

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

30 September 2023

Fund Manager's Comment

With the ECB and the Fed staying on course to fight inflation, global risk assets experienced another month of elevated volatility and declines. Surging oil prices also acted as a headwind, reigniting concerns about stagflation risks. Against this backdrop, developed markets (MSCI World) finished down 2.1% in EUR. Although China's economic activity again disappointed and foreign net outflows continued in September, Chinese stocks remained relatively resilient, providing support to MSCI EM (-0.4% in EUR). In the CEE region, the benchmark index MSCI EFM Europe + CIS ex RU lagged behind, falling 2.7% in EUR amid wide dispersion in country performance, with Poland and Greece the largest negative contributors. The fund's unit value recorded a similar return to that of the benchmark, down 2.8%. Local currencies impacted heavily the result, with the Polish zloty depreciating 3.3% vs. the euro as ahead of the general elections in October, MPC surprisingly slashed interest rates by 75bps while the market consensus expected a 25bps cut. The Czech koruna and the forint also registered declines, down by 1.5% and 2.2%.

The Polish WIG20 continued its downward trend, posting -5.5% for the month as all of the main sectors closed in the red, except for Chemicals, where shares of Ciech surged 22.6% as the leading shareholder announced a new tender offer. We took advantage, closing out our position in the company. Expecting an improvement in the consumer environment on the back of decelerating inflation and rising wages, we decided to open a position in the discretionary retailer LPP. It is one of largest fashion companies in CEE, present in 39 countries over the world, offering strong growth and profitability improvement potential.

The Czech PX index gained 0.6% amid mixed performance by the index constituents. CNB's decision to cease paying interest on the required minimum reserves was a blow to the local lenders. Given that banks will most likely offset to some extent the negative effect, the impact on the share prices was limited.

In Hungary, the sentiment toward the banking sector turned sour as well amid speculations that the government might expand the windfall taxes due to concerns about the budget gap target. As a result, shares of OTP Bank slumped 7.4% in September. Conversely, Magyar Telekom (+15.4%) was among the top performers within the fund as it reached a deal with the government to accelerate the country's digital transformation in exchange for lower special sector taxes. Special taxes were also a hot topic in Slovenia, where the government proposed to impose a 0.2% tax on banks' assets. With the risk already priced in, we decided to open a position in Nova Ljubljanska Banka. It trades at an unjustified discount to regional peers, while offering a solid growth potential, backed by a strong capital position and a low L/D ratio (66%).

Fund Facts

| | |
|---------------------|--|
| Fund type | open-end |
| Fund Manager | Emil Yanchev, CFA, Konstantin Prodanov |
| Fund size | EUR 12.36 M |
| NAV/share | EUR 1.0771 |
| Launch date | 23.11.2007 |
| Currency of account | Euro |
| Subscription fee | up to 1.50% |
| Management fee | 1.5 % NAV p.a. |
| Redemption fee | none |
| Minimum investment | none |
| Benchmark | MSCI EFM Europe + CIS ex RU |

