

VIG Czech Short Term Bond Investment Fund

# **VIG Czech Short Term Bond Investment Fund**

## **2023 ANNUAL REPORT**

### **(FREE TRANSLATION)**

## VIG Czech Short Term Bond Investment Fund

This report has been prepared by VIG Befektetési Alapkezelő Magyarország Zrt. as the fund manager of VIG Czech Short Term Bond Investment Fund (hereinafter: the Fund), on the basis of Sections 131 and 132 of (Hungarian) Act XVI of 2014 on collective investment forms and their managers as well as on the amendment of certain finance-related laws (hereinafter: Kbtv), for the purpose of presenting the Fund's operations in the year 2023.

Further information on the general operation of the Fund is contained in the prospectus approved by the National Bank of Hungary (MNB) for the public offering of the Fund's investment units, which can be found at VIG Befektetési Alapkezelő Magyarország Zrt. (VIG Asset Management Hungary Closed Company Limited by Shares), the places of distribution of the Fund's investment units and on the Fund Manager's website (<https://www.vigam.hu/>).

Budapest, 26. April 2024.

Péter Kadocsa  
Chairman and CEO

Bálint Kocsis  
Chief Administration Officer

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VIG Czech Short Term Bond Investment Fund

## GENERAL INFORMATION ABOUT THE FUND

### Name of the Fund

VIG Czech Short Term Bond Investment Fund

### Abbreviated name of the Fund

Czech Short Term Bond Fund

### Registration number of the Fund

1111-872

### Kind of the Fund

open-end

### Type of the Fund

public

### Date of registration of the Fund

3. July 2023.

## Series and type of Investment Units traded in the reporting period

Series	Currency	ISIN CODE
A	CZK	HU0000731781
I	CZK	HU0000731799

### Yield Payment

The Fund do not pay a yield against any capital growth; the entire capital growth is reinvested in accordance with the investment policy of the Fund. Investors can realise the capital growth as the difference between the purchase and resale prices of the Investment Units they own, as a price gain.

### Eligible Investors

Investment Units may be purchased by both resident (Hungarian) and non-resident (foreign) individuals, juridical entities (e.g. companies) and unincorporated business entities.

### Details of the Fund Manager

VIG Befektetési Alapkezelő Magyarország Zrt.  
1091 Budapest, Üllői út 1.  
Phone: (06-1) 477-4814

### Details of the custodian

Erste Bank Hungary Zrt.  
1138 Budapest, Népfürdő u. 24-26.

### Details of the auditing firm engaged by the Fund

PricewaterhouseCoopers Könyvvizsgáló Kft.  
1055 Budapest, Bajcsy-Zsilinszky út 78.  
Trade registry number: 01 09 063022  
Registration number: 001464

### Details of the auditor employed by the auditing firm

Könczöl Enikő  
Membership number:007367

VIG Czech Short Term Bond Investment Fund

## I. NET WORTH STATEMENT

Composition of the assets and liabilities of the investment fund at the start and at the end of the reporting period and the share of each asset within total assets:

Description	2022.12.31.		2023.12.29.	
	Amount / Value (CZK)	NAV in percent (%)	Amount / Value (CZK)	NAV in percent (%)
Bank balances			7 487 798	29,48
Repo				
Negotiable securities			17 937 752	70,62
Derivative transactions				
Other assets			999	0,00
Total assets			25 426 549	100,10
Liabilities			-25 990	-0,10
Net asset value			25 400 559	100,00

The table was prepared on the basis of the net asset values valid as at the last trading day of the period.

## II. NUMBER OF INVESTMENT UNITS IN CIRCULATION

Investment unit				2022.12.31.	2023.12.29.
fund	Series	Currency	ISIN CODE		
VIG Czech Short Term Bond Investment Fund	A	CZK	HU0000731781		1 451 886
VIG Czech Short Term Bond Investment Fund	I	CZK	HU0000731799		23 200 000

The table was prepared on the basis of the net asset values valid as at the last trading day of the period.

## III. NET ASSET VALUE PER INVESTMENT UNIT

Investment unit				2022.12.31.	2023.12.29.
fund	Series	Currency	ISIN CODE		
VIG Czech Short Term Bond Investment Fund	A	CZK	HU0000731781		1,027986
VIG Czech Short Term Bond Investment Fund	I	CZK	HU0000731799		1,030519

The table was prepared on the basis of the net asset values valid as at the last trading day of the period.

## IV. COMPOSITION OF THE INVESTMENT FUND

Description	2022.12.31.		2023.12.29.	
	Amount / Value (CZK)	In percent (%)	Amount / Value (CZK)	In percent (%)
Total officially listed negotiable securities				
Total negotiable securities traded on other regulated markets				
Total recently issued negotiable securities				
Other negotiable securities				
Debt securities - Domestic – other foreign			17 937 752	100,00
Debt securities - Domestic - Total			17 937 752	100,00
Total securities			17 937 752	100,00

The table was prepared on the basis of the net asset values valid as at the last trading day of the period.

