

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 October 2024

Fund Manager's Comment

Market volatility picked up in October, driving broad-based weakness across risk assets. A stronger dollar (DXY +3.2%), rising bond yields, uncertainties surrounding the upcoming presidential elections in the US, and subdued macroeconomic data in the EU placed European shares under greater pressure, resulting in a 3.3% (in EUR) decline in the MSCI Europe index. In CEE, risk aversion weighed more heavily on the largest markets – Poland, Turkey and Greece, while the rest exhibited greater resilience. As a result, Poland (-2.9pp) and Greece (-0.6pp) dragged down the fund's return the most, while the benchmark's result was further impacted by Turkey, which posted a 7.3% decline in EUR. This led to a 3.8% drop (in EUR) of the benchmark index MSCI EFM Europe + CIS ex RU and a slightly lower decrease of 3.4% in the fund's unit value. The poor indices performance also coincided with depreciation of the major CEE currencies. Hungarian forint weakened the most against the euro (-2.7%) as Hungary slipped into technical recession, followed by the zloty (-1.6%) and the Czech koruna (-0.4%).

In Poland, WIG20 declined by 5.1%, as the impending election victory of Donald Trump raised the uncertainty related to the evolution of the war in Ukraine. While we acknowledge that geopolitical risks may increase in the near-term, we believe that investors are to a large extent already positioned for this scenario, limiting further downside. This is evidenced by the relative weakness observed in the latest months, as well as the positive initial market reaction following the elections. Given this setup, a swift diplomatic resolution of the conflict - pledged by Trump during this campaign - could trigger a sharp rebound of Polish equities, which currently trade at 2025 P/E of 7.6x, representing a 36% discount compared to global EM. Throughout the month we increased slightly our positions in PKO Bank and the insurer PZU as both currently appear unjustifiably undervalued. The former unveiled an ambitious 2024-27E strategy, targeting 18%+ sustainable ROE by 2027E and rising market share, which paints a positive outlook for the mid-term.

The long-awaited IPO of Żabka Group, the largest convenience store chain in Poland, failed to provide a lasting boost to market sentiment. The IPO sparked optimism in the first days of the month as it was multiple times oversubscribed amid massive interest from both local and foreign investors. The company was valued at EUR 5bn, while the deal size reached EUR 1.7bn, the largest in Poland in the last four years. Despite the promising prospects, the market debut disappointed, dampening sentiment across the broader market.

Our Czech positions ranked among the top performers within the portfolio, led by MONETA (+4.3%), which reported strong Q3 results, upgraded its 24E guidance and proposed an extraordinary dividend (2.7% yield). Austrian Erste Bank (+5.1%), the largest position in the fund, delivered a positive surprise as well, exceeding bottom-line expectations by 9%. In Hungary, the main index BUX remained unchanged. We boosted our position in the healthcare company Richter Gedeon, following its announcement to expand the partnership with its key business partner AbbVie.

In Greece, our positions underperformed the local ASE index (-4.8%) as Financials ranked among the losers despite the improving fundamentals.

Fund Facts

| | |
|---------------------|--|
| Fund type | open-end |
| Fund Manager | Emil Yanchev, CFA, Konstantin Prodanov |
| Fund size | EUR 51.73 M |
| NAV/share | EUR 124.66 |
| 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

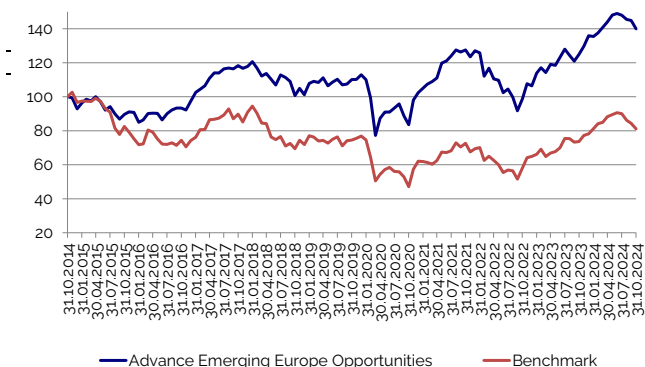
| | |
|---|--------------|
| ISIN | BG9000023077 |
| Bloomberg Code | ADVIPOF.BU |
| Reuters Lipper | 68417298 |
| Past performance does not predict future returns. | |

Fund Results (31.10.2024)

| | Fund | Benchmark |
|---------------------------|--------|-----------|
| 1 month | -3.37% | -3.77% |
| 1 year | 12.00% | 10.13% |
| Year to Date | 3.01% | 3.69% |
| Since Launch (annualized) | 1.31% | -3.72% |

Fund Performance 10Y

Past performance does not predict future returns.



Annual Performance

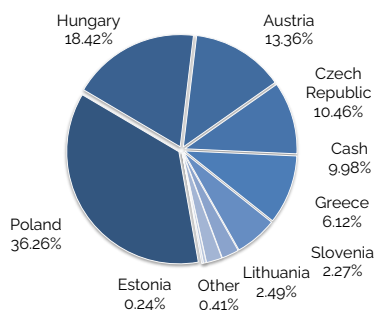
| | Fund | Benchmark |
|------|---------|-----------|
| 2023 | 27.62% | 20.55% |
| 2022 | -16.20% | -6.49% |
| 2021 | 24.13% | 11.71% |
| 2020 | -9.35% | -19.20% |
| 2019 | 11.31% | 6.91% |
| 2018 | -13.89% | -20.91% |
| 2017 | 20.96% | 22.39% |
| 2016 | 7.76% | -1.29% |
| 2015 | -2.27% | -22.13% |
| 2014 | -16.68% | 2.24% |

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

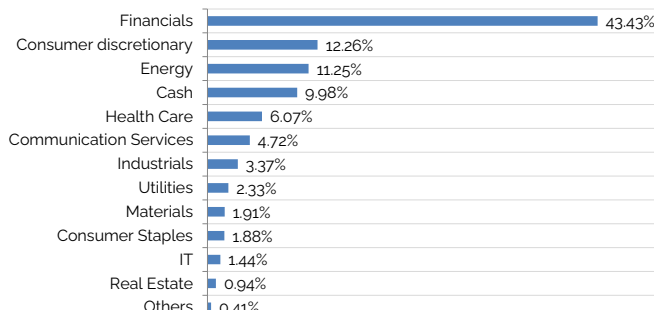
The risks of investing in shares of the contract fund are market, interest, liquidity, currency, operational, settlement risk, legislative, concentration risk, etc. More information about the risks can be found in the fund's prospectus.

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

| | | | | |
|--|-----------------------------------|---|--|-------------------------------|
| ERSTE GROUP BANK AG, Austria, Financials | BANK PEKAO SA, Poland, Financials | RICHTER GEDEON NYRT, Hungary, Health Care | KOMERCNI BANKA, Czech Republic, Financials | OTP BANK, Hungary, Financials |
|--|-----------------------------------|---|--|-------------------------------|

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.karolcapital.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://karolcapital.bg/uploads/2023/Prava_na_pritejatelite.pdf