

# 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

28 February 2025

### Fund Manager's Comment

The CEE equity rally maintained strong momentum in February, with the fund's unit value surging 5.7%, bringing the year-to-date (YTD) return to 13.1%. As a result, Central Europe emerged as the best-performing region globally in 2025, extending its lead over the U.S. S&P 500 index, which fell 1.2% in February, resulting in a YTD return of 0.8% (in EUR). Peripheral markets delivered more modest performances, particularly Turkey, where the BIST100 declined 1.7%. Despite this, the regional benchmark MSCI EFM Europe + CIS ex-RU posted a 2.7% monthly gain (in EUR).

The rally was primarily driven by growing investor optimism about a potential ceasefire or resolution to the Ukraine conflict. Companies potentially involved in Ukraine's reconstruction or currently operating there saw the strongest gains. This risk-on sentiment also bolstered local currencies. The Hungarian forint led the pack, appreciating 1.3% against the euro, while the Polish zloty and Czech koruna rose 0.5% and 0.4%, respectively.

Poland continued to outperform, with the WIG20 index soaring 6%, contributing to a YTD increase of 17.7%. Although the equity risk premium narrowed due to reduced perceived geopolitical risks, Polish equities still trade at a 23% discount to MSCI Emerging Markets based on forward P/E multiples. We remain optimistic about further upside potential, especially given the lack of significant foreign inflows to date. However, sustained strong performance will depend on robust security guarantees for Ukraine and firm commitments to its reconstruction. February also saw the successful stock market debut of Diagnostyka.

Poland's largest laboratory operator. The IPO raised over €400 million amid strong investor demand. Attracted by its compelling valuation, we participated in the IPO, opening a small position that we later closed at a 24% gain. We subsequently initiated a position in retailer CCC, which has executed a remarkable turnaround over the past year. Its EBITDA margin improved significantly, from 9% in 2023 to 18% by the end of 2024, alongside a successful restructuring of its e-commerce operations. We believe CCC is well-positioned to accelerate its expansion, a development we view as significantly underappreciated by the market. Hungary benefited from a strong selection effect, with our positions rising by an average of 7.4%, compared to a 3.8% increase in the main BUX index (in EUR). Magyar Telekom was the largest contributor, gaining 15% month-on-month (MoM) driven by solid operating results and a positive surprise in its shareholder payout ratio, which was raised to 80% of net profits. This implies a total yield of 10% in 2025, including dividends and buybacks. Notably, Magyar Telekom has appreciated by over 320% since its inclusion in the fund in 2023, highlighting its exceptional long-term performance. Czechia also saw strong performance, with our positions appreciating by an average of 6.3%, outpacing the PX index, which rose 6% (in EUR). Our largest holding, Komerční Banka, stood out with a 17.1% gain, supported by robust Q4 results and optimistic guidance for 2025, suggesting a dividend yield of 10%.

Greece continued to deliver positive surprises, with banks posting strong Q4 results characterized by resilient net interest income and reassuring targets for 2025-2026. Our positions remain among the cheapest in the region, trading at an average P/E below 6x, which we believe is unjustified given the robust macroeconomic backdrop. We expect the region's strong performance to continue, given global investors' underweight positioning in CEE equities and the continuing thaw in the US-Russia relations.

### Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, CFA, Konstantin Prodanov
Fund size	EUR 6158 M
NAV/share	EUR 1.479
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

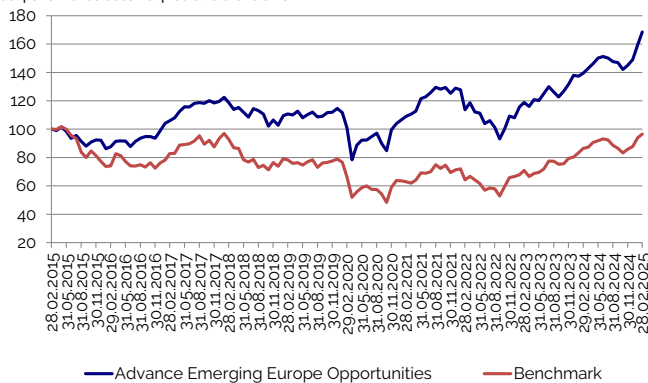
ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298
Past performance does not predict future returns.	

### Fund Results (28.02.2025)

	Fund	Benchmark
1 month	5.68%	2.68%
1 year	20.78%	11.72%
Year to Date	13.13%	9.97%
Since Launch (annualized)	2.29%	-2.83%

### Fund Performance 10Y

Past performance does not predict future returns.



### Annual Performance

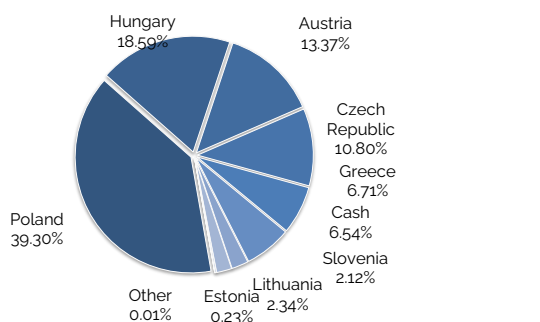
Year	Fund	Benchmark
2024	8.02%	9.27%
2023	27.62%	20.55%
2022	-16.20%	-6.49%
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%

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

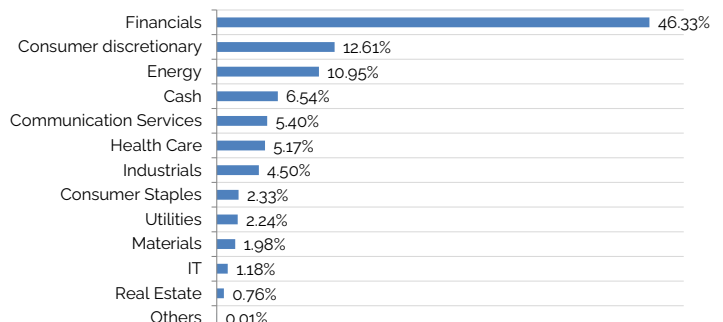
The risks of investing in shares of the contract fund are market, interest, liquidity, currency, operational, settlement risk, legislative, concentration risk, etc. More information about the risks can be found in the fund's prospectus.

### Portfolio Breakdown

#### Market Breakdown



#### Sector Breakdown



### 5 Largest Holdings

ERSTE GROUP BANK AG, Austria, Financials	BANK PEKAO SA, Poland, Financials	KOMERCNI BANKA, Czech Republic, Financials	OTP BANK, Hungary, Financials	LPP SA, Poland, Consumer discretionary
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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.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\\_pritejatelitelte.pdf](https://karolcapital.bg/uploads/2023/Prava_na_pritejatelitelte.pdf)