

# VIG Czech Short Term Bond Investment Fund

A series CZK MONTHLY report - 2024 APRIL (made on: 04/30/2024)

## INVESTMENT POLICY OF THE FUND

The Fund aims to increase the value of its assets under management and to provide investors with a higher yield than Czech bank deposits and short-term bonds over a period of 1 to 2 years. No individual investor's decisions can be made in the Fund. The Fund Manager selects portfolio elements in accordance with the above principles. When making investment decisions, the tools of fundamental analysis and technical analysis are used, and the current market sentiment is also taken into account. The Fund primarily invests in discount treasury bills issued by the Czech State, sovereign bonds, bonds of quasi-sovereign companies, or bonds or deposit-like instruments issued by the Czech National Bank, the European Central Bank or the central bank of another Member State of the European Union. To a limited extent, the portfolio may include government securities, state-guaranteed bonds, corporate bonds (including those issued by financial institutions) and mortgage bonds with at least investment-grade credit rating. Investments may be made in Czech crowns or, to a limited extent, in other currencies. In the case of assets denominated in a currency other than Czech crowns, the Asset Manager shall strive to fully hedge foreign exchange risks (there cannot be a difference of more than 5% between the currency exposure of the derivative transaction and that of the asset to be hedged).

The Fund may enter into deposit and repo transactions, invest – to a limited extent – in units in collective investment undertakings, and derivatives may as well be used (for the purposes of hedging or building an efficient portfolio).

## MARKET SUMMARY

March was a tough month for Czech short bond yields, which was partly continued in April. From 2024 lows, short term Czech bond yields increased by circa 40-60bps. Mostly it was caused by stronger than expected growth data globally, and slowing down of disinflation in the world economy. Rate cut expectations for 2024 peaked in January around 150-170bps for EU and US, and at some point in April, market participants expected less than 30bps, or only one 25bps rate cut in the US. This had an important impact on the Czech Republic as well, despite the fact that Czech headline inflation came lower than previously forecasted and expected (CPI was 2.1% yoy vs 2.9% forecasted, core CPI was 2.8% yoy vs 3.5% predicted in 1Q 2024), fiscal deficit may be below 3% (much better than Poland, Hungary, Romania), and growth is also quite weak in Czechia. The Czech National Bank (CNB) become more hawkish, investors started to question how long rate cut cycle may go, and if the pace by 50bps per meeting is sustainable. Most probably the CNB will present a mix of hawkish messages and would argue about a very careful approach to further rate cuts, which may be even halted should pro-inflationary risks materialize. A hawkish cut is a safe choice, the CNB is expected to ease policy rate further, but via the hawkish attitude, it tries to anchor the currency, and prevent any market backlash. If inflation came stronger than expected, the central bank's hawkishness is a success story; if it doesn't, FX may even strengthen, creating space for further easing going forward. The biggest questionmark is, if 50bps pace is maintained in the coming month or will be scaled down to 25bps? As headline CPI in Czechia is expected to oscillate between 2-3%, the room is clearly there for further cuts. We think, there is a higher probability for 50bps cuts going forward, but slowing down in May or June can't be ruled out. Market will expect a terminal rate of 4-4,25% in 2024 for the time being, however we believe, current short term bond yields are rather attractive, as Swiss National Bank started the rate cuts in developed Europe, which should be followed by others (Riksbank, ECB), and a slowdown in growth will lead to rate cuts in the US as well. US macro data started to show some weakness recently, which may lead to new market narratives (away from no landing scenario towards soft landing/some recessionary pricing). This would lead to better bond market performance.

## GENERAL INFORMATION

|                                    |  |
|------------------------------------|--|
| Fund Manager:                      | VIG Investment Fund Management Hungary |
| Custodian:                         | Erste Bank Hungary Zrt.                |
| Main distributor:                  | VIG Investment Fund Management Hungary |
| Benchmark composition:             | Fund has no benchmark                  |
| ISIN code:                         | HU0000731781                           |
| Start:                             | 07/03/2023                             |
| Currency:                          | CZK                                    |
| Net Asset Value of the whole Fund: | 32,564,185 CZK                         |
| Net Asset Value of A series:       | 8,419,713 CZK                          |
| Net Asset Value per unit:          | 1.036412 CZK                           |

## DISTRIBUTORS

Conseq Investment Management, a.s., VIG Asset Management Hungary Plc.

