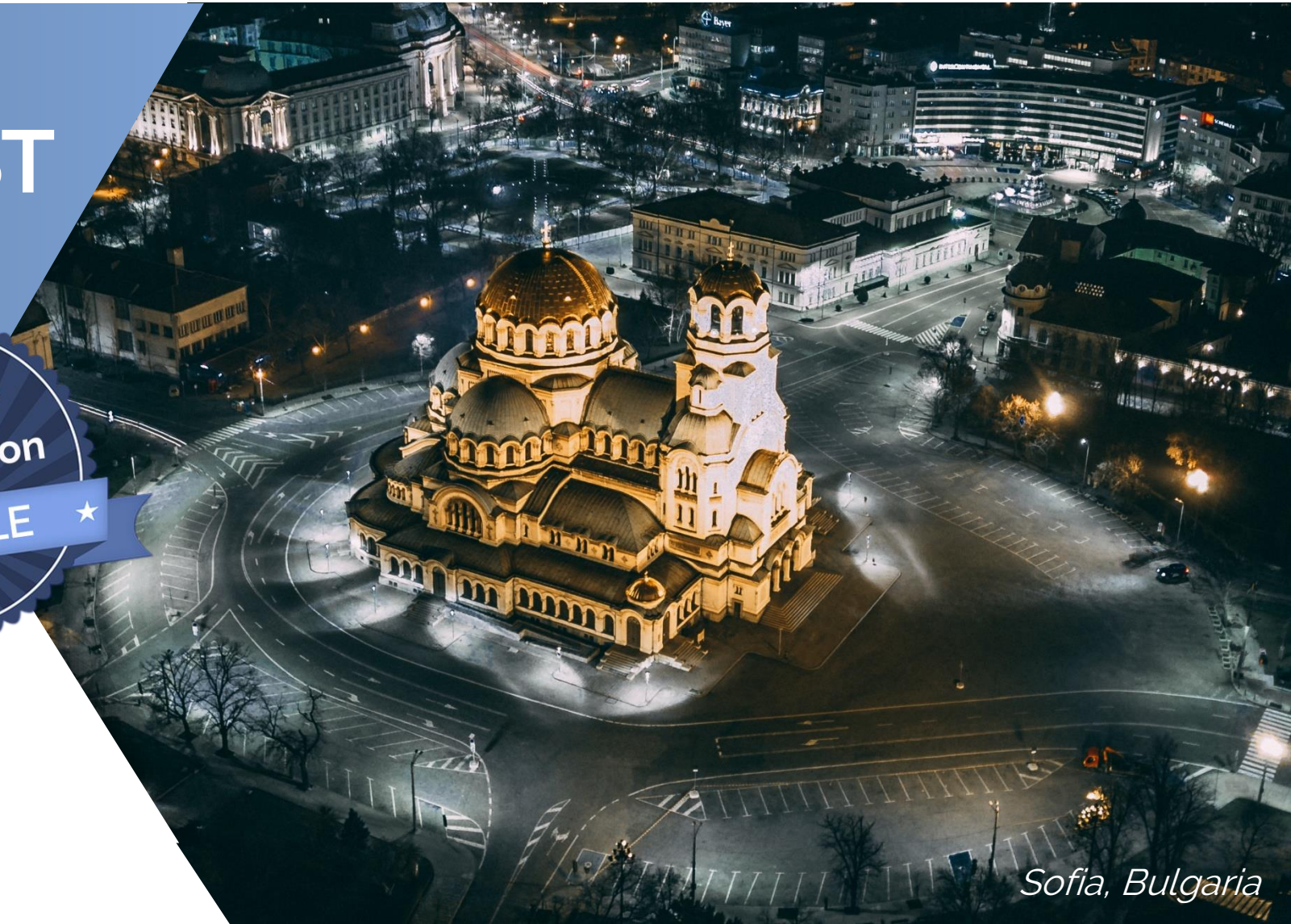


ADVANCE INVEST UCITS



Sep 2021

www.karollcapital.bg/en

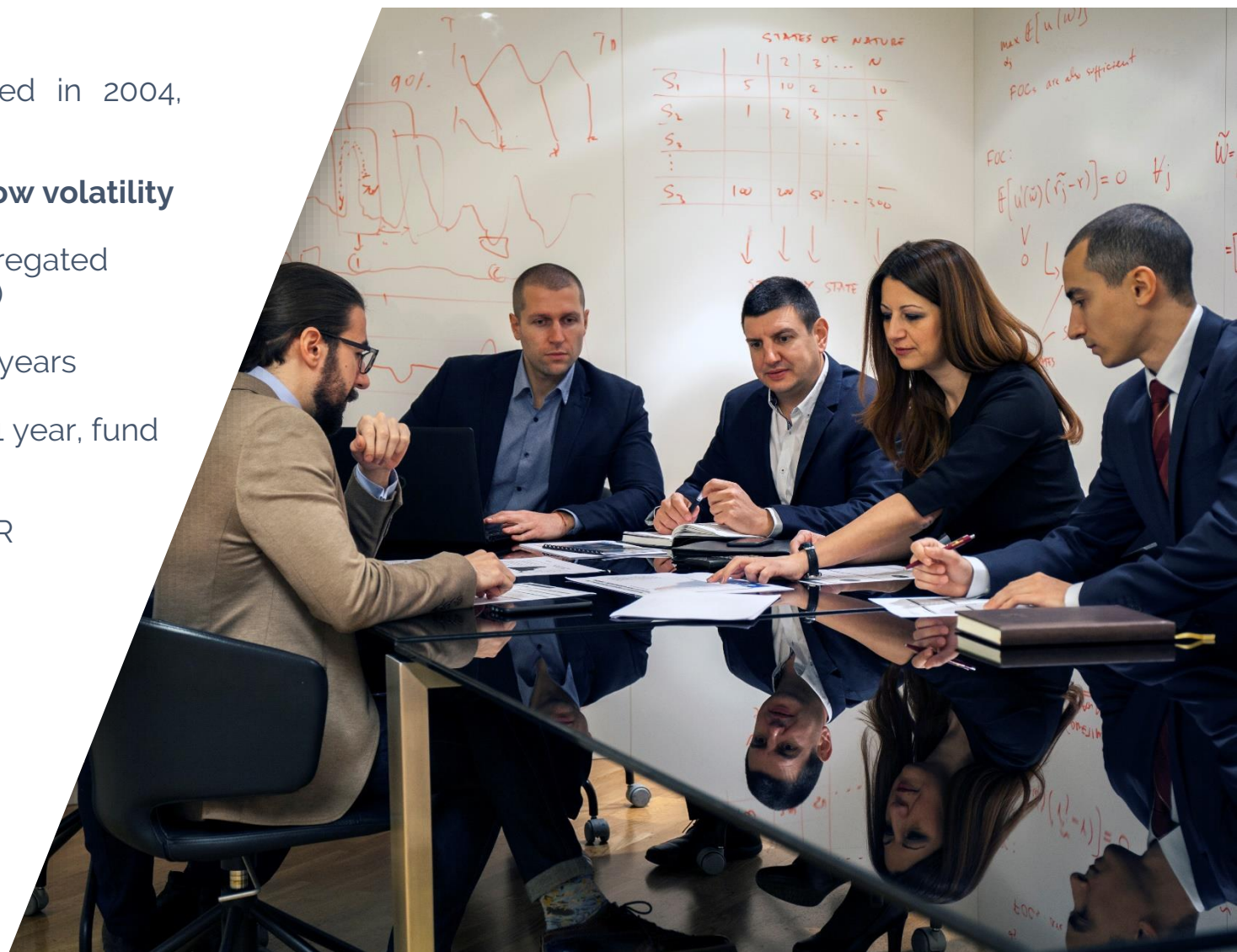


Sofia, Bulgaria

Fund Highlights



- ♦ **The first equity mutual fund** in Bulgaria, launched in 2004, investing in Bulgaria and Romania
- ♦ **Long fund history** with consistent performance and **low volatility**
- ♦ **High degree of security**: fund assets are kept in a segregated account with the custodian bank (EFG Eurobank Bulgaria)
- ♦ **Consistent alpha generation**: +4.93% p.a. for the last 3 years
- ♦ **Best performer** among its 5 closest peers for the last 1 year, fund of the year award by Investor.bg.
- ♦ **Offering format**: UCITS fund, daily trading in BGN/EUR
- ♦ **ISIN**: BG9000014134 Bloomberg: ADVIMFD.BU
- ♦ **Fund fees**:
 - ♦ Management fee: 2.5% of NAV p.a.
 - ♦ entrance fee: 1%
 - ♦ no exit fee



