

EnCor Fixed Income Strategy

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

ISIN: CZ0008043106

Currency: CZK

Period: October 2021

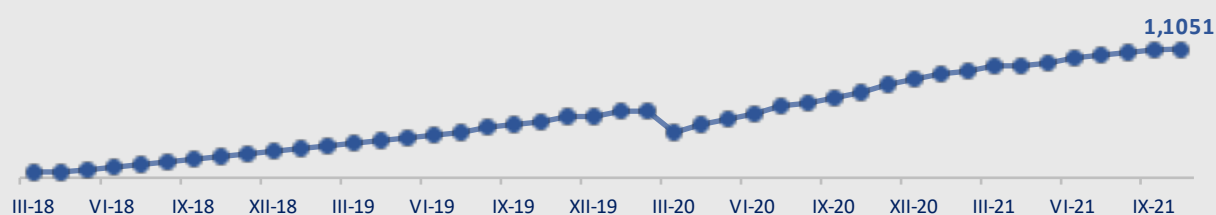
Asset under management: 631 mil. CZK

Value of share: 1,1051 CZK

Fund performance

Time period	1M	3M	6M	12M	Since inception
Performance	0,13%	0,50%	1,23%	3,46%	10,51%

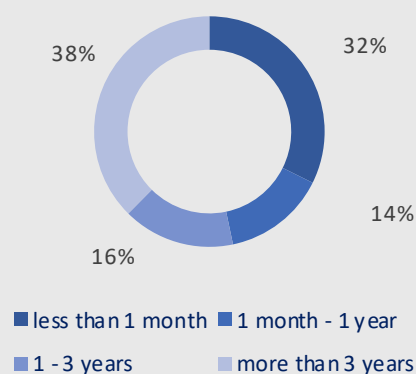
Net Asset Value per Share development in CZK



Top 10 positions in portfolio

Wood reverzní repo	18%
EPH 4.5/25	10%
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	3%
CZG VAR/2027	3%
SATPO City Home III 5.0/23	3%
Finep IV 3.95/26	2%

Duration structure



Market update



Conditions in global credit markets slowly deteriorated through October and into November, as bond investors began to absorb the risk of a “stagflation” scenario. Stagflation is a combination of “stagnating”, or slow economic growth occurring at the same time as high or rising inflation. Leading indicators of growth across G10 countries have tracked down for the last two months and, at the time of writing, further disruption risks due to the spread of the COVID “delta” and “omicron” variants may amplify this downdraft.

Consumer price inflation, meanwhile, has hit multi-decade highs in the US and Germany, 6.2% and 4.5% year-on-year respectively and looks poised to increase further. October’s factory-gate producer price inflation (“PPI”) data from Germany, China and the US stood at 18.4%, 13.5% and 8.6% year-on-year, meaning either more price hikes for consumers or a substantial squeeze on corporate margins. The latter would not be good news for credit markets and neither is the beginning of the “tapering” of quantitative easing interventions by the US Federal Reserve.

The CNB reacted to the inflation shock domestically by hiking interest rates another 125bps on 4 November. The CNB’s main policy rate now stands at 2.75%, still a long way below October’s CPI and PPI readings of 5.8% and 11.5% year-on-year. We expect the CNB to keep hiking interest rates to 3.5% or above in the coming months. The possibility of even faster hikes may depend on if the Czech koruna weakens, the latter which imports inflation. But our fund is well-prepared for it, as set out below.

Mark Robinson, Member of the Investment Committee

Portfolio update



We see the situation of rising interest rates and falling bond prices as an opportunity as much as a threat. Our fund has been preparing for this market development for some time and again delivered a positive return in October. The fund’s strategy so far this year has been primarily holding short average bond maturities, having a high proportion of liquid instruments and, in particular, hedging against rising interest rates with interest rate swaps. Owing to the large amount of liquid assets in the fund, we are able to take advantage and invest in the coming months with notably higher yields than we have achieved so far. During October, we bought a new position in the 5-year bonds of Private Equity technology solutions investor Pale Fire Capital. We added to the portfolio’s holdings in Czech armaments player CZG and energy conglomerate EPH. Our well-secured Czech residential real estate bridge loan matured in October with full repayment. We parked short-term liquidity in a Wood & Company Euro reverse repo backed by Royal Dutch Shell shares while reducing our reverse repo backed by Pilulka shares.

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.