

VIG Developed Market Short Term Bond Investment Fund

VIG Developed Market Short Term Bond Investment Fund

2023 ANNUAL REPORT (FREE TRANSLATION)

VIG Developed Market Short Term Bond Investment Fund

This report has been prepared by VIG Befektetési Alapkezelő Magyarország Zrt. as the fund manager VIG Developed Market 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

For security reasons, this document does not include an image of a handwritten signature. The content of this document may be deemed substantially identical in all respects to the original document furnished with an official corporate signature and with the electronic signatures of other responsible persons and is fully valid and authoritative even without a handwritten signature

VIG Developed Market Short Term Bond Investment Fund

GENERAL INFORMATION ABOUT THE FUND

Name of the Fund

VIG Developed Market Short Term Bond Investment Fund

Abbreviated name of the Fund

Developed Market Short Term Bond

Registration number of the Fund

1111-875

Kind of the Fund

open-end

Type of the Fund

public

Date of registration of the Fund

6. September. 2023.

A tárgyidőszakban forgalmazott Befektetési jegyek sorozata és típusa

Series	Currency	ISIN CODE
E	EUR	HU0000731963
EI	EUR	HU0000731971
U	USD	HU0000732045
UI	USD	HU0000732052

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

Raiffeisen Bank Zrt.
1133 Budapest, Váci út 116-118.

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

Szabados Szilvia
Membership number:005314

VIG Developed Market 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 (EUR)	NAV in percent (%)	Amount / Value (EUR)	NAV in percent (%)
Bank balances			109 962	1,53
Repo				
Negotiable securities			7 135 710	99,23
Derivative transactions			-4 756	-0,07
Other assets			169 017	2,35
Total assets			7 409 933	103,04
Liabilities			-219 086	-3,04
Net asset value		0	7 190 847	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 Developed Market Short Term Bond Investment Fund	E	EUR	HU0000731963		4 038 162
VIG Developed Market Short Term Bond Investment Fund	EI	EUR	HU0000731971		2 777 744
VIG Developed Market Short Term Bond Investment Fund	U	USD	HU0000732045		266 481
VIG Developed Market Short Term Bond Investment Fund	UI	USD	HU0000732052		10 000

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	fund	Series	Currency
VIG Developed Market Short Term Bond Investment Fund	E	EUR	HU0000731963		1,016581
VIG Developed Market Short Term Bond Investment Fund	EI	EUR	HU0000731971		1,018165
VIG Developed Market Short Term Bond Investment Fund	U	USD	HU0000732045		1,029338
VIG Developed Market Short Term Bond Investment Fund	UI	USD	HU0000732052		1,024056

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

VIG Developed Market Short Term Bond Investment Fund

IV. COMPOSITION OF THE INVESTMENT FUND

Description	2022.12.31.		2023.12.29.	
	Amount / Value (EUR)	In percent (%)	Amount / Value (EUR)	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- EMU -General Government			6 750 566	94,60
Debt securities- EMU –Other financial institutions			385 144	5,40
Debt securities - Domestic - Total			7 135 710	100,00
Total securities			7 135 710	100,00

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

V. Changes in the assets of the investment fund

Income from investment:

data in THUF

Income from financial transactions	2023
Exchange gains on discount instruments	152
Exchange gains on shares and investment units	180
Profits of forward transactions	2 945
Exchange rate differences	16
Accumulated interest on the prices of bonds	8 631
Interest received from financial institutions	473
Total:	12 397

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

Expenses of financial transactions	2023
Exchange losses on discount instruments	396
Accumulated interest on the prices of bonds	19 833
Exchange losses on interest-paying bonds	315
Loss of forward transactions	367
Payable interests	140
Exchange rate differences	3 863
Total:	24 914

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

VIG Developed Market Short Term Bond Investment Fund

Other income and other expenses

In 2023, the Fund recognised a security related income of **THUF 336** and penalty commission income THUF 2 as **Other income** and its special tax of **THUF 245 under Other expenses**.

