

VIG Czech Short Term Bond Investment Fund

I series CZK MONTHLY report - 2024 FEBRUARY (made on: 02/29/2024)

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

The Czech National Bank (CNB) voted 6-1 to cut its base rate by 50bp to 6.25%, accelerating the pace of its easing cycle at the first meeting of the new year. The sole dissenter called for an even deeper cut, adding to the dovish surprise provided by the vote split. The decision was justified by a decline in headline inflation. Governor Aleš Michl later clarified that FX weakness played no significant role in the Bank Board's decision, despite the Bank Board's earlier focus on the koruna exchange rate.

January inflation in the Czech Republic fell from 6.9% to 2.3% YoY, well below the CNB (3%) and market expectations (2.9%). The headline number dropped to its lowest level since March 2021 and is very close to the 2% central bank inflation target. Month-on-month inflation was 1.5%, driven by alcohol & tobacco, and housing costs associated with energy prices. Food prices were stable. Two main reasons behind downside surprise: lower than expected increase in regulated energy prices and sharp drop in imputed rents, rather one-offs.

Headline CPI may come close to 2% in February and March while the CNB expects 2.8% and 2.9%.

After that it may rebound given sticky services CPI, the prospect of rising housing prices, and the risk of core goods prices due to weak koruna. Imputed rents are quite important, as it comprise about 10% of the CPI basket and 20% of core inflation. Czech housing prices cooled significantly last year, there are some signs for bottoming out. Polish example may provide some insights regarding rebound in Czech real estate prices, especially if CNB cuts interest rates further quickly. It will be crucial to see, if rebound comes, and inflation can rise beyond 3% threshold again later this year, or stays below.

Based on the latest inflation numbers there is a risk of a 75bps cut in March. FX seems to be the main deciding factor here. On the other hand, it's good to mention that the CNB is indicating much bigger cuts in the new forecast. So overall, this still leaves room for 75bps to keep the same monetary conditions in the CNB forecast despite weaker FX compared to central bank expectations. Given the cautious FED and ECB, barring any changes for major central banks, and taking into account the risk for rebound in inflation in H2, CNB may stick to the more cautious 50bps rate cuts, already totally priced in towards 3% this year. Analyst wary in size of rate cut expectations: most hawkish expect end 2024 base rate at 4%, most dovish at 3%.

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:	28,347,961 CZK
Net Asset Value of I series:	24,174,678 CZK
Net Asset Value per unit:	1.042012 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	44.19 %
T-bills	24.53 %
Current account	31.12 %
Receivables	0.18 %
Liabilities	-0.01 %
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	1.12 %	
From launch	4.20 %	
1 month	0.45 %	
3 months	1.90 %	
6 months	3.46 %	

NET PERFORMANCE OF THE SERIES

net asset value per share, 07/03/2023 - 02/29/2024



— 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	0.79 %
Annualized standard deviation of the fund's weekly yields-based on 3 year	0.79 %
Annualized standard deviation of the fund's weekly yields-based on 5 year	0.79 %
WAM (Weighted Average Maturity)	1.17 years
WAL (Weighted Average Life)	1.18 years

TOP 10 POSITIONS

Asset	Type	Counterparty / issuer	Maturity	
CZGB 2026/06/26 1%	interest-bearing	Czech state	06/26/2026	28.74 %
CZGB 2024/12/12 0%	zero coupon	Czech state	12/12/2024	24.55 %
CZGB 2026/02/26 6%	interest-bearing	Czech state	02/26/2026	14.03 %
CZGB 2027/02/10 0,25%	interest-bearing	Czech state	02/10/2027	1.44 %

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