

# ADVANCE EMERGING EUROPE OPPORTUNITIES

## Investment Objective

The Fund invests in stocks of companies in the CEE region, and has long-term investment horizon.



This is marketing material

31 December 2024

### Fund Manager's Comment

Central and Eastern European (CEE) equity markets showed notable resilience in December, outperforming broader global indices weighed down by the US Federal Reserve's hawkish 2025 outlook. The MSCI EFM Europe + CIS ex RU benchmark index gained 2.3% in EUR, while the Advance Emerging Europe Opportunities fund slightly outpaced it with a 2.8% return, supported by favorable stock selection in Poland, Austria, and Greece. This performance contributed to an 8% YTD increase in the fund's unit value, building on the 27.6% return achieved in 2023.

In 2024, CEE market performance was mixed. Hungary's BUX and the Czech Republic's PX indices extended their strong momentum, rising 30.9% and 24.5%, respectively. In contrast, Poland's WIG20 index underperformed, declining 6.2%. Anticipated corporate governance improvements under the new pro-EU coalition lagged behind expectations, while macroeconomic recovery was hindered by slower-than-expected consumer demand growth, despite record real income increases. Polish equities thus detracted from the fund's overall performance. Looking ahead, Poland remains our top pick for 2025. We anticipate superior earnings per share (EPS) growth of over 35% (YoY) and improved macroeconomic conditions, with GDP forecast to grow 3.5% YoY, supported by increased EU fund absorption.

The Polish WIG20 index ended December flat, despite a promising first half. Financials were the largest contributors to the fund's return, led by PKO BP (+6.9%) and insurer PZU (+3.7%). PZU unveiled a new 2025-27 strategy, confirming plans to sell its stake in Alior Bank to Pekao by H1 2025. This, along with ambitious 2027 KPIs for its core insurance business, provided a tailwind for PZU's stock amid expectations of higher future dividend payouts. Shares of Bank Pekao were more volatile, ending the month up 1.7%. While the transaction raises risks for minority shareholders, we believe these are largely priced in. Pekao's dividend capacity remains intact, making it an attractive investment at a 2025 P/E of 6x and an expected dividend yield exceeding 10%. Elsewhere, fashion retailer LPP (-0.7%) delivered mixed Q3 results, overshadowed by ambitious 2025 plans to accelerate store openings from 650 in 2024 to 1,500. If executed successfully, this expansion could become a major growth catalyst for the stock. At the other end, energy giant Orlen (-7.5%) was the largest detractor, with shares pressured by investor disappointment over its CAPEX plans.

Hungarian and Czech equities significantly outperformed. Hungary's BUX rose 1.8%, while the Czech PX soared 4.6%, led by Erste Bank (+14.9%), the fund's largest position and top contributor for the month.

In December, we attended WOOD's Winter Wonderland EMEA conference in Prague, a premier capital markets event in CEE. Over the course of a week, we met with representatives from over 50 portfolio companies, gaining valuable insights that helped refine our 2025 outlook.

### Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, CFA, Konstantin Prodanov
Fund size	EUR 54.04 M
NAV/share	EUR 13073
Launch date	23.11.2007
Currency of account	Euro
Subscription fee	up to 0.9%
Management fee	1.5 % NAV p.a.
Redemption fee	none
Minimum investment	none
Benchmark	MSCI EFM Europe + CIS ex RU

### Fund Identifiers

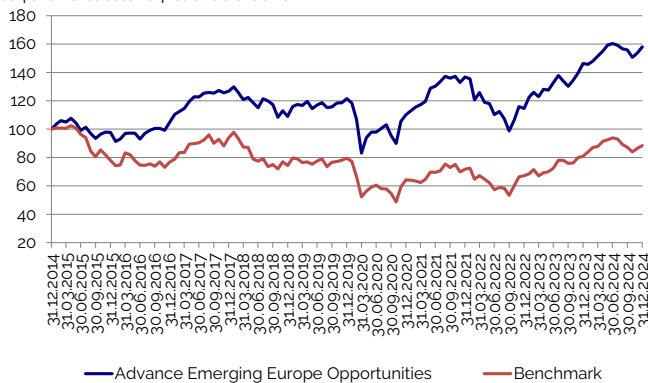
ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298
Past performance does not predict future returns.	

### Fund Results (31.12.2024)

	Fund	Benchmark
1 month	2.78%	2.30%
1 year	8.02%	9.27%
Year to Date	8.02%	9.27%
Since Launch (annualized)	1.58%	-3.39%

### Fund Performance 10Y

Past performance does not predict future returns.



### Annual Performance

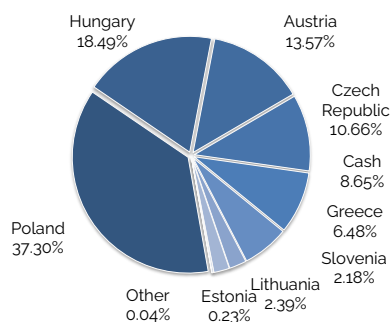
Year	Fund (%)	Benchmark (%)
2024	8.02%	9.27%
2023	27.62%	20.55%
2022	-16.20%	-6.49%
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%

Source: The calculated yield is based on net asset value per unit and does not include issuance and redemption costs, according to the Fund's Rules and Prospectus. \*Benchmark information is based on official data from www.msci.com

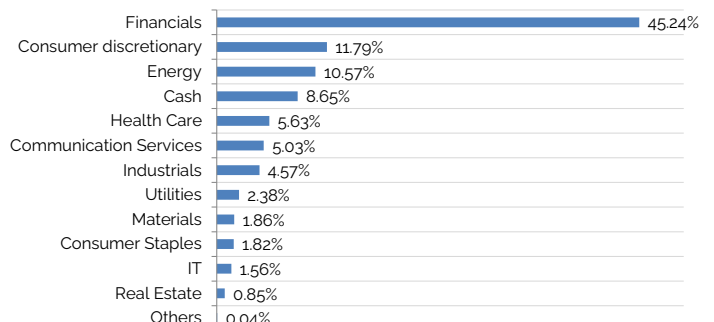
The risks of investing in shares of the contract fund are market, interest, liquidity, currency, operational, settlement risk, legislative, concentration risk, etc. More information about the risks can be found in the fund's prospectus.

### Portfolio Breakdown

#### Market Breakdown



#### Sector Breakdown



### 5 Largest Holdings

ERSTE GROUP BANK AG, Austria, Financials	BANK PEKAO SA, Poland, Financials	OTP BANK, Hungary, Financials	RICHTER GEDEON NYRT, Hungary, Health Care	KOMERCNI BANKA, Czech Republic, Financials
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This is a marketing message. Please review the prospectus and key information document of the relevant fund before making an investment decision. The information is valid at the date of issue of the marketing material and may change in the future. The information provided does not constitute investment advice, advice, investment research or investment recommendation and should not be construed as such. The value of the Fund's units and the income from them may decline, profit is not guaranteed and investors bear the risk of not recovering their investment in full. Investments in funds are not guaranteed by a guarantee fund created by the state or by any other type of guarantee. Previous results of the activity have no connection with the future results of an investment company. Future results are subject to taxation depending on the personal circumstances of each investor and may change in future periods. The documents are available in Bulgarian on the website www.karollcapital.bg, and upon request they can be obtained free of charge in paper form at the office of the Management Company. The fund is actively managed and does not follow an index. A summary of shareholder rights is available at [https://karollcapital.bg/uploads/2023/Prava\\_na\\_pritejatelitelne.pdf](https://karollcapital.bg/uploads/2023/Prava_na_pritejatelitelne.pdf)