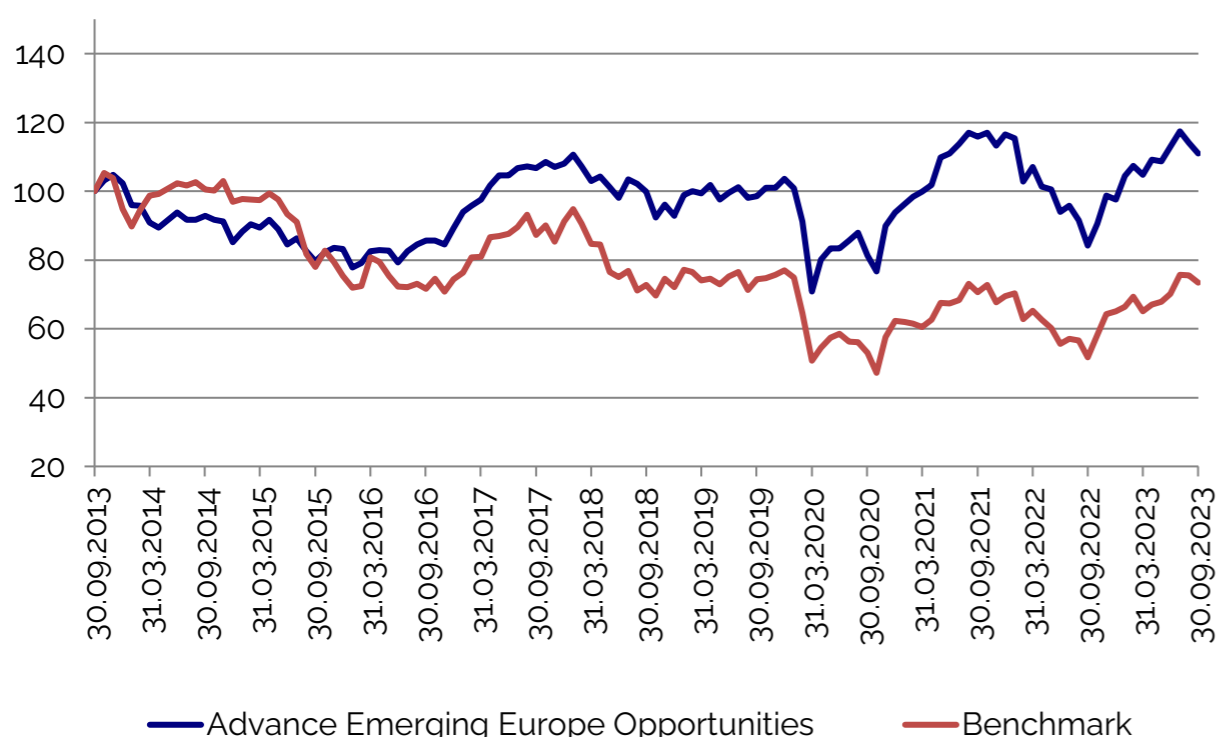
Fund Identifiers

| | |
|----------------|--------------|
| ISIN | BG9000023077 |
| Bloomberg Code | ADVIPOF.BU |
| Reuters Lipper | 68417298 |

Fund Results

| | Fund | Benchmark |
|---------------------------|--------|-----------|
| 1 month | -2.75% | -2.72% |
| 1 year | 31.80% | 42.26% |
| Year to Date | 13.58% | 12.96% |
| Since Launch (annualized) | 0.47% | -4.58% |

