

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 November 2020

Fund Manager's Comment

Global markets optimism prevailed despite the rapidly deteriorating global pandemic picture. Investors are looking at improving earnings expectations next year and rotating into cyclical sectors, encouraged by positive phase three trial results of vaccines developed by Pfizer, Moderna and AstraZeneca. Thus, cyclical heavy regional CEE indices managed to markedly outperform both DM (MSCI World: +9.7%) and GEM (MSCI EM: +6.4%), with monthly gains of 19.1% for MSCI EFM Europe + CIS and 21.9% for the benchmark excluding Russia.

The MOEX Russia index climbed 15.5% in local currency terms, emerging in the black at 2.0% YTD, as local retail investors kept trading volumes elevated, up 72% YoY in November. In sync with the global cyclical rotation, industrials, financials and energy stocks led the rally, while previous defensive market leaders – technology, consumer staples and goldmining stocks – lagged behind. Meanwhile, Russian ruble's correlation to the commodity currency basket increased amid firming crude oil prices. RUB gained 4.1% against the USD, also supported by USD 1.1 bn of capital inflows into Russian financial assets, the highest monthly figure since January.

Expectedly, Turkish authorities took actions to stabilize the local currency following its collapse in October. The cabinet reshuffles of MinFin and TCMB in early November sparked market hopes for more orthodox economic policies going forward. The newly appointed CB governor began with a 475 bp rate hike, signaling commitment to tighter monetary policy to rein in inflation. TRY appreciated 6.7% against the USD, while BIST 100 rallied 15.4% in LCU terms (+12.2% YTD) amid robust net portfolio inflows into equities during the month (+USD 1.2 bn). Although latest actions are steps in the right direction, the Turkish authorities' history of being inconsistent shouldn't be overlooked.

The Greek ASE was the best performing regional index in November, with an increase of 29.4% (-19.6% YTD) led by cyclical stocks. Despite the 60% rerating of local banks, financials remain deep in the red at 50.5% YTD. The cyclical rotation dominated Romanian equities too, with BET index climbing 9.1% (-6.9% YTD).

The fund underperformed the benchmark by 5.3 pp dragged by relative underweight in energy and financials, with its total cyclical exposure ca. 20 pp lower compared to the benchmark. The highest positive contributors to the portfolio's monthly return were energy, consumer discretionary and financial stocks. Meanwhile, goldmining companies were the only positions among materials down in November.

At the beginning of December, KCM portfolio management team participated in WOOD's Winter Wonderland – EME Conference. We managed to meet with more than 50 companies from the CEE region, discussing in detail ongoing trends and businesses' outlook for 2021. While uncertainties around economic developments over the next one-to-two quarters remain, visibility beyond has improved, while management's tone is predominantly optimistic.

Fund Facts

| | |
|---------------------|------------------------------------|
| Fund type | open-end |
| Fund Manager | Georgi Raykov, Konstantin Prodanov |
| Fund size | EUR 1.70 M |
| NAV/share | EUR 0.7618 |
| Launch date | 4.10.2006 |
| 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 |

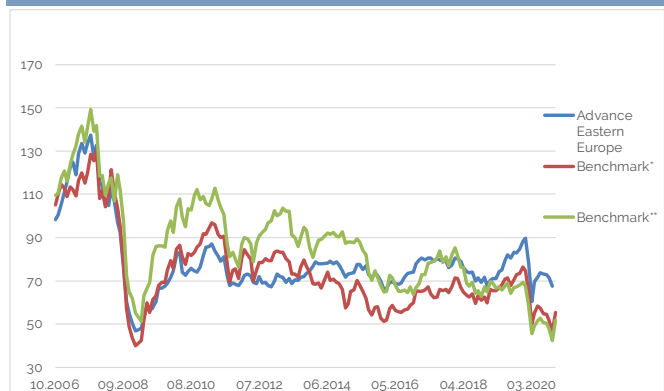
Fund Identifiers

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

Fund Results

| | Fund | Benchmark* | Benchmark** |
|---------------------------|---------|------------|-------------|
| 1 month | 12.81% | 19.13% | 21.87% |
| 1 year | -9.97% | -24.87% | -24.05% |
| Year to Date | -13.53% | -27.77% | -25.37% |
| Since Launch (annualized) | -1.90% | -4.22% | -5.15% |

Fund Performance

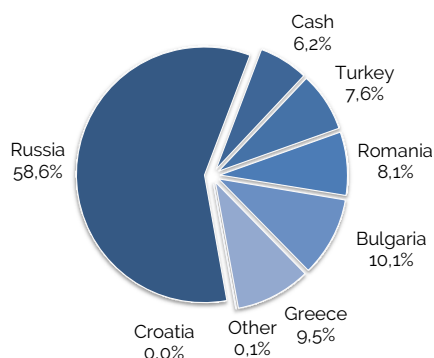


Annual Performance

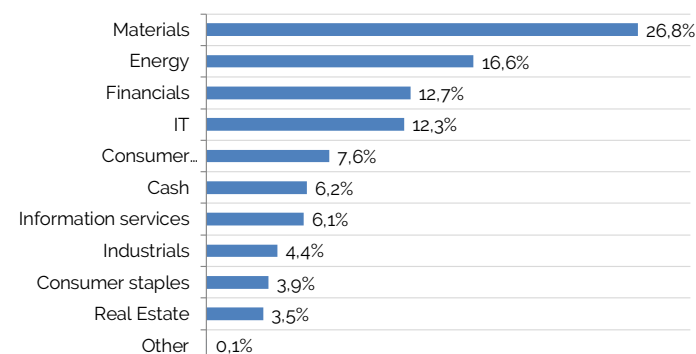
| | Fund | Benchmark* | Benchmark** |
|------|---------|------------|-------------|
| 2019 | 29.88% | 27.90% | 6.91% |
| 2018 | -12.25% | -11.12% | -20.91% |
| 2017 | 4.42% | 12.24% | 22.39% |
| 2016 | 11.31% | 24.40% | -1.29% |
| 2015 | -2.29% | -8.32% | -22.13% |
| 2014 | -4.06% | -22.21% | 2.24% |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

ALLTERCO AD (Bulgaria), IT

Polyus Gold OJSC (Russia),
Materials

Yandex NV (Russia), Information
services

GMK Norliski Nikel (Russia),
Materials

POLYMETAL INTERNATIONAL
PLC (Russia), Materials