EnCor Fixed Income Strategy

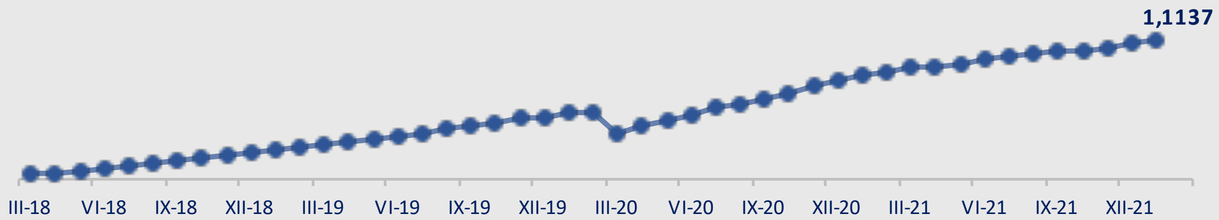
Sub-fund of EnCor Funds SICAV, a.s.

ISIN:	CZ0008043106
Currency :	CZK
Period:	January 2022
Asset under management:	681 mil. CZK
Value of share:*	1,1137 CZK

Fund performance

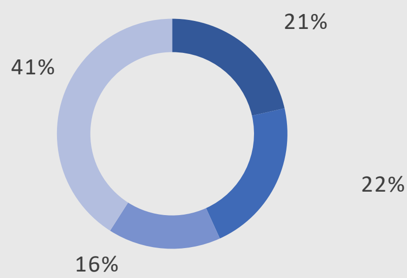
Time period	1M	3M	6M	12M	Since inception
Performance*	0,15%	0,78%	1,28%	2,73%	11,37%

Net Asset Value per Share development in CZK



Top 10 positions in portfolio

Duration structure



* Important disclaimer: The share value has not yet been confirmed by the regular annual EY audit. Final value of the share may slightly deviate from the above-stated number.

Market update

Sentiment in global credit markets deteriorated moderately in January and into February, as fears of inflation and Russian military action in Ukraine mounted. Inflation data in the major economies, accompanied by rising oil and commodity prices, provided more evidence to commentators and investors that price rises are spreading across the whole spectrum of economic activity in the US, Europe and some Emerging Markets. This forced up government bond yields, with a knock-on effect on the "spread", or the yield premium, of investment-grade or high-yield credit over government bonds. The onset of war between Russia and Ukraine has seen credit prices fall, especially in Europe and in Emerging Markets.

The strong inflation dynamic forced the CNB to hike interest rates again on 4 February, this time by 75bps to 4.50%. January's consumer and producer year-on-year price inflation readings of 9.9% and 19.4% again shocked commentators and February's data are likely to be higher, given the upward move in commodity prices and depreciation of the CZK since Russia's invasion of Ukraine. We expect the CNB to continue to hike interest rates in the very short term.

Mark Robinson, Member of the Investment Committee

Portfolio update

The Fund has stayed positioned cautiously through this difficult pricing environment and generated a positive return in January. Our koruna portfolio remains fully-hedged against rising bond yields via holding CZK interest rate swaps. We do see the situation of rising interest rates and falling bond prices as an opportunity as much as a threat. We thus continued in January to slowly invest our surplus liquidity in bonds and loans with notably higher yields than we have achieved so far. We are executing this strategy slowly because of the attractive yields on offer for holding well-secured short term reverse repo and bank deposit positions. In January, we bought a position in the new 2-year issue of real estate investment fund ZDR, with a coupon of 7.5%, which replaced a maturing lower-yield ZDR exposure and we again advanced a well-secured bridge loan to Czech residential development player SATPO. We liquidated our Wood& Co short term reverse repo positions backed by Moneta and Pilulka in favour of overnight deposits at Ceska Sporitelna.

Lubor Žalman, Founder of the fund

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Disclaimer