

ADVANCE EASTERN EUROPE

Investment Objective

The goal of the fund is to ensure high investment results in the long-term by investing in Eastern European equities in 7 regional markets.



31 January 2020

Fund Manager's Comment

Global markets risk-on sentiment faded in the last two weeks of January, as fears of rapidly spreading coronavirus got the upper hand. The risk-off sentiment reached the CEE region too, although losses were milder, respectively, 2.3% for MSCI EFM Europe + CIS and 2.9% for the benchmark excluding Russia. Despite the overall volatility, the markets of the fund's portfolio fared relatively well.

MOEX Russia's march to new all-time highs above 3 200 points was interrupted by the coronavirus outbreak. Following Russian equities strong outperformance of recent months, the events in China unsurprisingly triggered some profit taking. Nevertheless, MOEX index still finished the month 1.0% higher after the price correction. Energy stocks were worst performing, as the fears of coronavirus' economic impact put commodity prices under pressure. EM currencies were also victims to the virus. However, the ruble was relatively more resilient than the rest of the until recently outperforming commodity currency universe (e.g. ZAR, CLP, BR), with monthly loss of 3.1% against the USD.

Turkish equities kept positive momentum in January, as the daily turnover climbed to a 6-year high of USD 3.4 bn. in the first half of the month. Although the global EM risk-off sentiment spilled over to the domestic market later on, BIST 100 index maintained positive monthly return of 4.1%, as bank stocks led the rally. At the same time, the Turkish lira, which underperformed in December, was now among the more stable currencies in the EM space, losing just 0.5% against the USD. Positively, we witnessed further improvement of market indicators associated with the level of financial stress, as the 10-year bond yield and CDS fell 200 bp and 42 bp, respectively.

The negative sentiment reached the Balkans too, as the two 2019 best performing CEE equity markets, Greece and Romania, exhibit a mild correction and profit taking. The Greek ASE General index declined 0.6% in January, as banks and refineries were under pressure. Romanian BET added modest 0.5%, as energy companies stocks fell.

In such volatile environment, our fund posted a monthly gain of 1.9%, outperforming its benchmark by 4.2 pp. The currency effect had markedly negative contribution to the total return, as the ruble's depreciation subtracted 0.9pp. Sector-wise, Materials contributed the most to the fund's monthly return (ca.2/3), supported by the rally of gold and palladium prices. Russian real estate and consumer staples positions were also strong performers. Meanwhile, Russian gas companies were the biggest drag for the monthly return. Shares of Novatek fell 10%, as LNG prices tumbled amid oversupply created by the startup of new export projects from Australia to the U.S. and warm weather in Europe and Asia. Gazprom (-13%) was under additional pressure from new US sanctions, which halted work on the final miles of North Stream 2 pipeline, as international contractors dropped from the project.

Fund Facts

Fund type	open-end
Fund Manager	Georgi Raykov, Konstantin Prodanov
Fund size	EUR 2.07 M
NAV/share	EUR 0.8978
Launch date	04.10.2006
Benchmark*	MSCI EFM Europe&CIS
Benchmark**	MSCI EFM Europe + CIS ex RU
Currency of account	Euro
Subscription fee	up to 1.50%
Management fee	1.5 % NAV p.a.
Redemption fee	none
Minimum investment	none

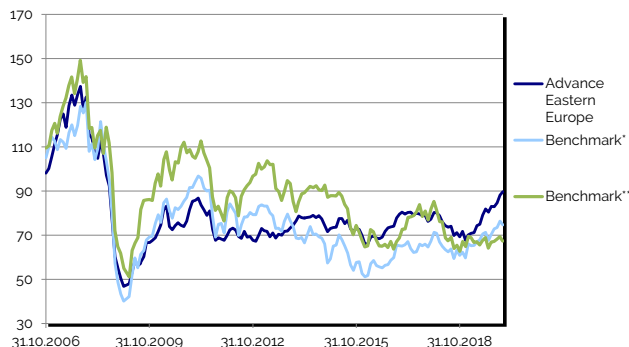
Fund Identifiers

ISIN	BG9000016063
Bloomberg Code	ADVEAEU.BU
Reuters Lipper	65095316
Valor	3079269
WICN-German	AOMXVY

Fund Results

	Fund	Benchmark*	Benchmark**
1 month	1.91%	-2.30%	-2.90%
1 year	28.04%	13.02%	-3.12%
Year to Date	1.91%	-2.30%	-2.90%
Since Launch (annualized)	-0.81%	-2.28%	-3.58%

Fund Performance

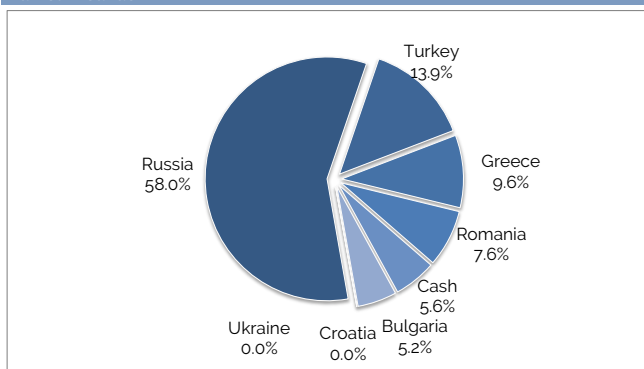


Annual Performance

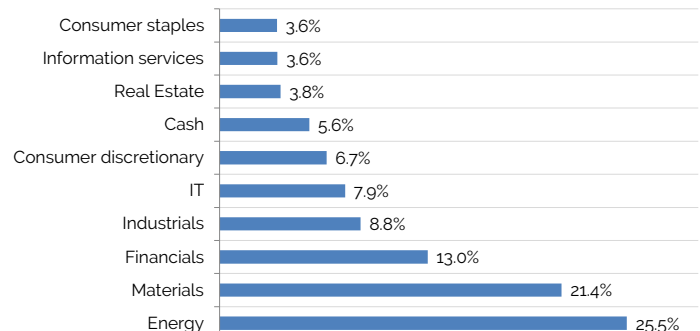
	Fund	Benchmark*	Benchmark**
2019	29.88%	27.90%	6.91%
2018	-12.25%	-11.12%	-20.91%
2017	4.42%	12.24%	22.39%
2016	11.31%	24.40%	-1.29%
2015	-2.29%	-8.32%	-22.13%
2014	-4.06%	-22.21%	2.24%
2013	6.64%	-11.15%	-16.81%
2012	4.07%	4.86%	34.08%
2011	-17.02%	-22.53%	-29.75%
2010	18.44%	21.65%	16.29%
2009	36.50%	73.42%	51.49%
2008	-61.94%	-66.63%	-56.45%
2007	25.91%	11.54%	20.71%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



TOP 5 HOLDINGS

GMK Nortliski Nikel (Russia),
Materials

Lukoil (common) (Russia), Energy

SBERBANK, COMMON (Russia),
Financials

GAZPROM NEFT OAO-CLS
(Russia), Energy

JSC "NOVATEK", Common
(Russia), Energy