

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 October 2020

Fund Manager's Comment

The risk-off sentiment dominated the markets in October, as the pandemic returned in full force, more ferocious than the spring, while European countries one by one started reintroducing partial lockdowns. Global equities recorded a second consecutive monthly loss, as MSCI ACWI was down 1.9%, while European stocks underperformed North America, down by 5.1% and 2.1%, respectively. Emerging markets were in the black, as MSCI EM recorded a 2.7% gain led by China. Regional CEE indices continued to lag behind, as MSCI EFM Europe + CIS declined 9.9%, while the benchmark excluding Russia lost 11.0%.

The Russian MOEX index declined 7.4% in local currency terms (-11.7% YTD), despite the predominantly positive surprises of Q3 earnings season so far. Energy and technology stocks recorded the steepest losses, while materials were marginally up. At the same time, idiosyncratic factors behind the ruble depreciation abated, but the local currency was still under pressure of falling crude oil price. RUB lost 2.4% against the US dollar, as it was more in sync with other oil-correlated currencies, e.g. NOK.

High volatility returned to the Turkish market, as the TCMB, surprisingly, left the key rate unchanged during its October meeting. This acted as a catalyst for further lira depreciation, with TRY being the worst performer across the EM currency universe for yet another month, down 7.5% against the USD. Against this negative backdrop, BIST 100 recorded a monthly loss of 2.9% in LCU terms (-2.8% YTD). The continuing collapse of the Turkish lira increases the probability of an emergency rate hike, which should reverse the stock sell-off in the short term, considering the well-established historical pattern.

The deteriorating epidemics on the Balkans took their toll on regional equity indices. The Greek ASE was sold-off on a broad base amid a new outbreak of mitigation measures. Losses since the beginning of the year increased to 37.9%, following a 8.8% drop in October. In a similar fashion, the Romanian BET declined 5.5% (-14.7% YTD).

The fund outperformed the benchmark by 4.7 pp. The currency effect was negative at around 1.5 pp. Among the highest negative contributors to the portfolio's monthly return were Russian energy and materials and Greek consumer discretionary positions. At the same time, thanks to better selection, technology stocks contributed positively to the fund's performance, despite the overall negative trend of the regional information technology sector.

Fund Facts

Fund type	open-end
Fund Manager	Georgi Raykov, Konstantin Prodanov
Fund size	EUR 1,52 M
NAV/share	EUR 0.6753
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

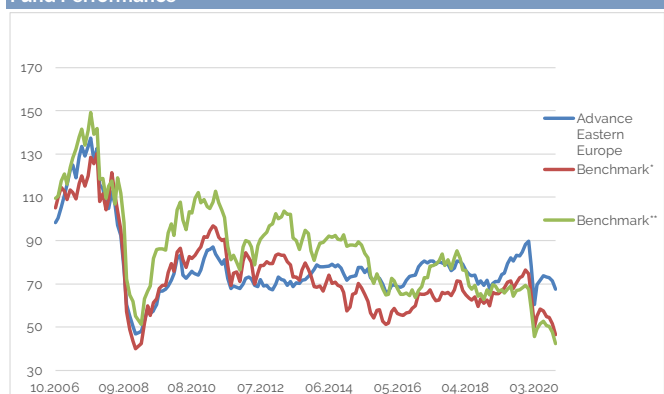
Fund Identifiers

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

Fund Results

	Fund	Benchmark*	Benchmark**
1 month	-5.22%	-9.89%	-10.97%
1 year	-18.61%	-36.42%	-36.85%
Year to Date	-23.35%	-39.37%	-38.76%
Since Launch (annualized)	-2.75%	-5.42%	-6.50%

Fund Performance

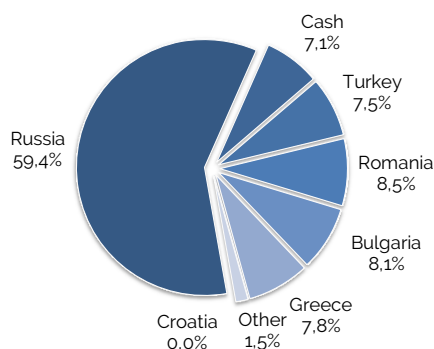


Annual Performance

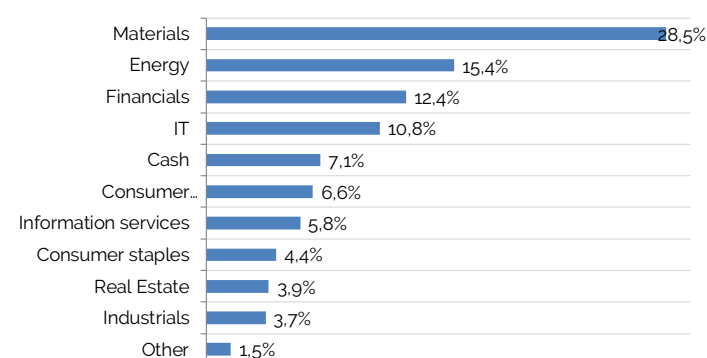
	Fund	Benchmark*	Benchmark**
2019	29.88%	27.90%	6.91%
2018	-12.25%	-11.12%	-20.91%
2017	4.42%	12.24%	22.39%
2016	11.31%	24.40%	-1.29%
2015	-2.29%	-8.32%	-22.13%
2014	-4.06%	-22.21%	2.24%
2013	6.64%	-11.15%	-16.81%
2012	4.07%	4.86%	34.08%
2011	-17.02%	-22.53%	-29.75%
2010	18.44%	21.65%	16.29%
2009	36.50%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

ALLTERCO AD (Bulgaria), IT

POLYMETAL INTERNATIONAL
PLC (Russia), Materials

Yandex NV (Russia), Information
services

GMK Noril'ski Nikel (Russia),
Materials