

ADVANCE EMERGING EUROPE OPPORTUNITIES

Investment Objective

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



29 February 2020

Fund Manager's Comment

A worsening outbreak of coronavirus outside of China sent global equities into a tailspin in February, marking the worst week for global equities since 2008. Amid this turbulence, the CEE region ranked among the underperformers, with MSCI EFM Europe + CIS ex RU declining by 13.6% (in EUR).

At the same time, government bonds rallied, spurred by investors' flight to safety. Polish 10-Year bond yield fell to a record low level of 1.65%, despite the rising inflationary pressures in CEE. Polish FRAs also went significantly down, pricing in two 25bps cuts in the CB's reference rate over next 6 months. Considering that the annual inflation of 4.4% surged well above the upper bound of the CB's target in January, this suggests that the external risks for the economy are seen as more decisive for the monetary policy. In Q4'19 Polish GDP growth surpassed market expectations, increasing by 3.2% YoY (0.1pp above the consensus estimate). This, however, did not provide support for the local benchmark index WIG20, which lost 14.4% in February, hit by the global risk-off sentiment. Oil & Gas stocks were the biggest losers as energy prices continued to fall. Financials also ranked among the underperformers, with WIG Banks index falling by 11.3% in LCU. The rest of the sectors also finished the month in negative territory, with IT (-3.3%) and Real Estate (-6.0%) stocks suffering smaller losses.

Czech PX index also plunged sharply in February, losing 8.9%. Against all expectations, Czech CB delivered a very surprising interest rate hike in the beginning of the month, becoming the first CB to raise interest rates this year. The decision, however, had a minor impact on banking stocks' valuations. The latter were more affected by the global developments and fell in line with the benchmark index.

In Hungary, the fund benefitted from its exposure toward more defensive stocks like ANY Security Printing (ANYB) and Gedeon Richter (GDRB), which slightly outperformed the local BUX index. At the same time, however, the shares of Wizz Air (WIZZ) had a strong negative contribution to the return (-0.9pp), as the spread of the coronavirus stirred up fears over global travel demand, sending the airlines stocks crashing.

Meanwhile, Baltic indices held up slightly better in comparison to other CEE indices. Latvian index fell by 2.7%, while the Estonian and Lithuanian indices were down 5.3% and 6.3%.

In February the fund's unit value decreased by 9.6%, outperforming the benchmark index by 395 bps. On the currency side, the depreciation of the Polish zloty (-0.72%), Czech koruna (-0.85%) and the Hungarian forint (-0.38%) vs. the euro had a less pronounced negative contribution to the return.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, Konstantin Prodanov
Fund size	EUR 9.53 M
NAV/share	EUR 0.8856
Launch date	23.11.2007
Currency of account	Euro
Subscription fee	up to 150%
Management fee	1.5% NAV p.a.
Redemption fee	none
Minimum investment	none
Benchmark	MSCI EFM Europe + CIS ex RU

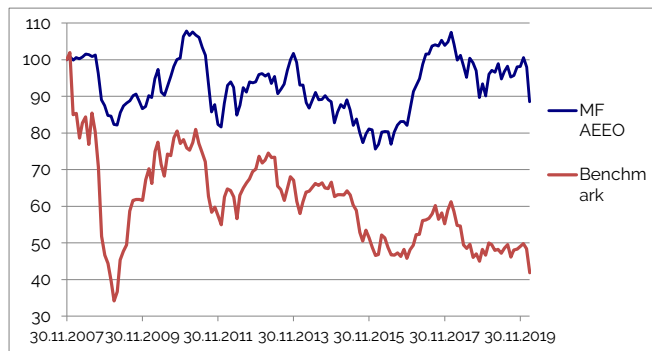
Fund Identifiers

ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298

Fund Results

	Fund	Benchmark
1 month	-9.62%	-13.58%
1 year	-8.84%	-15.50%
Year to Date	-11.93%	-16.08%
Since Launch (annualized)	-0.99%	-6.86%

Fund Performance

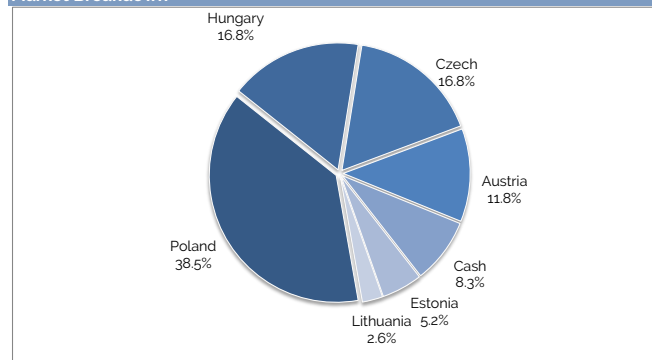


Annual Performance

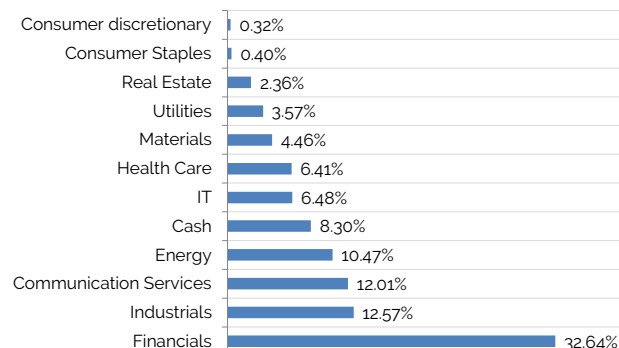
	Fund	Benchmark
2019	11.31%	6.91%
2018	-14.09%	-20.91%
2017	20.96%	22.39%
2016	7.26%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	-22.13%
2013	3.47%	2.24%
2012	17.55%	-16.81%
2011	-23.26%	34.08%
2010	21.98%	-29.75%
2009	2.85%	16.29%
2008	-15.88%	51.49%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

CD PROJEKT SA (Poland), Communication Services	WIZZ AIR HOLDINGS PLC (Hungary), Industrials	MONETA MONEY BANK (Czech), Financials	ERSTE GROUP BANK AG (Austria), Financials	MOL HUNGARIAN OIL AND GAS PL (Hungary), Energy
---	---	--	--	---