

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 May 2020

Fund Manager's Comment

In May the mood in EM wasn't as bullish. MSCI EM lost 1.0%, with stocks under continuing pressure of capital outflows, which stood at USD 42.2 bn in May (USD 171.7 bn YTD). In contrast, EM dollar debt risk premium fell 1.75 pp last month, the biggest monthly decline since 2001, signaling a more aggressive positioning, which could potentially spill-over into EM equities in the short-term. Against this backdrop, CEE stocks outperformed, with MSCI EFM Europe + CIS gaining 5.9%, while the benchmark excluding Russia was up 5.2%.

The MOEX Russia index was among the laggards in the region with a moderated monthly gain of 3.2% in local currency terms (-10.2% YTD). The cyclical sectors, namely Materials and Energy, outperformed the broad market, boosted by strengthening commodity prices. Negatively, the portfolio flows to local stocks and bonds converged with the negative overall dynamics in GEM universe, with outflows deteriorating to USD 475 mn, mostly on the equity side. Despite this, the ruble, supported by crude oil recovery, was the second best performing EM currency, appreciating 6.0% against the US dollar.

Amid month-on-month increase of trading volumes, the Turkish BIST 100 added 4.4% last month (-7.8% YTD). However, non-residents' portfolio investment outflows from Turkish equities remain elevated, reaching USD 1.0 bn in May, compared to USD 875 mn in April. Surprisingly, the Turkish lira managed to stabilize in recent weeks, gaining 2.4% against the dollar, propped up by the TCMB and state owned banks, whose FX interventions amounted to USD 44 bn in the first four months. Considering the discrepancy between capital flows dynamics and TRY appreciation, FX selling continued at high pace in May, but Turkey has mostly burned through its foreign reserves, excluding the recently announced USD 15 bn new swap line with Qatar.

The ASE General index recorded a monthly increase of 3.9%, as the Greek stock market was among the two with rising trading volumes in the CEE region, up 28% MoM. However, Greek equities remain at the bottom of the regional indices ranking in terms of YTD return (-28.8%). Meanwhile, the Romanian BET index recorded the second best gain in the region, up 9.1% last month (-12.8% YTD).

The fund underperformed the benchmark by 2.6 pp in May. The defensive level of cash position, averaging 15%, was the main drag for monthly return. The currency effect was net positive, mostly due to the ruble's appreciation, which added 1.7 pp. Sector-wise, cyclical positions, namely IT and Consumer discretionary recorded the highest total return, in the mid to high teens. At the same time, Energy and Materials were the largest positive contributors to the fund's monthly return, generating half of the monthly return.

Fund Facts

Fund type	open-end
Fund Manager	Georgi Raykov, Konstantin Prodanov
Fund size	EUR 1.64 M
NAV/share	EUR 0.7178
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

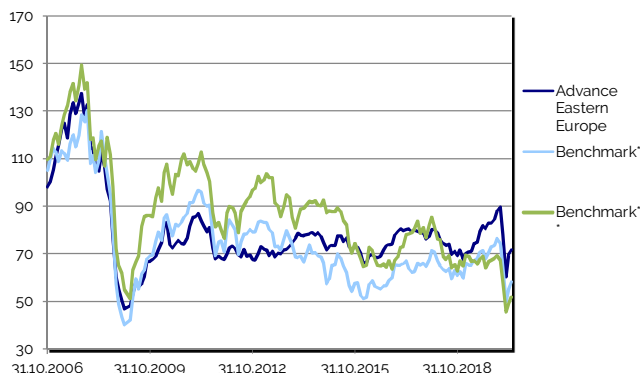
Fund Identifiers

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

Fund Results

	Fund	Benchmark*	Benchmark**
1 month	3.37%	5.92%	5.21%
1 year	-4.28%	-14.33%	-21.35%
Year to Date	-18.52%	-23.85%	-25.58%
Since Launch (annualized)	-2.40%	-4.00%	-5.35%

Fund Performance

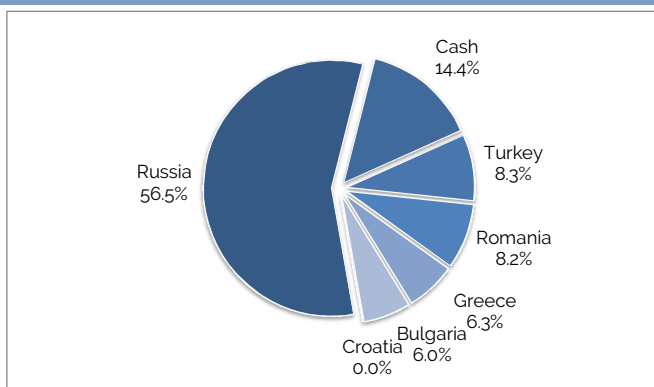


Annual Performance

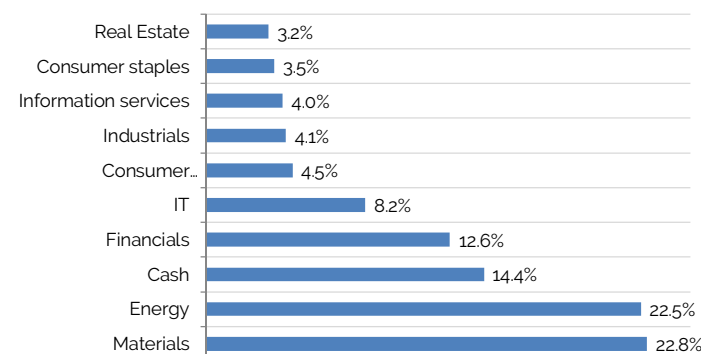
	Fund	Benchmark*	Benchmark**
2019	29.88%	27.90%	6.91%
2018	-12.25%	-11.12%	-20.91%
2017	4.42%	12.24%	22.39%
2016	11.31%	24.40%	-1.29%
2015	-2.29%	-8.32%	-22.13%
2014	-4.06%	-22.21%	2.24%
2013	6.64%	-11.15%	-16.81%
2012	4.07%	4.86%	34.08%
2011	-17.02%	-22.53%	-29.75%
2010	18.44%	21.65%	16.29%
2009	36.50%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

Polyus Gold OJSC (Russia), Materials	GMK Norliski Nikel (Russia), Materials	Lukoil (common) (Russia), Energy	SBERBANK, COMMON (Russia), Financials	ALLTERCO AD (Bulgaria), IT
---	---	-------------------------------------	--	----------------------------