Costs, fees and taxes recognised in the business year

data in THUF

Operating costs	2023
Custodial fees	119
Lead distributor fee	171
Fixed commission	338
Brokerage commissions	394
Management fees	1 483
Audit fee	152
Supervisory fees	119
Bank charges	16
Total:	2 792

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	24 923
from revaluation difference	33 639
from the profit of previous years	0
from the profit of the business year	-15 216
Total:	43 346

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.

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 Developed Market Short Term Bond Investment Fund	E	EUR	HU0000731963	4 105 119	1,016581	2023.12.29.
	F	EUR	HU0000731971	2 828 202	1,018165	2023.12.29.
	U	USD	HU0000732045	274 299	1,029338	2023.12.29.
	V	USD	HU0000732052	10 241	1,024056	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.

VIG Developed Market Short Term Bond Investment Fund

VII. Derivative transactions

Fund	Series	Currency	ISIN	Net Asset Value	Unit price	Value date	Fund
EURO-SCHATZ FUT Dec23 Buy	2023.12.07.	3	105,085	104,9900	-285	EUR	2023.09.29.
Short Euro-BTP Fu Dec23 Buy	2023.12.07.	4	104,370	104,1500	-880	EUR	2023.09.29.
Total						EUR	2023.09.29.
USD/EUR 23.11.06 Forward Buy	2023.11.06.	10 000	1,052	1,0671	-137	EUR	2023.10.31.
	2023.11.06.	10 000	1,052	1,0671	-137	EUR	2023.10.31.
	2023.11.06.	10 000	1,058	1,0671	-83	EUR	2023.10.31.
EURO-SCHATZ FUT Dec23 Buy	2023.12.07.	3	105,085	105,1750	270	EUR	2023.10.31.
Short Euro-BTP Fu Dec23 Buy	2023.12.07.	4	104,370	104,4900	480	EUR	2023.10.31.
Total					-358	EUR	2023.10.31.
USD/EUR 23.12.06 Forward Buy	2023.12.06.	19 500	1,065	1,0927	-455	EUR	2023.11.30.
	2023.12.06.	10 000	1,065	1,0927	-233	EUR	2023.11.30.
USD/EUR 23.12.12 Forward Buy	2023.12.12.	10 000	1,070	1,0930	-197	EUR	2023.11.30.
	2023.12.12.	2 000	1,086	1,0930	-12	EUR	2023.11.30.
	2023.12.12.	4 000	1,094	1,0930	3	EUR	2023.11.30.
	2023.12.12.	6 000	1,091	1,0930	-8	EUR	2023.11.30.
	2023.12.12.	80 000	1,095	1,0930	160	EUR	2023.11.30.
EURO-SCHATZ FUT Dec23 Buy	2023.12.07.	3	105,085	105,3850	900	EUR	2023.11.30.
Short Euro-BTP Fu Dec23 Buy	2023.12.07.	4	104,370	105,3300	3 840	EUR	2023.11.30.
Total					-743	EUR	2023.11.30.
USD/EUR 24.03.08 Forward Buy	2024.03.08.	13 000	1,098	1,1078	-104	EUR	2023.12.29.
	2024.03.08.	5 000	1,108	1,1079	2	EUR	2023.12.29.
USD/EUR 24.02.08 Forward Buy	2024.02.08.	20 000	1,114	1,1068	119	EUR	2023.12.29.
USD/EUR 24.01.08 Forward Buy	2024.01.08.	19 500	1,085	1,1054	-338	EUR	2023.12.29.
	2024.01.08.	10 000	1,085	1,1054	-173	EUR	2023.12.29.
	2024.01.08.	21 500	1,084	1,1054	-376	EUR	2023.12.29.
	2024.01.08.	5 000	1,080	1,1054	-105	EUR	2023.12.29.
	2024.01.08.	102 000	1,079	1,1054	-2 275	EUR	2023.12.29.
	2024.01.08.	35 000	1,079	1,1054	-768	EUR	2023.12.29.
	2024.01.08.	14 000	1,080	1,1054	-294	EUR	2023.12.29.
USD/EUR 24.03.08 Forward Buy	2024.03.08.	39 000	1,094	1,1078	-444	EUR	2023.12.29.
Short Euro-BTP Fu Mar24 Buy	2024.03.07.	4	106,300	106,6500	1 400	EUR	2023.12.29.
EURO-SCHATZ FUT Mar24 Buy	2024.03.07.	4	106,290	106,5450	1 020	EUR	2023.12.29.
Short Euro-BTP Fu Mar24 Buy	2024.03.07.	2	106,770	106,6500	-240	EUR	2023.12.29.
EURO-SCHATZ FUT Mar24 Buy	2024.03.07.	2	106,495	106,5450	100	EUR	2023.12.29.
Short Euro-BTP Fu Mar24 Buy	2024.03.07.	5	105,880	106,6500	3 850	EUR	2023.12.29.
EURO-SCHATZ FUT Mar24 Buy	2024.03.07.	4	105,995	106,5450	2 200	EUR	2023.12.29.
Total					-4 756	EUR	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.