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## V. Changes in the assets of the investment fund

### Income from investment:

data in THUF

Income from financial transactions	2023
Accumulated interest on the prices of bonds	-1 708
Interest received from financial institutions	4 150
<b>Total:</b>	<b>2 442</b>

Prepared on the basis of the data in the 2023 accounting records of the Fund.  
data in THUF

Expenses of financial transactions	2023
Year-end valuation of financial instruments	1 468

Prepared on the basis of the data in the 2023 accounting records of the Fund.

### Other income and other expenses:

In 2023, the Fund recognised a penalty commission income of THUF 9 as **Other income** and its special tax of THUF 91 and fine THUF 7 under **Other expenses**.

### Costs, fees and taxes recognised in the business year:

data in THUF

Operating costs	2023
Custodial fees	370
Principal trailer fee	93
Management fees	476
Auditor's fee	152
Supervisory fees	64
Bank charges	14
<b>Total:</b>	<b>1 169</b>

Prepared on the basis of the data in the 2023 accounting records of the Fund.

### Net income, changes on the capital account and increases in investment value:

data in THUF

Capital growth:	2023
Value difference of repurchased investment units	485
from revaluation difference	5 106
from the profit of previous years	0
from the profit of the business year	-284
<b>Total:</b>	<b>5 307</b>

Prepared on the basis of the data in the 2023 accounting records of the Fund.

The fund had no distributed or reinvested income in 2023.

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## VI. Change in the net asset values and the net asset value per unit

Fund	Series	Currency	ISIN CODE	Net Asset Value	Unit price	Value date
VIG Czech Short Term Bond Investment Fund	A	CZK	HU0000731781	1 492 518	1,027986	2023.12.29.
	I	CZK	HU0000731799	23 908 041	1,030519	2023.12.29.

The table was prepared on the basis of the net asset values valid as at the last trading day of the period.

## VII. Derivative transactions

The Fund did not conclude derivative transactions during the relevant period.

## VIII. Changes in the operations of the investment fund manager and major factors affecting developments in the investment policy

Vienna Insurance Group (VIG) has acquired the Hungarian business of Dutch Aegon after receiving the approval of the Hungarian authorities. The closing concerned the sale of two Dutch holdings (Aegon Hungary Holding B.V., Aegon Hungary Holding II B.V.), which were 100% owners of the shares of the Hungarian Aegon companies. On March 25, 2022, the Hungarian state holding Corvinus acquired a 45 percent ownership stake in VIG Group's Hungarian business.

%n The Company changed its name to VIG Befektetési Alapkezelő Magyarország Zrt. on May 15 2023 then on August 1, 2023 its parent company also changed its name to Alfa Vienna Insurance Group Biztosító Zrt. .

In November 2023 the two owners of the parent company - the Vienna Insurance Group AG (VIG) and the Hungarian State through Corvinus International Investments Zrt. - signed an agreement according to which VIG increased its ownership ratio in the Hungarian group of companies from 55 % to 90 % - including all VIG companies in Hungary - thereby further strengthening its operational management role. The transaction was closed on November 30, 2023.

Changes in the members of the Supervisory Board:

Dr. Berta Adrienn was the member of the Supervisory Board from March 25, 2022 until April 14, 2023.

Huray Kinga was member of the Supervisory Board from May 25, 2023 until November 30, 2023. Due to a change in the ownership structure her position was terminated.

Mikesey Álmos was the member of the Supervisory Board from March 29, 2022, and chairman of the Supervisory Board from May 17, 2022 Due to a change in the ownership structure his position was terminated on November 30, 2023.

Gerhard Lahner is the Chairman of the Supervisory Board from December 1st 2023Mandates of the company's board of directors: Chairman of the Board:

Péter Kadocsa Chairman of the Board- re-elected for fixed term, for the period between October 15, 2023 and December 31, 2026.

Members of the Board of Directors are:

Bálint Kocsis CAO- re-elected for fixed term, for the period between October 15, 2023 and December 31, 2026.

András Loncsák Investment director - re-elected for fixed term, for the period between October 15, 2023 and December 31, 2026.

László Gábor Kovács Business Development director - re-elected for fixed term, for the period between March 20, 2023 and December 31, 2026.

The mandate of the board member Zsolt Kovacs - delgated by the state - started on March 29, 2022 and due to a change in the ownership structure was terminated on November 30, 2023

Due to legislative changes, the following amendment was added to the Fund's investment policy: At least 80% of the Fund's assets are invested in foreign assets.

In accordance with the Fund's investment policy, the vast majority of the Fund was invested in Czech government bonds issued in Czech crowns. In order to increase the expected yield potential, this can be supplemented to a limited extent by purchasing and investing in bonds issued or guaranteed by Czech quasi-sovereign companies, EU or OECD or G20 countries (whose credit rating is at least investment grade), as well as other corporate bonds, mortgage bonds and foreign currency bonds or deposits, while at the same time the Fund manager followed a conservative investment policy in 2023. The changes in the composition of the Fund were justified by the various market opportunities and the continuous capital movements.

