

ADVANCE EMERGING EUROPE OPPORTUNITIES

Investment Objective

The Fund invests in stocks of companies in the CEE region, and has long-term investment horizon.



This is marketing material

31 May 2022

Fund Manager's Comment

Market sentiment did not change much in May, with main equity markets closing slightly lower amid elevated volatility. In addition to the general risks related to the macro uncertainty and the monetary policy tightening, CEE markets were shaken by growing political and regulatory risks. As a result of this and due to another massive depreciation of Turkish lira (-11% vs. the euro), the CEE region underperformed, with MSCI EFM Europe + CIS ex RU falling 4.01% in EUR. The fund outperformed, down 0.73% in EUR, closing the YTD gap with the benchmark. The stronger result was driven by selection effect in Hungary, lack of exposure to Turkey, positive contribution from Austria and higher than usual cash levels. The result of the fund was slightly better than global equities, as well, as Developed Markets (MSCI World) were down 1.7% in EUR, while EM (MSCI EM) fell 1.4% in EUR. CEE currencies did not benefit in this environment, with the Polish zloty recovering slightly vs. the euro (+2.0%), while the CZK and HUF depreciated by 0.4% and 4.7%, respectively. The forint approached its all-time low level of 399.64 vs. the euro, as the recently announced windfall taxes, the disagreements with the EU, the risks related to EU recovery funds and the soaring inflation weighed massively on its performance.

The above-mentioned risk factors also affected the main Hungarian index BUX, which became the biggest loser in CEE, plunging 9.4% in May. The reduction of our position in OTP in the prior months had a positive impact on the fund, as the stock lost 14.8%, hammered by the announced more than 5-fold increase in banking sector taxes. The Oil&Gas company MOL fell victim to the new windfall taxes as well, which sent the stock 13.1% lower. In contrast to OTP, shares of MOL however, recovered in the first days of June as it became clear that the refinery will maintain access to cheaper Russian oil after the EU oil embargo. This is putting it in a very favourable position, with refinery margins set to remain exceptionally high (\$35 in March).

In Poland, WIG20 trimmed 0.8% of its value. Political pressure (i.e. credit holidays, change in benchmark rate, potential increase in capital requirements etc.) on the banking sector intensified and WIG Banks stayed on a downward trajectory (-3.4%). IT and videogaming companies also continued to suffer declines as growth stocks remained under pressure, while the performance in rest of the sectors was mixed. Regulatory measures in Hungary weighed on sentiment. An important milestone for Poland was the approval of its recovery plan (EUR 35.4bn) by the EC despite the rule of law issues.

Czechia had a neutral impact on the fund's return, as gains in our largest position - CEZ - offset the underperformance of Moneta Money Bank. Shares of the latter witnessed higher volatility in the final week of May as the acquisition of Air Bank was terminated. In our view, this does not change materially the case of the stock and it remains one of our top-picks.

With the Q1 earnings season in full swing, the majority of the companies in CEE region delivered earnings beats. This was accompanied by higher than expected Q1 GDP growth.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, CFA, Konstantin Prodanov
Fund size	EUR 1124 M
NAV/share	EUR 0.9769
Launch date	23/11/2007
Currency of account	Euro
Subscription fee	up to 1.50%
Management fee	15 % NAV p.a.
Redemption fee	none
Minimum investment	none
Benchmark	MSCI EFM Europe + CIS ex RU

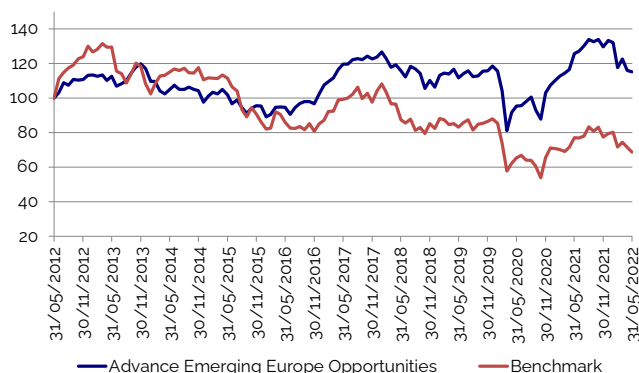
Fund Identifiers

ISIN	BG0000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298

Fund Results

	Fund	Benchmark
1 month	-0.73%	-4.01%
1 year	-8.42%	-10.96%
Year to Date	-13.67%	-13.49%
Since Launch (annualized)	-0.16%	-6.29%

Fund Performance 10Y

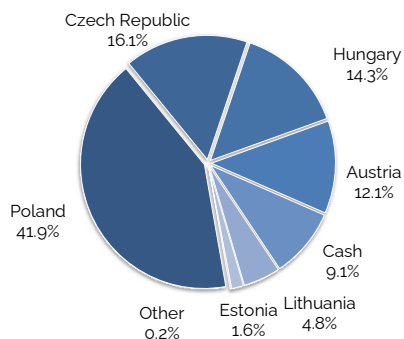


Annual Performance

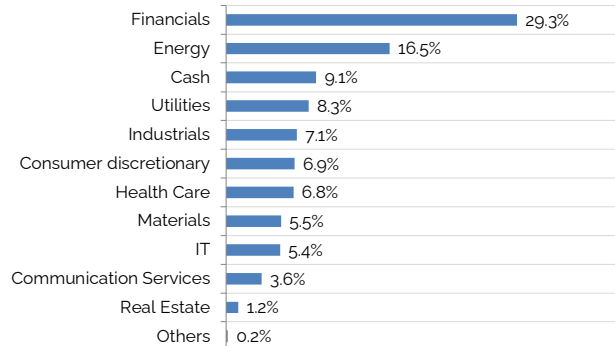
Year	Fund	Benchmark
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	2.24%
2013	3.47%	-16.81%
2012	17.55%	34.08%
2011	-23.26%	-29.75%
2010	21.98%	16.29%
2009	2.85%	51.49%
2008	-15.88%	-56.45%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

CEZ AS, Czech Republic, Utilities	ERSTE GROUP BANK AG, Austria, Financials	OMV AG, Austria, Energy	MONETA MONEY BANK, Czech Republic, Financials	RICHTER GEDEON NYRT, Hungary, Health Care
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