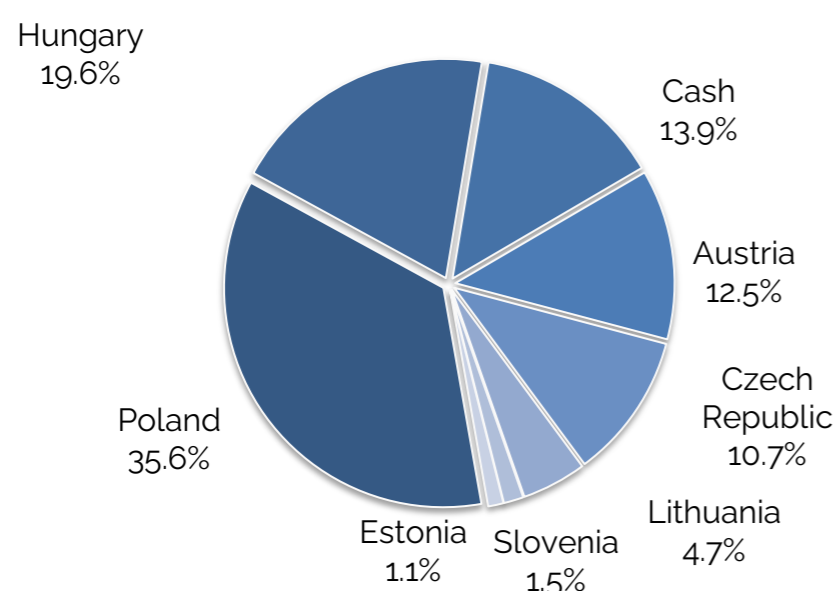
Fund Performance 10Y



Annual Performance

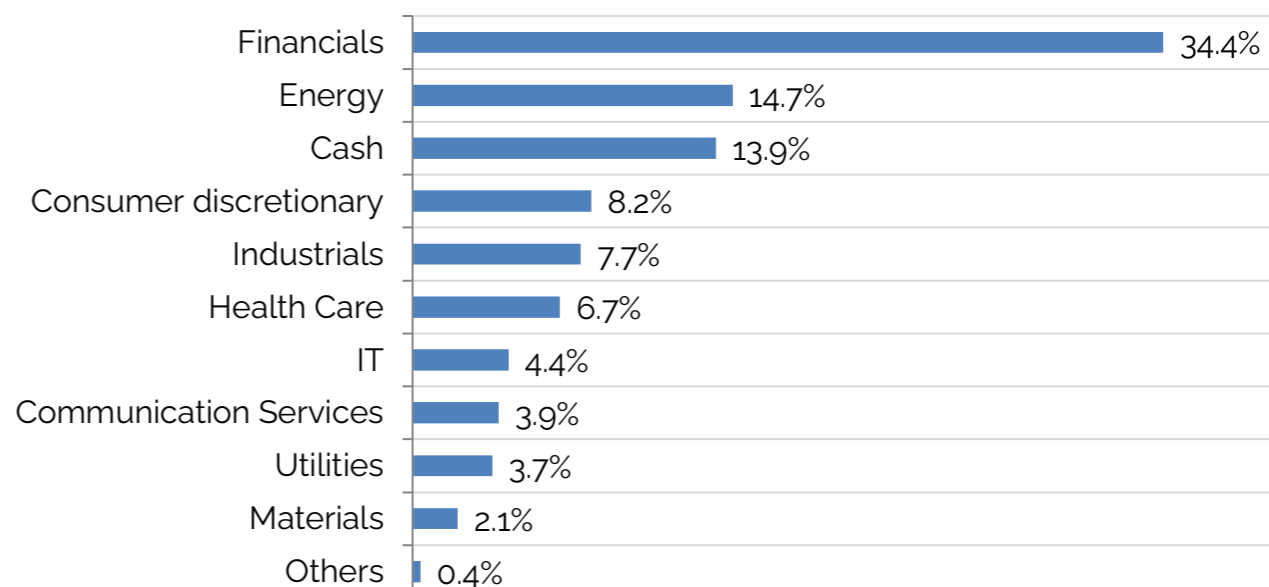
| Year | Fund | Benchmark |
|------|---------|-----------|
| 2022 | -16.20% | -6.49% |
| 2021 | 24.13% | 11.71% |
| 2020 | -9.35% | -19.20% |
| 2019 | 11.31% | 6.91% |
| 2018 | -13.89% | -20.91% |
| 2017 | 20.96% | 22.39% |
| 2016 | 7.76% | -1.29% |
| 2015 | -2.27% | -22.13% |
| 2014 | -16.68% | 2.24% |
| 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% |

Market Breakdown



Portfolio Breakdown

Sector Breakdown



5 Largest Holdings

| | | | | |
|--|-----------------------|---|-------------------------------|--|
| ERSTE GROUP BANK AG, Austria, Financials | ORLEN, Poland, Energy | RICHTER GEDEON NYRT, Hungary, Health Care | OTP BANK, Hungary, Financials | KOMERCNI BANKA, Czech Republic, Financials |
|--|-----------------------|---|-------------------------------|--|