## IX. Remuneration paid by the Fund Manager

**(a)- (b) the total amount of remuneration, broken down by fixed and variable remuneration paid to employees and by employee category, with an indication of the number of beneficiaries**

	Total amount of remuneration	Persons who have a significant impact on the risk profile of the AIF through their activities (including senior managers)
Headcount data (persons)	53	19
Fixed	481 997 489	380 882 575
Variable	57 744 082	118 927 064
Profit share	0	0

### c) Method for calculating pay and benefits

The bonus system is meant to reward the members of the management team, Head of Risk manager, Compliance manager, Portfolio managers (except junior asset managers) and analysts, Sales manger experienced salespeople, the Head of the investment fund selection and performance measurement department, as well group leader of the Back office area for excellent performance based on criteria tailored to the individual concerned.

Based on the rating of the employees working in the above areas, the maximum payable bonus can be anything between 45% and 100% of the annual basic salary.

The Chairman and CEO sets the specific objectives for the individuals concerned, which the Head of Risk Management reviews in the case of Identified MRT Employees (substantial risk taker). The job-related duties of the Chief Executive Officer and the Head of Risk Management are approved by the Supervisory Board and/or the representative of owner Company. The fulfilment of the objectives is assessed, monitored and approved in accordance with the above.

When determining the disburseable bonus amount, the bonus budget calculated according to the conditions laid down by the remuneration committee of owner company and approved by the same is another control besides the attainment of individual goals.

### d) results of the review of the remuneration policy

The internal audit's last annual review of the implementation of the Remuneration Policy made only one finding of low weight. The Fund Manager's Supervisory Board was briefed about the report of the audit.

### e) substantive changes in the remuneration policy

The Remuneration Committee will decide on the remuneration and bonus schemes used by the Fund Manager and their payment from 2023. It provides support and guidance in the development, operation and monitoring of the remuneration policy.

A threshold value will be implemented in the case of deferred bonus payments for MTR employees (who take significant risks).

If the employee's actual variable remuneration will reach the threshold value the deferred part in the 3-year deferral period is 14% in the first year and then 13-13% in the following years.

If the employee's actual variable remuneration will not reach the threshold value the entire variable remuneration is paid in cash.

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**X. In respect of all EU AIFs distributed by the AIFM and all AIFs distributed by the AIFM in EEA countries, not including AIFMs referred to under Section 2, subsection (2),**

**a) the share of the AIF’s assets to which, due to their non-liquid nature, special rules apply;**

During the relevant period, the Fund did not hold any non-liquid assets defined in the Fund Manager’s Liquidity Policy.

**b) all new agreements made in the relevant period relating to the liquidity management of the AIF,;**

The Fund Manager did not conclude any new agreements regarding the Fund’s liquidity management during the relevant period.

**c) Current risk profile of the AIF and the risk management systems applied by the AIFM to manage these risks.**

**Series “A” of the Fund, denominated in the base currency of the Fund, has the following investor profile:**

Name of Fund	Base currency of Fund	Recommended minimum investment period (Series A)	Risk classification (Series A)
VIG Czech Short Term Bond Investment Fund	CZK	2 years	2

The Fund is primarily intended for Investors who plan to invest for at least the recommended minimum investment period and who consider the indicated value on a scale of 1 to 7 of the risk/reward profile to be acceptable in light of their risk appetite

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). The average remaining duration of the Fund’s portfolio (modified duration) can not be higher than 2.5 years.

The Fund Manager establishes a separate department to perform risk management and compliance tasks, with the risk management and compliance officer being responsible for its operation. Within the department, the risk management unit aims to develop risk management practices that are suitable for identifying, measuring, continuously monitoring and managing the Fund’s risks. The procedures and rules applied ensure that the risk profile disclosed to investors is in line with the risk limits set out in the Fund’s management regulations.

As part of the risk management process, the risk management unit operates a limit system, which monitors, in separate subsystems, the legal, contractual and internal limits on the conclusion of individual transactions, the exposure to each partner, and the investment limits set by the Fund Manager in the Fund’s management regulations and communicated to its investors.

The Fund Manager applies a liquidity management system for the Fund to monitor the liquidity risks of the Fund and to ensure that the liquidity profile of the investments of the Fund comply with the obligations of the Fund.

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## XI. Using of leverage

The Fund may apply leverage only within the legal limits: The total net risk exposure of the investment fund may not be higher than twice the net asset value of the investment fund, i.e. the maximum leverage that may be applied by the Fund is 2. The Fund's investment policy has no other restrictions.

The Fund did not conclude derivative transactions during the relevant period. The total netted risk exposure of the Fund on 29.12.2023 is as follows: 1.

## XII. Income Statement

	Previous year (THUF)	Current year (THUF)
I. Income from financial transactions	0	2 442
II. Expenses of financial transactions	0	1 468
III. Other income	0	9
IV. Operating costs	0	1 169
V. Other expenses	0	98
VI. Paid and payable yields	0	0
<b>Profit/loss for the reporting year (I.-II.+III.-IV.-V.-VI.)</b>	<b>0</b>	<b>-284</b>