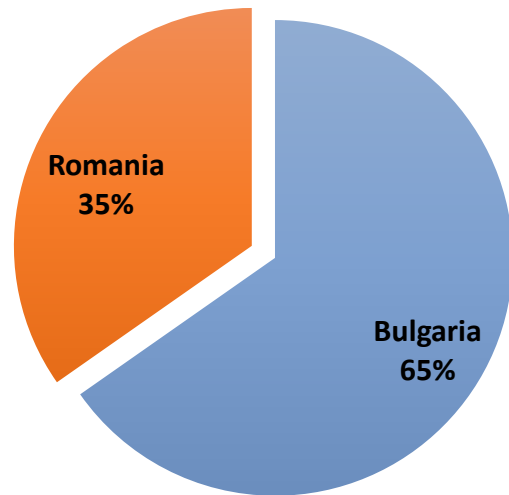
Fund Strategy

- ❖ **Investment theme:** Balkan stock markets – Bulgaria and Romania
- ❖ **Investment style:** blended (value & growth), stock-picking, bottom-up combined with top-down and sector views, benchmark agnostic
- ❖ **Market cap:** regional large cap, but also small & mid cap
- ❖ **Sectoral areas of strength:** value investing, small caps, pre IPO stocks
- ❖ **Diversified portfolio with investments in** ~ 50 individual companies
- ❖ **Consistent alpha generation:** +4.93% p.a. for the last 3 years
- ❖ **High Dividend Yield:** 3.7% in 2020
- ❖ **2020 benchmark outperformance** ~ **+13.6%** on much lower volatility vs. benchmark
- ❖ **Low portfolio turnover** (~20% of assets p.a.) and limited volatility
- ❖ **Benchmark:** MSCI EFM Europe + CIS ex RU
- ❖ **Time-proven investment strategy** since May 2004

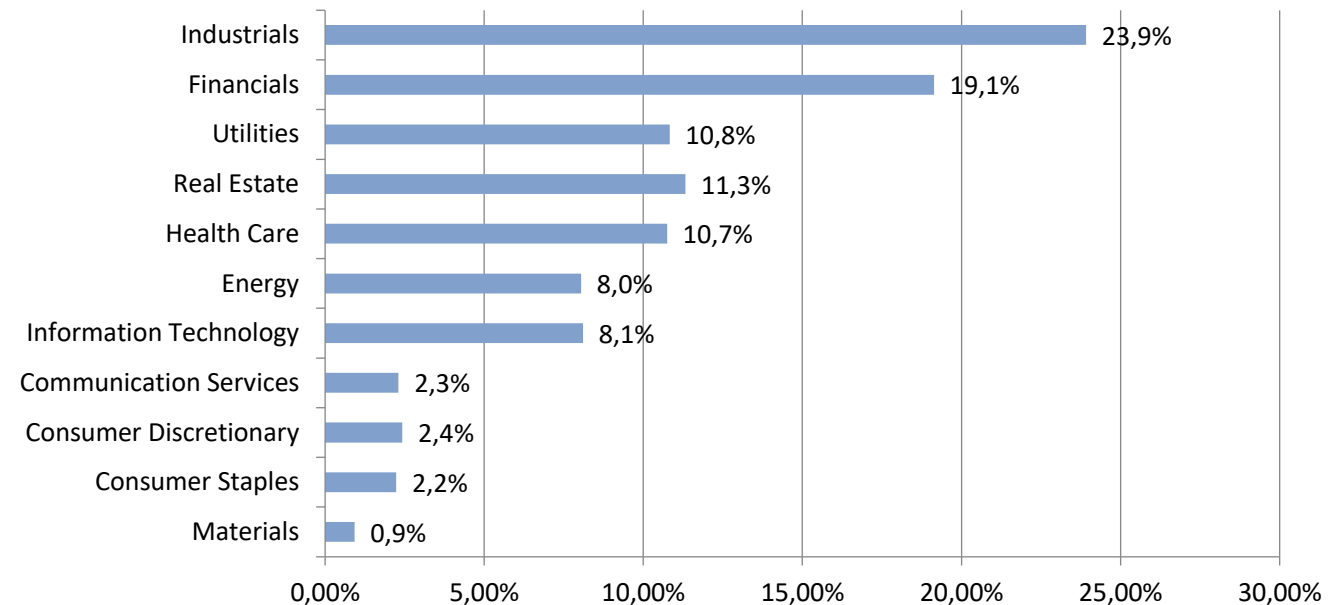


Fund Portfolio Details

Geographic breakdown (31.08.2021)



