October.

**Lubor Žalman, Founder of the fund**

## Contact for investors

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## Disclaimer

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