

VIG Czech Short Term Bond Investment Fund

I series CZK MONTHLY report - 2024 JANUARY (made on: 01/31/2024)

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 (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 January 2024 it was all about size and timing of rate cuts again. At the end of the month the 6x9 FRA, which covers the next four Czech National Bank (CNB) rate decisions, is quite excessive in our view, as circa ~250bp cumulative easing priced into the next four CNB meetings. Inflation to fall below 3% in Q1 2024 but reaccelerate later this year: the economic arguments for a 50bp rate cut at the next meeting on 8 February are well founded. Thanks to stronger than-expected disinflation in non-core components in Q4 2023, it seems that Q1 inflation should be well within CNB's November inflation projections. In January headline inflation print may fall below 3%. Without a sharp reacceleration in crude oil prices, headline inflation may remain below 3% throughout Q1.

However, on the risk side, some analysts (maybe shared partially by MPC members) are seeing signs of more persistent inflation, mostly referring to stickiness in services CPI, as services CPI momentum was reaccelerating recently and labour market is still tight both in our region and in the US as well. This combined with upside risks to real estate prices might prevent core inflation falling below 3% in 2024 and can lead to headline inflation reaccelerating above 3% after Q1, especially in soft landing global narrative. We think these risks should be also reflected in the CNB's macro forecasts, which could now show an upward sloping inflation path over the course of 2024. February 50bps-rate-cut seems to be a done deal, however, judging by CNB board members' recent statements, some would call for a more cautious stance, so there is some risk for slower rate cut already in February and going forward a hawkish rhetoric and a pushback against current excessive market pricing is in the cards, therefore we hold a more neutral interest rate exposure acknowledging the ongoing disinflation and rate cut cycle (Czech government bond yields decreased by 20-25bps during January), but putting weight on market pricing as well.

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:	26,519,007 CZK
Net Asset Value of I series:	24,065,778 CZK
Net Asset Value per unit:	1.037318 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	44.12 %
T-bills	26.14 %
Current account	27.26 %
Receivables	2.52 %
Total	100.00 %
Derivative products	0.00 %
Net corrected leverage	100.00 %
Assets with over 10% weight	
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
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← Lower risk Higher risk →

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NET YIELD PERFORMANCE OF THE SERIES

Interval	Yield of note	Benchmark yield
YTD	0.66 %	
From launch	3.73 %	
1 month	0.66 %	
3 months	1.77 %	
6 months	3.51 %	

NET PERFORMANCE OF THE SERIES

net asset value per share, 07/03/2023 - 01/31/2024



— 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	0.75 %
Annualized standard deviation of the fund's weekly yields-based on 3 year	0.75 %
Annualized standard deviation of the fund's weekly yields-based on 5 year	0.75 %
WAM (Weighted Average Maturity)	1.20 years
WAL (Weighted Average Life)	1.23 years

TOP 10 POSITIONS

Asset	Type	Counterparty / issuer	Maturity	
CZGB 2026/06/26 1%	interest-bearing	Czech state	06/26/2026	28.26 %
CZGB 2024/12/12 0%	zero coupon	Czech state	12/12/2024	26.09 %
CZGB 2026/02/26 6%	interest-bearing	Czech state	02/26/2026	15.77 %

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 | alapkezo@am.vig | www.vigam.hu