

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.



31 March 2020

Fund Manager's Comment

Global markets kept breaking negative records in March, recording the steepest monthly losses since the financial crisis amid unprecedented shock to the global economy, as the COVID-19 outbreak turned into a global pandemic. Developed and emerging markets (MSCI World and MSCI EM) were down 13.4% and 15.5%, respectively. Amid this turbulent background, the CEE region had markedly weaker performance, with MSCI EFM Europe + CIS and MSCI EFM Europe + CIS ex Russia losing 22.7% and 21.7%, respectively.

The Russian market was severely hit by the collapse of crude oil, as MOEX Russia index fell 9.9% in March (-17.6% YTD). The price of black gold recorded its worst monthly drop in history. Brent was down 55%, amid double pressure from both the supply side, with Russia and Saudi Arabia pursuing a market share strategy, and more importantly the demand side, as global demand nosedived (down more than 20 mn bpd). Thus, commodity currencies continued to weaken against the US dollar, with the ruble (-14.7%) joining the group of double digit losses (NOK, ZAR, IDR, BRL, MXN).

The Turkish equity market was severely oversold by foreign investors during the month, with BIST 100 index decreasing 15.4% (-21.7% YTD). The outflow of portfolio investments by non-residents from Turkish stocks accelerated, reaching USD 0.8 bn in the first three weeks of March (USD -1.8 bn YTD). Meanwhile, the Turkish lira depreciated 5.6% against the dollar. The market indicators associated with the level of financial stress deteriorated further, with 1 Month implied volatility of the local currency almost doubling. Despite the announced fiscal and monetary measures, Turkey enters the current crisis in already fragile macroeconomic health, which may aggravate the short term blow.

With a monthly drop of 22.5%, Greek equities continue to be the worst performing in the region since the start of the year (-39.1%). The Greek economy is in especially weak positions, given the expected recession in the Eurozone and the risks to the tourism sector, which contributes, directly and indirectly, around ¼ of GDP. Meanwhile, the Romanian BET index fell 16.4% in March. Amid ongoing political crisis the caretaker government has a limited dry powder for fiscal relief measures to counter the deteriorating economic and public health situation.

The fund's monthly performance was on par with the benchmark. The currency effect had markedly negative contribution to the total return, as the depreciation of the ruble and the lira subtracted cumulatively 7.6pp (7.1pp and 0.5pp, respectively). Sector-wise, energy companies were the biggest drag for the monthly return (-5.9pp). At the same time, Consumer Staples Materials and Communication Services positions were relatively more stable in terms of total return loss. Given our short term market outlook, we reduced transportation industry and Turkish exposures, and increased cash.

Fund Facts

| | |
|---------------------|------------------------------------|
| Fund type | open-end |
| Fund Manager | Georgi Raykov, Konstantin Prodanov |
| Fund size | EUR 1.38 M |
| NAV/share | EUR 0.6047 |
| 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 |

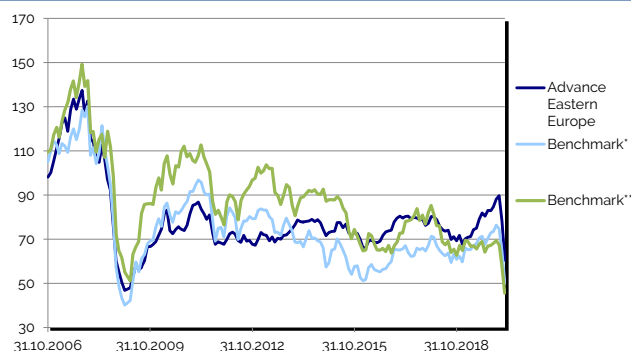
Fund Identifiers

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

Fund Results

| | Fund | Benchmark* | Benchmark** |
|---------------------------|---------|------------|-------------|
| 1 month | -22.60% | -22.65% | -21.67% |
| 1 year | -15.01% | -23.63% | -31.65% |
| Year to Date | -31.36% | -34.74% | -34.27% |
| Since Launch (annualized) | -3.66% | -5.14% | -6.28% |

Fund Performance

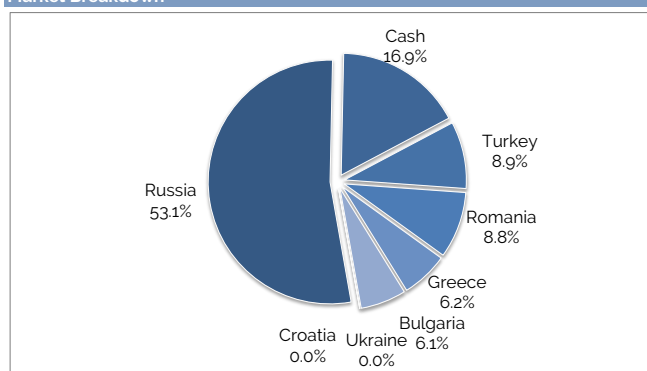


Annual Performance

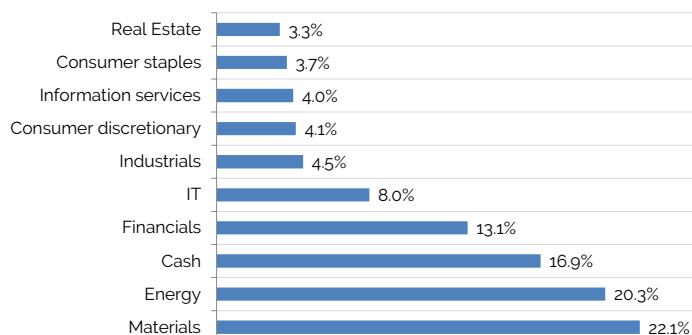
| | Fund | Benchmark* | Benchmark** |
|------|---------|------------|-------------|
| 2019 | 29.88% | 27.90% | 6.91% |
| 2018 | -12.25% | -11.12% | -20.91% |
| 2017 | 4.42% | 12.24% | 22.39% |
| 2016 | 11.31% | 24.40% | -1.29% |
| 2015 | -2.29% | -8.32% | -22.13% |
| 2014 | -4.06% | -22.21% | 2.24% |
| 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 | Polyus Gold OJSC (Russia), Materials | Lukoil (common) (Russia), Energy | ALTERKO AD (Bulgaria), Information Technology | SBERBANK, COMMON (Russia), Financials |
|--|---|----------------------------------|--|--|