

VIG Czech Short Term Bond Investment Fund

I series CZK MONTHLY report - 2023 NOVEMBER (made on: 11/30/2023)

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 (Section 11). 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

In November the CNB still hold the base rate at 7%. Very short term yields increased after the decision, but longer dated government bonds proved quite resilient. The decision to delay an interest rate cut was based on the updated CNB inflation forecast. Despite recent softer core CPI numbers, the forecast predicts that core inflation in the Czech Republic will remain above 3% next year. The core inflation outlook emphasizes the significance of October and November inflation data, which will influence the CNB's December 21 meeting decision. Headline inflation rose temporarily, exactly as expected. Inflation picked up to 8.5%oya in October, from 6.9% in September, just marginally above consensus. It is also above the CNB's forecast for 8.3%oya. In monthly terms, prices moved just 0.1%/m. The increase was expectable and purely related to base effects caused by regulatory changes to electricity prices last year, inflation declines will resume from November. This was also one of the reasons, why CNB opted for later start of rate cuts. Core inflation remains subdued, though. Core inflation as defined by the CNB moved up 0.3%/m, implies a decline in core inflation to 4.2%oya, from 5%, being a bit lower than expected by the CNB (4.3%oya).

The new CNB Pribor forecast supports a December cut, but uncertainties regarding early year repricing in services CPI and changes in VAT in January make the decision uncertain. Regional central banks remained more hawkish: stop in rate cut cycle in Poland and no more cuts expected until March 2024 at least, no cut expected in Romania for prolonged period of time, relatively hawkish cuts by 75bps for Hungary. However, global sentiment is very supportive for rate cuts: disinflation ongoing, major central banks are done with rate hikes, moreover extended rate cuts are already priced in for both ECB and FED in 2024. Governor of CNB Aleš Michl's cautious rhetoric aligns with an end year forecast for the CNB policy rate at 4% for 2024, although market pricing moved towards 3,5%.

Summarizing statements and another calls by CNB board members, CNB seems still cautious, wary of potential January repricing effects, which makes a rate cut already in December somewhat less likely. Also mentioning, that until end of 2024, they have 9 meetings, which means: 3,5% base rate (market expectation recently) would require around 40bps rate cuts on average for all meetings, which cannot be ruled out, but seems stretched. They prefer a more gradual approach, not a Polish style rate cut, so thinking about best timing and most likely 25bps or 50bps cuts are on the table. If they were to start the cutting cycle in December, they would most likely start with a smaller 25bps cut, which may be accelerated to a pace of 50bps later as disinflation and new staff forecast improves. Risks definitely skewed for a later start in February.

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:	HU0000731799
Start:	07/03/2023
Currency:	CZK
Net Asset Value of the whole Fund:	23,887,502 CZK
Net Asset Value of I series:	23,723,995 CZK
Net Asset Value per unit:	1.022586 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
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ASSET ALLOCATION OF THE FUND

Asset	Weight
Government bonds	45.70 %
T-bills	28.63 %
Deposit	17.65 %
Current account	8.04 %
Receivables	0.00 %
Total	100,00 %
Derivative products	0.00 %
Net corrected leverage	100.02 %
Assets with over 10% weight	
CZGB 2024/12/12 0% (Czech state)	
CZGB 2026/06/26 1% (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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NET YIELD PERFORMANCE OF THE SERIES

Interval	Yield of note	Benchmark yield
From launch	2.26 %	
1 month	0.33 %	
3 months	1.53 %	

NET PERFORMANCE OF THE SERIES

net asset value per share, 07/03/2023 - 11/30/2023



— VIG Czech Short Term Bond Investment Fund I series
— Benchmark

RISK INDICATORS

Annualized standard deviation of the fund's weekly yields-based on 1 year	0.66 %
Annualized standard deviation of the fund's weekly yields-based on 3 year	0.66 %
Annualized standard deviation of the fund's weekly yields-based on 5 year	0.66 %
WAM (Weighted Average Maturity)	1.38 years
WAL (Weighted Average Life)	1.42 years

TOP 10 POSITIONS

Asset	Type	Counterparty / issuer	Maturity	
CZGB 2024/12/12 0%	zero coupon	Czech state	12/12/2024	28.65 %
CZGB 2026/06/26 1%	interest-bearing	Czech state	06/26/2026	28.55 %
CZK deposit	deposit	Erste Bank Hun	12/07/2023	17.66 %
CZGB 2026/02/26 6%	interest-bearing	Czech state	02/26/2026	17.18 %

Legal declaration

The recent document qualifies as Portfolio Report according to the Kbtv. 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