

ADVANCE EASTERN EUROPE

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.



29 February 2020

Fund Manager's Comment

The outbreak of COVID-19 ruled global markets dynamics in February. Unlike the end of January, the sell-off was this time all-reaching. Both developed and emerging markets (MSCI World and MSCI EM) took a hit, with a monthly loss of 7.8% and 4.5%, respectively. Thus, global equities logged their worst week since 2008 financial crisis, erasing USD 8 tn. in market value over 5 days. Amid this turbulent background the CEE region had markedly weaker performance, with MSCI EFM Europe + CIS and MSCI EFM Europe + CIS ex Russia down 13.7% and 13.6%, respectively.

MOEX Russia fell 9.5% in February, as energy stocks led the decline amid collapsing natural gas and crude oil prices. At the same time, Communication services and Materials were relatively more stable than the broad market. Meanwhile, the risks of global economic slowdown hit commodity currencies hard (e.g. BRL, ZAR, NZD, AUD, CLP), with the ruble emerging as one of the worst performers in the basket in February, down 4.4% against the US dollar.

In addition to the global risk-off sentiment the dynamics of the Turkish market was further aggravated by geopolitical factors. The conflict in Northern Syria rapidly escalated, as the clash between Syrian government forces and Turkish-backed rebel factions shattered the fragile balance of the Ankara-Moscow alliance. BIST 100 index lost 11.0% in February, with bank and transportation falling the most. Meanwhile the attempts of Turkish state-owned banks to prop up the lira didn't hold on against the global financial markets turbulence, as TRY depreciated 4.2% against the USD. At the same time, the market indicators associated with the level of financial stress deteriorated in two stages, starting with the Syrian headwinds and continuing amid heightened global volatility.

Greek equities were hit the hardest by the risk-off sentiment, as ASE General index plummeted 20.9%. The recession risk that Italy faces amid the outbreak of COVID-19 threatens Greece as well, as the former is Greece's largest export destination. Meanwhile, the Romanian BET index decreased 9.0%, with commodity exposed stocks under pressure.

The fund's monthly performance was only marginally better than the benchmark. The currency effect had markedly negative contribution to the total return, as the depreciation of the ruble and the lira subtracted cumulatively 2.6pp (2.2pp and 0.4pp, respectively). Sector-wise, energy companies were the biggest drag for the monthly return (-3.8pp), followed by industrials, namely aviation stocks (-2.0pp). At the same time, Materials, Information Technology and Communication Services positions were relatively more stable in terms of total return losses.

Fund Facts

Fund type	open-end
Fund Manager	Georgi Raykov, Konstantin Prodanov
Fund size	EUR 180 M
NAV/share	EUR 0,7813
Launch date	04.10.2006
Benchmark*	MSCI EFM Europe&CIS
Benchmark**	MSCI EFM Europe + CIS ex RU
Currency of account	Euro
Subscription fee	up to 1.50%
Management fee	1.5 % NAV p.a.
Redemption fee	none
Minimum investment	none

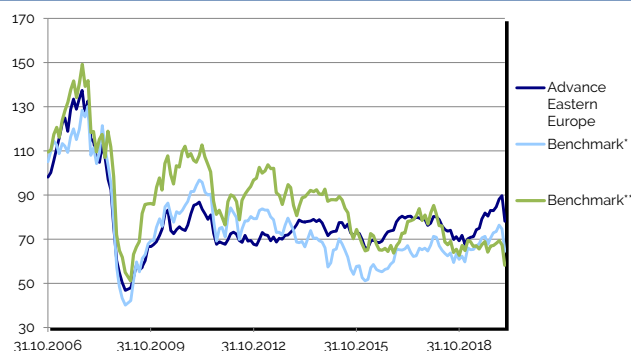
Fund Identifiers

ISIN	BG9000016063
Bloomberg Code	ADVEAEU.BU
Reuters Lipper	65095316
Valor	3079269
WICN-German	AOMXVY

Fund Results

	Fund	Benchmark*	Benchmark**
1 month	-12.98%	-13.65%	-13.58%
1 year	-10.10%	-1.25%	-15.50%
Year to Date	-11.32%	-15.63%	-16.08%
Since Launch (annualized)	-1.82%	-3.33%	-4.60%

Fund Performance

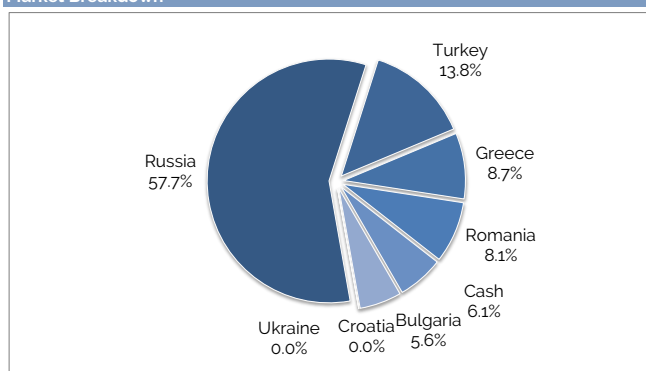


Annual Performance

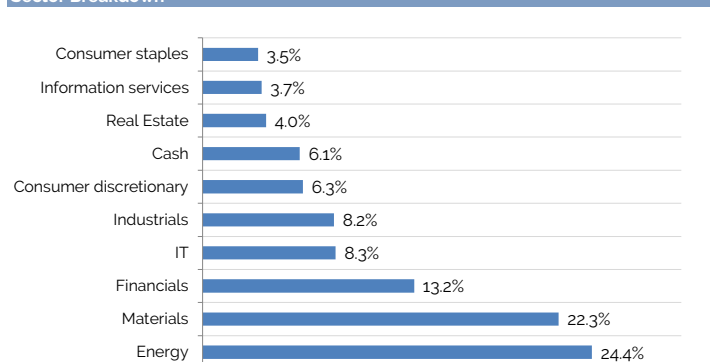
	Fund	Benchmark*	Benchmark**
2019	29.88%	27.90%	6.91%
2018	-12.25%	-11.12%	-20.91%
2017	4.42%	12.24%	22.39%
2016	11.31%	24.40%	-1.29%
2015	-2.29%	-8.32%	-22.13%
2014	-4.06%	-22.21%	2.24%
2013	6.64%	-11.15%	-16.81%
2012	4.07%	4.86%	34.08%
2011	-17.02%	-22.53%	-29.75%
2010	18.44%	21.65%	16.29%
2009	36.50%	73.42%	51.49%
2008	-61.94%	-66.63%	-56.45%
2007	25.91%	11.54%	20.71%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



TOP 5 HOLDINGS

GMK Nortliski Nikel (Russia), Materials	Lukoil (common) (Russia), Energy	SBERBANK, COMMON (Russia), Financials	GAZPROM NEFT OAO-CLS (Russia), Energy	Qiwi Plc (Russia), Information technology
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