

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.



30 June 2020

Fund Manager's Comment

Risk-on sentiment spilled over to EM equities in June. Following a strong outperformance of EM bonds in May, previously lagging stocks came into favour. Portfolio flows to the asset class marked a notable improvement in the first half of the month, but optimism then started to fade amid acceleration of the outbreak in major countries of the group, e.g. India, Brazil, etc. Still, with a monthly gain of 5.9% MSCI EM outperformed MSCI World (+1.5%), reducing the YTD lag to 4.1 pp. Against this backdrop, CEE stocks were mixed, with MSCI EFM Europe + CIS down 1.3%, while the benchmark excluding Russia was up 2.2%.

The MOEX Russia index remained almost flat and was among the laggards in the major EM group, with a modest monthly gain of 0.3% in local currency terms (-9.9% YTD). The heavyweight materials and energy stocks were a drag for performance. Portfolio flows into Russian assets followed the general EM dynamics, namely stronger inflows in 1H, followed by cooling off. Nevertheless, flows until June 24th remained positive for bonds (+USD 247 mn) and slightly negative for equities (-USD 20 mn). The ruble was among the underperformers in the EM currency space, down 1.5% against the US dollar, with the sporadic global risk-off sentiment being a key factor for the depreciation.

The Turkish BIST 100 gained 10.4% in LCU terms (+1.8% YTD), which was the best performance not only in the CEE region, but among major EM equity indices. In late June we witnessed a rotation from previously leading non-financials to bank stocks. Trading volumes remained elevated, while foreign investors started to return to the market, indicated by international brokers being among the top net buyers in the last few days. This was also evident in portfolio flows of non-residents to Turkish equities, which finally turned positive in the last two weeks (+ USD 126 mn), breaking a 20-week losing streak (-USD 4 bn). TCMB surprised investors in the end of the month, keeping 1W repo rate unchanged at 8.25%, against expectations for a 25 bp cut. The Turkish lira slightly weakened against the dollar (-0.4%), while implied volatility decreased markedly last month, to long term lows. Thus, we expect a mean reversal and more currency turmoil in the short-term.

After a monthly loss of 2.1%, the Greek ASE General index remains at the bottom of the regional indices ranking in terms of YTD return (-30.3%). Meanwhile, following a strong May, there was some profit taking in Romanian stocks, as BET index was modestly down 0.5% in June (-13.2% YTD).

The fund recorded a monthly gain of 2.7%, outperforming the benchmark by 4.1 pp, mainly on a better selection effect of Russian stocks. The currency effect was negative, as the ruble subtracted 1.0 pp. Tech stocks in the portfolio continued to lead in terms of total return, with double digit gains. Thus, they were also the largest positive contributors, generating 2/3 of the fund's monthly return. At the same time, the idiosyncratic risk of Norilsk Nickel's Arctic oil spill weighted portfolio return down.

Fund Facts

| | |
|---------------------|------------------------------------|
| Fund type | open-end |
| Fund Manager | Georgi Raykov, Konstantin Prodanov |
| Fund size | EUR 167 M |
| NAV/share | EUR 0.7374 |
| 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 150% |
| Management fee | 15 % NAV p.a. |
| Redemption fee | none |
| Minimum investment | none |

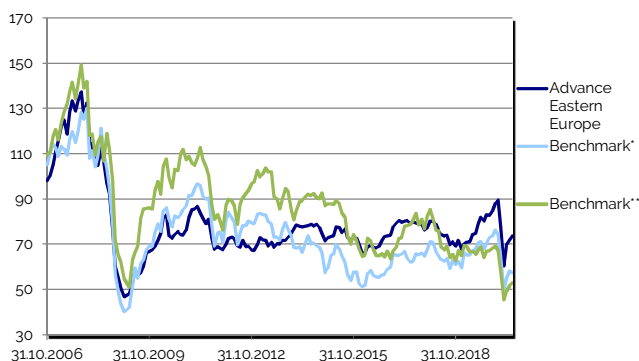
Fund Identifiers

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

Fund Results

| | Fund | Benchmark* | Benchmark** |
|---------------------------|---------|------------|-------------|
| 1 month | 2.73% | -1.35% | 2.16% |
| 1 year | -6.89% | -18.73% | -22.01% |
| Year to Date | -16.30% | -24.87% | -23.97% |
| Since Launch (annualized) | -2.19% | -4.07% | -5.17% |

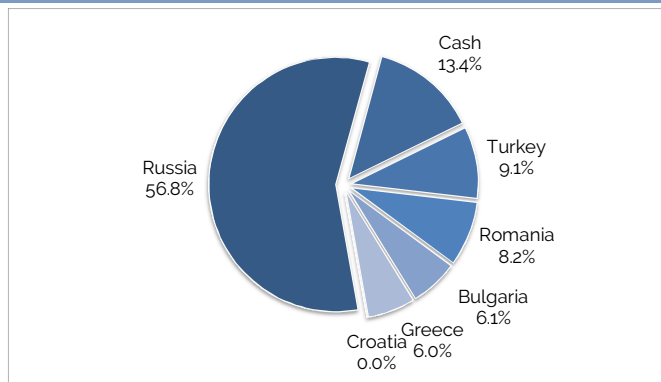
Fund Performance



Annual Performance

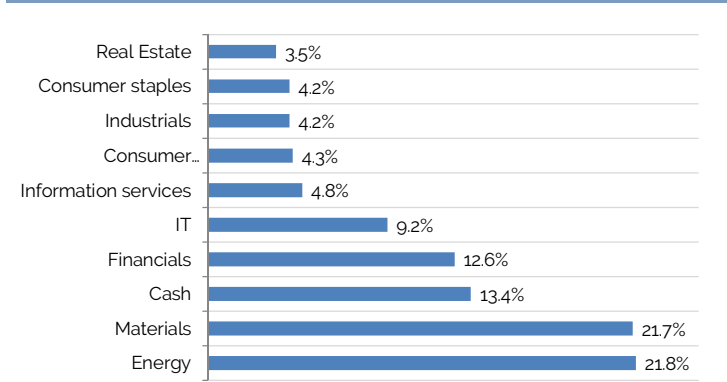
| | Fund | Benchmark* | Benchmark** |
|------|---------|------------|-------------|
| 2019 | 29.88% | 27.90% | 6.91% |
| 2018 | -12.25% | -11.12% | -20.91% |
| 2017 | 4.42% | 12.24% | 22.39% |
| 2016 | 11.31% | 24.40% | -1.29% |
| 2015 | -2.29% | -8.32% | -22.13% |
| 2014 | -4.06% | -22.21% | 2.24% |
| 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% |

Market Breakdown



Portfolio Breakdown

Sector Breakdown



TOP 5 HOLDINGS

| | | | | |
|---|---|----------------------------------|---|----------------------------|
| Polyus Gold OJSC (Russia), Materials | GMK Norilsk Nickel (Russia), Materials | Lukoil (common) (Russia), Energy | Yandex NV (Russia), Information services | ALLTERCO AD (Bulgaria), IT |
|---|---|----------------------------------|---|----------------------------|