

ADVANCE EASTERN EUROPE class A

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.



*This is marketing material

30 November 2024

Fund Manager's Comment

Donald Trump's victory in November triggered a significant shift in financial markets. Capital flows pivoted sharply towards U.S. risk assets, driven by optimism about improved economic prospects under the new administration. At this stage, concerns about potential stagflation risks stemming from an improperly focused or poorly timed policy mix were largely overlooked. The MSCI World Index rose 7.4% in euro terms, led by North America (+9.1%). European equities lagged (+0.9%), weighed down by concerns over American protectionism.

Additionally, expectations of a trade war with China and a rapidly appreciating U.S. dollar pressured global emerging markets which declined by 1.0%. However, the CEE region posted positive returns in euro terms (+3.0%), bolstered by strong momentum in the Turkish market.

The Greek ASE Index increased modestly by 0.8%. Following three months of declines, the heavy-weight banking sector stabilized (-0.1%), with notable gains from Alpha Bank (+6.3%) and Eurobank (+5.8%). Our team met with industry representatives in Prague in early December during the region's largest annual conference on local capital markets. The four major Greek banks expressed a positive outlook for 2025, anticipating moderate compression in net interest margins (NIMs) to be partially offset by higher credit growth of 5%-7%. They emphasized a strategic focus on fee-based business segments to boost fee and commission (F&C) income. Additionally, dividend payouts are expected to rise, targeting a 50% payout ratio split between cash dividends and share buybacks.

Turkish equities were positively impacted by the outcome of the U.S. presidential election, although specific direct benefits for Turkey from the change in administration remain unclear. Conversely, challenges such as the potential for a trade war, a European economic slowdown, higher interest rates by the Federal Reserve, and a stronger U.S. dollar present significant headwinds. The BIST 100 index led the region, gaining 8.9% in local currency (+10.5% in euro terms), with banks outperforming. Foreign investor interest remained concentrated on Turkish government bonds, with a net inflow of USD 1.6 billion. On the macroeconomic front, the Turkish Central Bank (TCMB) left the key rate unchanged at 50%. However, the tone of its latest meeting was surprisingly dovish, likely reflecting a political compromise. This raised market expectations for a December rate-cutting cycle of 200-250 basis points.

In Romania, the BET Index's decline deepened amid rising political uncertainty, losing 6.3% in November. Financials were the hardest-hit sector (-8.0%), while energy (-3.7%) and utilities (-3.1%) displayed relative resilience. The sell-off was catalyzed by the unexpected results of the first round of presidential elections, in which an independent far-right candidate opposing the country's Euro-Atlantic orientation emerged victorious. This outcome heightened fears that the ruling center-left coalition would lose its majority in the subsequent parliamentary elections. However, this risk did not materialize, as a broad coalition between PSD, PNL, USR (previously in opposition), and UDMR now seems likely out of necessity. The constitutional court annulled the first-round presidential election results in early December due to allegations of external interference.

Class A fund shares declined by 1.0%. Despite a positive selection effect, Romanian positions were the largest negative contributors to overall returns, followed by Bulgarian stocks. In contrast, Turkish equities delivered the highest positive contribution. Sector-wise, only financials and materials posted gains, while real estate and consumer staples were the worst performers.

Fund Facts

Fund type	open-end
Fund Manager	Georgi Raykov, Konstantin Prodanov
Fund size	EUR 1.73 M
NAV/share	EUR 0.7863
Launch date	04.10.2006
Benchmark*	MSCI EFM Europe&CIS
Benchmark**	MSCI EFM Europe&CIS
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

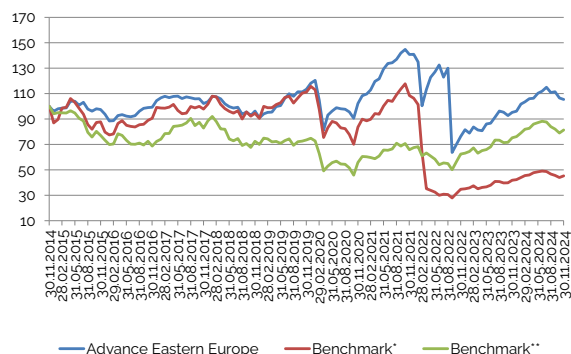
Past performance does not predict future returns.