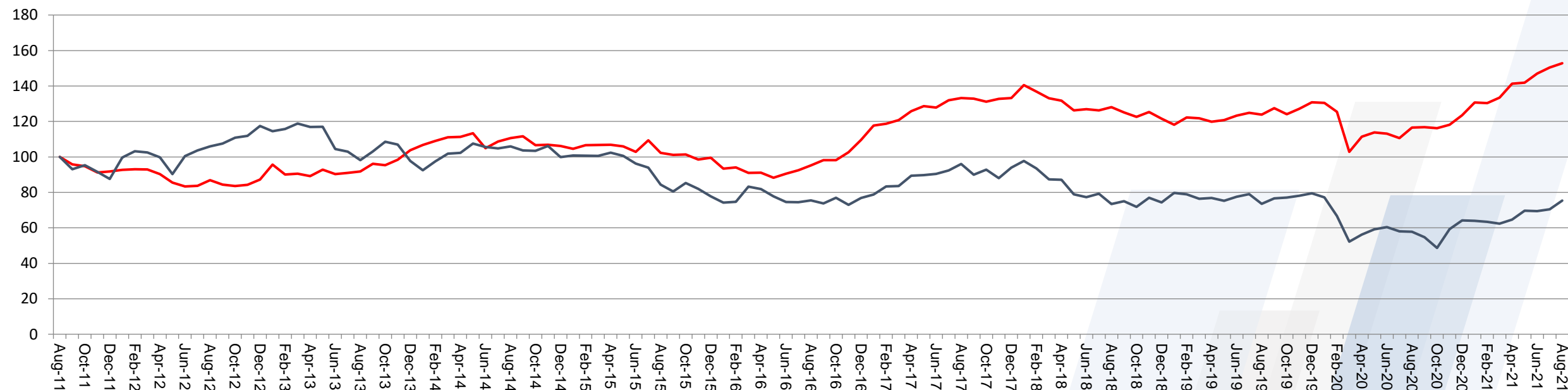
Sector breakdown



Top 5 positions	% of portfolio	Country	Sector
CEZ Distribution Bulgaria AD	7.1%	Bulgaria	Utilities
Eleven Capital AD	5.7%	Bulgaria	Information Technology
Advance Terrafund REIT	5.6%	Bulgaria	Real Estate
Agria Group Holding AD	5.3%	Bulgaria	Industrials
Sopharma AD	5.1%	Bulgaria	Health Care

Performance vs Benchmark

— Strategy (Rebased) — Benchmark (Rebased)



Strategy vs. Benchmark performance, in EUR, June 30, 2021	YTD	1 year	3y return (ann.)	5y return (ann.)	Volatility	Alpha	Div. Yield
MSCI EFM Europe+CIS ex RU	17.4%	30.4%	0.9%	0.0%	20.9%		2.71%
Advance Invest Mutual Fund	23.7%	31.1%	6.1%	9.9%	6.6%	4.93%	3.35%

INVESTMENT OPPORTUNITIES IN THE BALKANS



Bucharest, Romania

The Investment Case for the Balkans

- ❖ **Bulgaria and Romania growing 2 x faster than developed Europe** → +2.73% on ave. b/n 2010-2019 vs. +1.38% for euro-area
- ❖ **Growth potential through leverage** → Govt. debt to GDP at 25.3% for Bulgaria and 43.1% Romania vs. 97.3% for Eurozone; gross private debt at 92% and 46% respectively vs 161.2% for the Eurozone
- ❖ **Strong domestic demand** → buoyed by rising household incomes and supportive fiscal initiatives
- ❖ **EU/Eurozone membership** → Bulgaria and Romania are EU and NATO members, with access to common European market, cohesion funds and financial stability mechanisms. Bulgaria joined ERMII in 2020. Regulatory framework synchronized with EU legislation.
- ❖ **Lowest labor costs, business expenses and taxes in EU** → Well-educated and cheap workforce, low overall costs attracting international business; 10% flat tax rate
- ❖ **Strategic location** → ideally situated for trade links b/n Western Europe, Middle East and Asia. Significant improvement in infrastructure with major projects in the works.
- ❖ **Strong support from EU cohesion and pandemic recovery funds** → €14.5 bln = 16% of Bulgarian GDP on ave. for the next 7 years

