

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 August 2022

Fund Manager's Comment

The summer rally was interrupted in August as investors' focus turned back to the rising cost of capital and the slowdown of the global economy. The risk-on sentiment that dominated in the first half of the month reversed sharply following the hawkish speech that Jerome Powell gave at Jackson Hole, with investors becoming more concerned about the negative effects of higher interest rates. As a result MSCI World fell 4.1% MoM (in USD). As measured by the MSCI EFM Europe + CIS ex RU (-0.9% in EUR), the CEE region outperformed, driven by a baffling surge of the Turkish ISE 30 (+25%). Except for Turkey, the majority of the CEE indices finished August in the red, led by Poland, which underperformed massively, with WIG20 falling 11.2%. Unrelenting inflation, looming energy supply crunch, as well as impending windfall taxes for some industries were the main drag on performance in CEE. According to local brokerages, in addition to fundamentals, the selloff was reinforced by higher foreign fund outflows (incl. liquidations), widening the gap between share prices and their fair value. As a result, valuations fell to record-low levels on a relative basis, with the main Polish and Hungarian indices trading at a c. 50% discount vs. MSCI EM based on 12M forward multiples. In line with the selloff in the key markets in the portfolio, the fund's unit value fell 4.5%, underperforming the benchmark. Within the portfolio, Energy (-1.6pp) and Materials (-0.9pp) weighed the most on the return amid recession fears, while only the contribution of IT (+0.1pp) and Real Estate (+0.02pp) was positive, albeit slightly.

In Poland, SOEs' shares were the biggest losers in August. Utilities (WIG Energy -24.9%) retreated the most due to soaring coal prices (main cost component), denting their profits. At the same time, record-high gas prices forced local fertilizers to halt production, sending WIG Chemicals down 20.7%. Oil&Gas stocks (-18.5%) underperformed as well amid expectations for refining margins normalization and political interferences. By keeping a lower exposure to the SOEs, we managed to achieve a strongly positive selection effect in Poland. We were negatively surprised by the poor Q2 GDP print (-2.1% QoQ). On a positive note, however, the result turned out to be predominantly driven by change in inventories, while private consumption and investment remained solid.

In Hungary, the shares of OTP bank finally took a breather, closing 4.6% higher. Oil&Gas company MOL posted uninspiring Q2 results and lagged behind (-5.4%). As a result, BUX index was up by 0.2%. Meanwhile, in Czechia the government published a consultation document on potential sector windfall taxes. This did not come as a major surprise for the investors in the financial sector, as the stated assumptions were broadly in line with expectations. Still, local lenders finished the month in the red. The windfall tax risk weighed more on the utility company CEZ, whose shares declined 9.7% despite the rising power prices.

The Austrian banks in the portfolio delivered exceptional Q2 results, but overall the market contributed negatively (-0.39pp) to the return. Baltic equities, on the other hand, had a slightly positive impact.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, CFA, Konstantin Prodanov
Fund size	EUR 10.23 M
NAV/share	EUR 0.8885
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

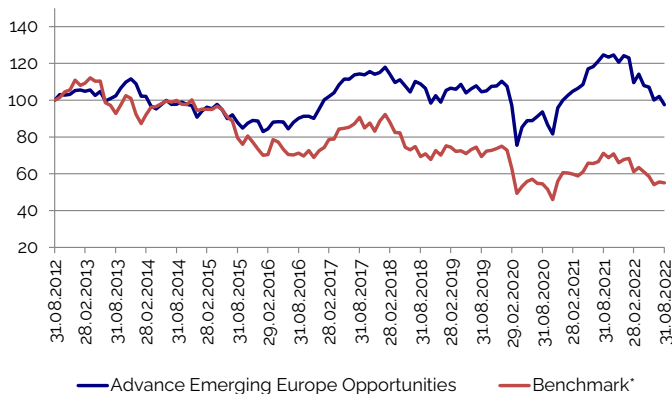
Fund Identifiers

ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298

Fund Results

	Fund	Benchmark
1 month	-4.54%	-0.89%
1 year	-21.79%	-22.63%
Year to Date	-21.48%	-18.70%
Since Launch (annualized)	-0.80%	-6.58%

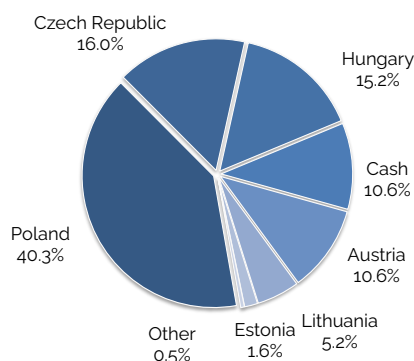
Fund Performance 10Y



Annual Performance

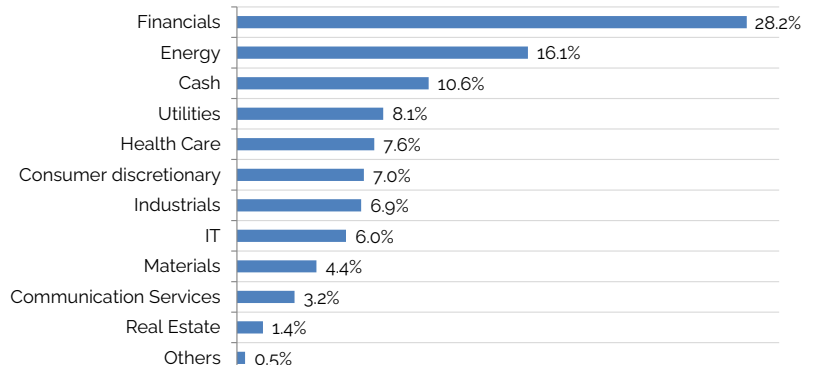
Year	Fund	Benchmark
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	2.24%
2013	3.47%	-16.81%
2012	17.55%	34.08%
2011	-23.26%	-29.75%
2010	21.98%	16.29%
2009	2.85%	51.49%
2008	-15.88%	-56.45%

Market Breakdown



Portfolio Breakdown

Sector Breakdown



5 Largest Holdings

CEZ AS, Czech Republic, Utilities

RICHTER GEDEON NYRT, Hungary, Health Care

MONETA MONEY BANK, Czech Republic, Financials

LIVECHAT SOFTWARE SA, Poland, IT

MOL HUNGARIAN OIL AND GAS PL, Hungary, Energy