

# EnCor Fixed Income Strategy

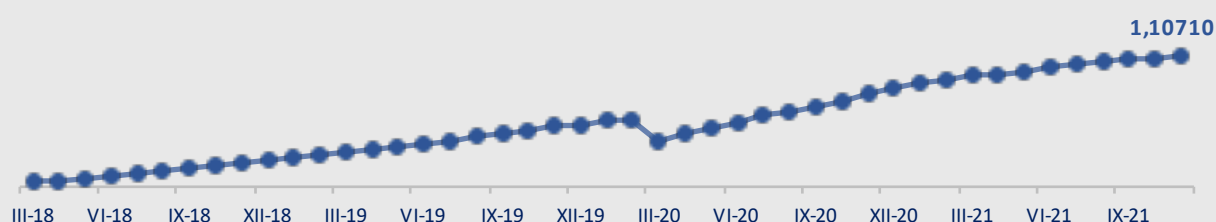
Sub-fund of EnCor Funds SICAV, a.s.

ISIN: CZ0008043106  
Currency: CZK  
Period: November 2021  
Asset under management: 693 mil. CZK  
Value of share: 1,1071 CZK

## Fund performance

Time period	1M	3M	6M	12M	Since inception
Performance	0,18%	0,49%	1,19%	2,96%	10,71%

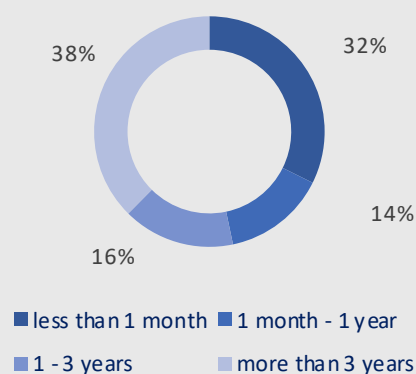
### Net Asset Value per Share development in CZK



### Top 10 positions in portfolio

Wood reverzní repo	17%
EPH 4.5/25	9%
PPF Telecom 3.25/27	6%
SAZKA 4.0/2022	5%
AIR Bank VAR/29	4%
JTFG VIII 4.0/23	3%
SAZKA 5.2/2024	3%
CZG VAR/2027	3%
SATPO City Home III 5.0/23	2%
Finep IV 3.95/26	2%

### Duration structure



## Market update



Conditions in global credit markets deteriorated through November but steadied in early December, as ever-higher inflation readings pointed to a likely need for tighter monetary policy from the G10 Central Banks going forward. In addition, further disruption risks due to the spread of the COVID “delta” and “omicron” variants may amplify the downdraft observed in economic growth data.

November consumer price inflation in the US, Germany and the UK spiked to 6.8%, 5.2% and 5.1% year-on-year respectively and the levels look likely to increase. More price hikes for consumers look probable, as November’s factory-gate producer price inflation (“PPI”) data from major exporters Germany, China and the US stood at 19.2%, 12.9% and 9.6% year-on-year. Prices not being passed on to consumers and corporate margins coming under pressure would not be good news for credit markets. As we set out below, our Fund is well-prepared for these developments.

November’s Czech CPI and PPI readings came in at 6.0% and 13.5% year on year, levels that justified the significant 125bp interest rate hike on 4 November. The CNB followed this up with another 100bp hike on 22 December, bringing the main policy interest rate to 3.75%. We expect the CNB to keep hiking interest rates to 4.0% or above in the coming months, as inflation ticks up towards 7%-8%.

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

## Portfolio update



The Fund again delivered a positive return in November, even in the face of falling Czech bond prices caused by the interest rate hikes. We have achieved this through holding short average bond maturities, having a high proportion of liquid instruments and, in particular, hedging against rising interest rates with interest rate swaps. We see the situation of rising interest rates and falling bond prices as an opportunity as much as threat. We have begun to invest our surplus liquidity in bonds with notably higher yields than we have achieved so far. This process of realigning the portfolio will take several months, if not quarters and its length will partially depend on the extent and speed of CNB interest rate rises. During November, we bought new positions in the 4-year bonds of industrial real estate developer KKIG and Euro-denominated subordinated floating rate bonds of Erste Bank. We added to the portfolio’s holding in diversified Central European real estate player GTC. Our well-secured Czech residential real estate bridge loan to SATPO matured in November with full repayment.

**Lubor Žalman, Founder of the fund**

## Contact for investors

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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/](http://www.avantfunds.com/information-info/) or [www.encorfunds.com](http://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.