## SUGGESTED MINIMUM INVESTMENT PERIOD

|        |        |      |      |      |      |      |
|--------|--------|------|------|------|------|------|
| 3 mths | 6 mths | 1 yr | 2 yr | 3 yr | 4 yr | 5 yr |
|--------|--------|------|------|------|------|------|

## ASSET ALLOCATION OF THE FUND

| Asset                              | Weight          |
|------------------------------------|-----------------|
| Government bonds                   | 73.00 %         |
| T-bills                            | 21.48 %         |
| Current account                    | 8.56 %          |
| Liabilities                        | -3.06 %         |
| Receivables                        | 0.02 %          |
| <b>Total</b>                       | <b>100.00 %</b> |
| Derivative products                | 0.00 %          |
| Net corrected leverage             | 100.00 %        |
| Assets with over 10% weight        |                 |
| CZGB 2025/09/17 2,4% (Czech state) |                 |
| CZGB 2026/06/26 1% (Czech state)   |                 |
| CZGB 2024/12/12 0% (Czech state)   |                 |
| CZGB 2026/02/26 6% (Czech state)   |                 |

## RISK PROFILE

|            |   |   |   |   |   |   |            |
|------------|---|---|---|---|---|---|------------|
| 1          | 2 | 3 | 4 | 5 | 6 | 7 |            |
| ←          |   |   |   |   |   |   | →          |
| Lower risk |   |   |   |   |   |   | Higer risk |

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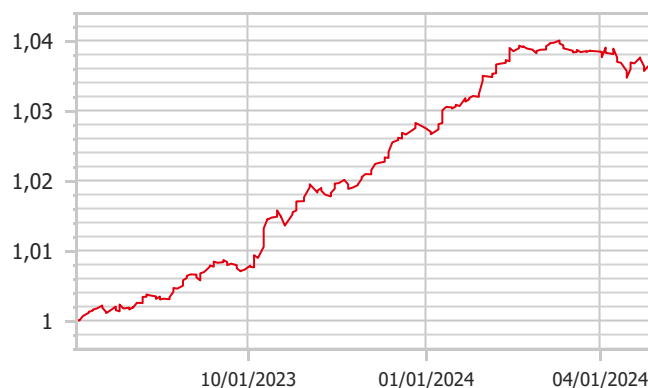
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## NET YIELD PERFORMANCE OF THE SERIES

| Interval    | Yield of note | Benchmark yield |
|-------------|---------------|-----------------|
| YTD         | 0.82 %        |                 |
| From launch | 3.64 %        |                 |
| 1 month     | -0.21 %       |                 |
| 3 months    | 0.20 %        |                 |
| 6 months    | 1.85 %        |                 |

## NET PERFORMANCE OF THE SERIES

net asset value per share, 07/03/2023 - 04/30/2024



## RISK INDICATORS

|   |            |
|---|------------|
| Annualized standard deviation of the fund's weekly yields-based on 1 year | 0.94 %     |
| Annualized standard deviation of the fund's weekly yields-based on 3 year | 0.94 %     |
| Annualized standard deviation of the fund's weekly yields-based on 5 year | 0.94 %     |
| WAM (Weighted Average Maturity)   | 1.47 years |
| WAL (Weighted Average Life)   | 1.49 years |

## TOP 10 POSITIONS

| Asset                 | Type             | Counterparty / issuer | Maturity   |         |
|-----------------------|------------------|-----------------------|------------|---------|
| CZGB 2025/09/17 2,4%  | interest-bearing | Czech state           | 09/17/2025 | 27.38 % |
| CZGB 2026/06/26 1%    | interest-bearing | Czech state           | 06/26/2026 | 27.24 % |
| CZGB 2024/12/12 0%    | zero coupon      | Czech state           | 12/12/2024 | 21.49 % |
| CZGB 2026/02/26 6%    | interest-bearing | Czech state           | 02/26/2026 | 12.17 % |
| CZGB 2027/02/10 0,25% | interest-bearing | Czech state           | 02/10/2027 | 5.94 %  |
| CZGB 2025/02/14 1,25% | interest-bearing | Czech state           | 02/14/2025 | 0.30 %  |

### Legal declaration

The recent document qualifies as Portfolio Report according to the Kbfv. requirements. It contains the following elements based on the last net asset value of the reporting month: presentation of the assets of the fund regarding asset type of portfolio investment and regarding other categories detailed in its investment policy; list of assets (issuers) representing more than 10% of the portfolio; net asset value of the fund, including the cumulated and the calculated value per unit share. Investors are kindly advised, that past performance of the fund does not guarantee future performance. The returns presented are to be considered without applicable taxes, distribution fees and commissions, fees related to account keeping and other costs in relation with holding an investment fund unit. Information presented in the Portfolio Report are for information purposes only, not intended to serve as investment advice, or any other offer. Investors are kindly advised to carefully read the Key Investors Document and Prospectus of the fund, in order to understand the risks of investing into the fund, and to be able to make an informed investor decision. The referred documents are available at the distribution locations and on the official website of VIG Fund Management Zrt. VIG Investment Fund Management Hungary | 1091 Budapest, Üllői út 1. | +36 1 477 4814 | alapkezele@am.vig | www.vigam.hu