VIG Developed Market Short Term Bond Investment Fund

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.

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.

Mikesy 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 2023 Mandates 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

In accordance with the Fund's investment policy, the Fund invests the savings held in the Fund in short-term bonds denominated in euros and assumes a low interest-rate risk; the modified duration of the portfolio is more than 6 months, but may not be higher than 2.5 years. In order to increase the expected yield, this can be supplemented by credit-institution, corporate and/or municipal bonds, as well as by term deposits and repo transactions. The Fund can also invest a small part of its portfolio in emerging markets. The Fund followed a cautious strategy in terms of assuming credit risk, invested in developed-market government securities. The changes in the composition of the Fund were justified by the exploitation of various market opportunities and the continuous capital movements.

VIG Developed Market Short Term Bond Investment Fund

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 disbursable 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.

VIG Developed Market Short Term Bond Investment Fund

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;

The Fund did not hold any illiquid assets defined in the Fund Manager's Liquidity Policy during the relevant period

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

The Fund Manager did not enter into 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.

Name of Fund	Base currency of Fund	Recommended minimum investment period (Series A)	Risk classification (Series A)
VIG Developed Market Short Term Bond Investment Fund	EUR	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 aim of the Fund is to increase the euro savings held in the Fund, while assuming low interest-rate and credit risk. The Fund mainly buys short-term, euro-denominated bonds of investment-grade issuers, and aims to generate a return for investors through interest income and price gains on them. The Fund Manager invests the savings held in the Fund in short-term bonds denominated in euros. The Fund Manager assumes a low interest-rate risk; the modified duration of the portfolio is more than 6 months, but may not be higher than 2.5 years. The Fund also follows a cautious strategy in terms of assuming credit risk, investing a maximum of just 10% of its assets in bonds of non-investment grade or non-credit rated issuers. The Fund primarily invests in developed-market government securities, but this can also be supplemented by credit-institution, corporate and/or municipal bonds, as well as by term deposits and repo transactions. The Fund can also invest a small part of its portfolio in emerging markets. In addition, the Fund may invest in collective investment forms, and can fine-tune the design of its portfolio through the use of derivatives (stock-exchange and OTC transactions). The Fund invests exclusively in securities denominated in euros, and may hold currency assets in bank deposits or bank accounts only for the purpose of liquidity management and currency hedging. It is not possible to make individual investor decisions in the Fund. No individual investor's decisions can be made in the Fund.

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.

VIG Developed Market Short Term Bond Investment Fund

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.

Fund concluded derivative transactions for hedging purposes and for efficient portfolio development. The Fund also concluded hedging transactions to reduce the foreign exchange risks of its various individual series against the base currency. The total netted risk exposure of the Fund as at 31 December 2023 was as follows: 1,31

XII. Income Statement

	Previous year (THUF)	Current year (THUF)
I. Income from financial transactions		12 397
II. Expenses of financial transactions		24 914
III. Other income		337
IV. Operating costs		2 792
V. Other expenses		245
VI. Paid and payable yields		0
Profit/loss for the reporting year (I.-II.+III.-IV.-V.-VI.)		- 15 216