strategic location

growing economies

low costs

Why NOW is a Good Time to Invest

- ◆ Global **rotation towards value** sectors post COVID (75%-80% share of value sectors in Balkan markets)
- ◆ **Strong price momentum** → YTD Bulgarian market is up **+26.5%**, Romania is up **24.2%** beating strongly both global developed and emerging markets
- ◆ **Strong catch-up potential** → Balkan equity markets lagged post Covid rebound; Bulgaria is still close to 70% below 2007 peak
- ◆ **Among lowest valuations globally** → ave. P/E at **3.8x for the Bulgarian SOFIX index, 12.5x for the Romanian BET** vs. 20.5x for Developed Markets and 14.3x for Global EMs
- ◆ Highest dividend yields → appr. **6%**
- ◆ Balkans **largely underweight in global investment portfolios**
- ◆ **\$USD weakness** is supportive for regional growth
- ◆ **Nearshoring trends** driven by COVID and East-West geopolitics benefit region
- ◆ Buoyant **tech** sector → gaming, cyber-security, digital services
- ◆ Bulgaria and Romania among biggest beneficiaries of EU **COVID-related fiscal support package** ~ 10% of GDP in grants; recovery from COVID-induced recession much stronger than expected

catch-up potential

low valuations

Rila Monastery, Bulgaria

KAROLL CAPITAL: COMPANY OVERVIEW



Unique heritage in Emerging Europe

- ♦ Founded in Sofia in 2003 with 17-year track record in regional market allocation and stock selection
- ♦ Independent, specialized and pioneering
- ♦ Highly qualified team with very low turnover (+10 years company tenure for key management and investment personnel)
- ♦ Part of Karoll Financial Group – a diversified financial conglomerate founded in 1993, with asset management, investment banking, brokerage, private equity and insurance arms

Steady business growth from diversified business lines

- ♦ AUM of \$200+ mln in funds, SMAs, advisory mandates and wealth management, incl. 4 UCITS funds managed in-house
- ♦ Regional distributor of 100+ third-party global funds

Crisp focus on Emerging Europe

- ♦ Native understanding of local market dynamics, no language or cultural barriers
- ♦ On-the-ground research coverage of wide range of companies
- ♦ +100 years of combined financial markets experience of Investment Committee members
- ♦ Investment strategies consistently outperforming benchmarks

International perspective

- ♦ Strategic partnerships in Canada, S. Korea, U.K., etc.
- ♦ Regional representative of Schroders Investment Management, UK
- ♦ Structured product partnership with Credit Suisse
- ♦ The first local signatory of the UN's Principles of Responsible Investing

entrepreneurial

flexible

independent

KAROLL CAPITAL MANAGEMENT ORGANIZATIONAL STRUCTURE



KAROLL CAPITAL MANAGEMENT ORGANIZATIONAL STRUCTURE

1. Screen

- In-house and external screening tools
- Sourcing ideas from 3rd party research
- Conference attendance
- Company visits
- ESG sector exclusions
- Market intelligence

2. Study

- In-depth analysis conducted in-house
- Sector dynamics assessment
- Business model review, assessment of ability to generate return > cost of capital
- Identifying companies with increasing margins and low debt
- Calculation of intrinsic value
- Analyst proposal to PMs

3. Shape

- Investment Committee decides on country and sector allocation limits
- PMs decide on inclusion of stocks in portfolios and weight in line with mandate constraints and risk parameters
- Benchmark unconstrained approach – at a country and individual stock level

4. Supervise

- Regular review of portfolio components' fundamentals
- Exit discipline: excessive valuation; unexpected deterioration in fundamentals; loss of confidence in management
- Monthly attribution analysis to determine how performance is affected by allocation & selection and quantify true alpha
- Risk management: oversight by CRO and investment committee