Fund Results (30.11.2024)

	Fund	Benchmark*	Benchmark**
1 month	-1.02%	3.01%	3.01%
1 year	10.81%	8.14%	8.14%
Year to Date	9.62%	6.82%	6.82%
Since Launch (annualized)	-1.31%	-6.51%	-2.03%

Fund Performance 10Y

Past performance does not predict future returns.



Annual Performance

	Fund	Benchmark*	Benchmark**
2023*	20.64%		
2022 (indicative)	-42.12%	-66.97%	-6.49%
2021	30.09%	18.34%	11.71%
2020	-8.31%	-22.29%	-19.20%
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%

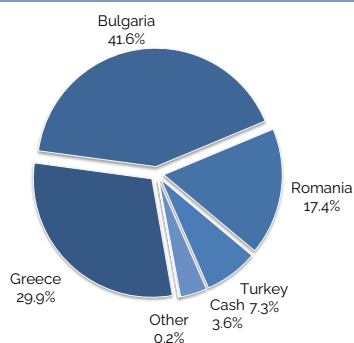
*Annual performance since 03.01.2023 when class A was started

Source: The calculated yield is based on net asset value per unit and does not include issuance and redemption costs, according to the Fund's Rules and Prospectus. *Benchmark information is based on official data from www.msci.com

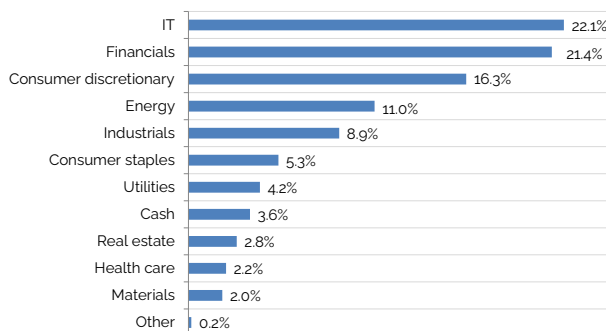
The risks of investing in shares of the contract fund are market, interest, liquidity, currency, operational, settlement risk, legislative, concentration risk, etc. More information about the risks can be found in the fund's prospectus.

Portfolio Breakdown

Market Breakdown



Sector Breakdown



TOP 5 HOLDINGS

Shelly Group, Bulgaria, IT	JUMBO SA, Greece, Consumer discretionary	Sirma Group, Bulgaria, IT	GREEK ORGANISATION OF FOOTBALL PROGNOSTICS S.A., Greece, Consumer discretionary	S.P.E.E.H. HIDROELECTRICA S.A., Romania, Utilities
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This is a marketing message. Please review the prospectus and key information document of the relevant fund before making an investment decision. The information is valid at the date of issue of the marketing material and may change in the future. The information provided does not constitute investment advice, advice, investment research or investment recommendation and should not be construed as such. The value of the Fund's units and the income from them may decline, profit is not guaranteed and investors bear the risk of not recovering their investment in full. Investments in funds are not guaranteed by a guarantee fund created by the state or by any other type of guarantee. Previous results of the activity have no connection with the future results of an investment company. Future results are subject to taxation depending on the personal circumstances of each investor and may change in future periods. The documents are available in Bulgarian on the website www.karollicapital.bg, and upon request they can be obtained free of charge in paper form at the office of the Management Company. The fund is actively managed and does not follow an index. A summary of shareholder rights is available at https://karollicapital.bg/uploads/2023/Prava_na_pritejatelite.pdf