The Four S's of our Process

Screen

Study

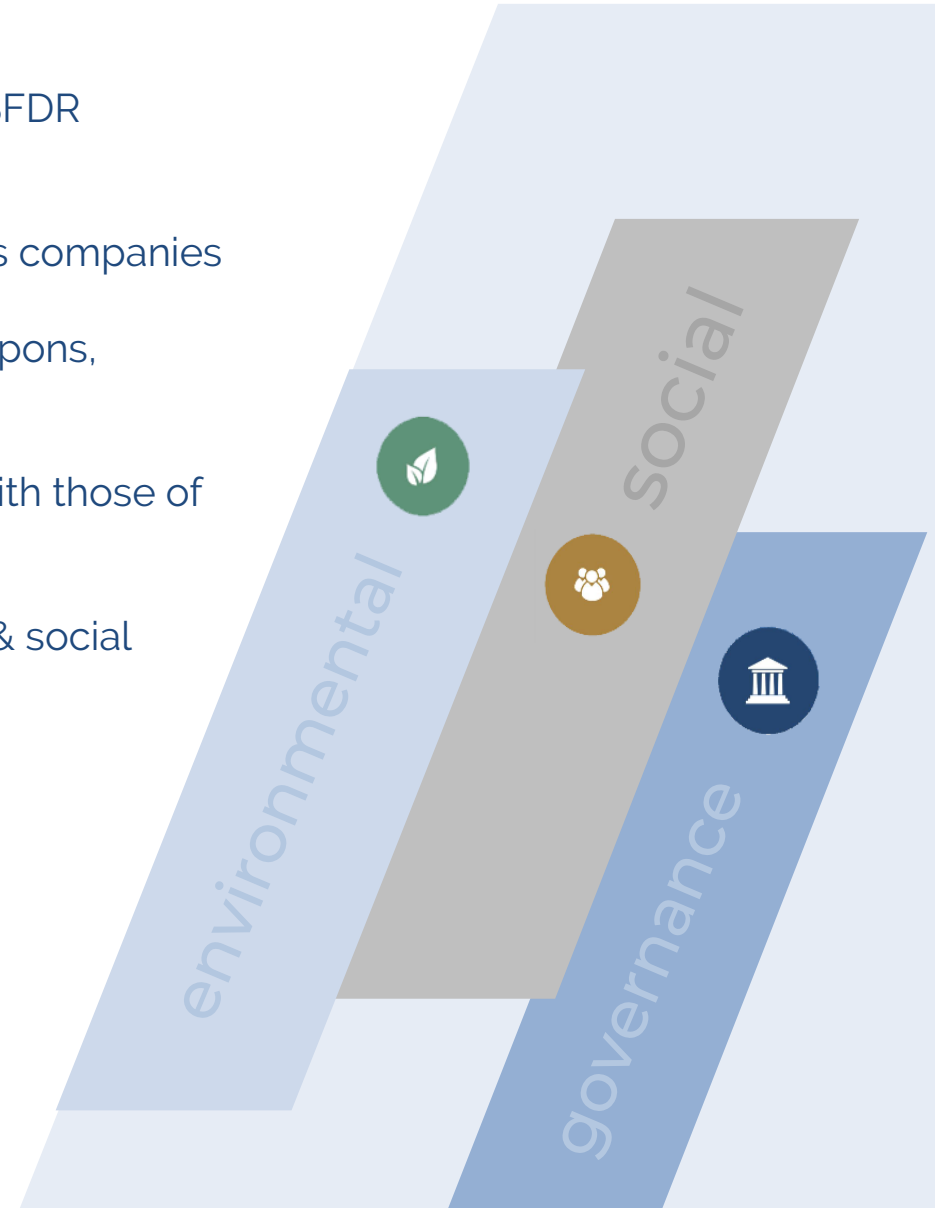
Shape

Supervise

Karoll Capital's ESG process & criteria

- ❖ Internal Sustainable Investment Policy in place, in compliance with the EU SFDR directive
- ❖ Using a blend of external and internal ESG scores to select the best-in-class companies
- ❖ Exclusion of companies generating majority of revenues from tobacco, weapons, pornography, fracking, coal mining
- ❖ Assessment of corporate governance → alignment of interests of owners with those of minorities; management must act to minimize risk of corruption
- ❖ Environmental and social factors → does company address environmental & social issues in its operations
- ❖ Active ownership approach

Signatory of:



CONTACTS

Daniel Ganev

Chief Executive Officer

E-mail: ganevd@karoll.bg

Tel: +359 2 4008 382

Konstantin Prodanov

Chief Investment Strategist

E-mail: prodanov@karoll.bg

Tel: +359 2 4008 386



Disclaimer

The information contained in this report is for information purposes only and does not constitute investment advice, nor is it a part of investment advice. It does not constitute a recommendation or an offer to issue, to subscribe or to purchase units or shares in the investments described herein neither an offer of investment services.

While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Karoll Financial Group makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Karoll Financial Group makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of or in connection with any such referenced website.

Any investments referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. Investors should note that income from such investments or other securities, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report.

This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Investors should make their own investigations and investment decisions without relying on this report. Before entering into any transaction, investors should consult their advisors and understand the risks involved in these transactions. Investors should make themselves aware of any local laws governing such securities or investments.

This material has been prepared by Karoll Capital Management, a licensed asset management company, a member of the Bulgarian Association of Asset Management Companies (BAAMC) – member of EFAMA.

The presented information and documents represent the intellectual property of Karol Capital Management EAD and may not be disclosed to third parties without the explicit written consent of Karol Capital Management EAD.