

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.



31 March 2020

Fund Manager's Comment

The unprecedented era of the bull market came to an end in March, as we registered the fastest bear-market plunge in history. The deepening coronavirus crisis sent global financial markets tumbling, as the efforts to contain the virus triggered massive economic disruptions, pushing the global economy into a recession. Emerging bond and equity markets suffered unprecedented portfolio outflows, which according to IIF amounted to USD 83.4bn. MSCI EM (in EUR) underperformed slightly, falling by 15.5%. Amid this turbulence, the CEE region suffered even higher losses, with MSCI EFM Europe + CIS ex RU declining by 21.7% (in EUR). The currency effect had a markedly negative impact on monthly performance, as the PLN, CZK and HUF depreciated by 5-7% vs. the euro.

Polish equities performed slightly better relative to the other markets in our portfolio, but still registered high losses, with WIG20 falling 14.5% in LCU. Polish government took a rather cautious approach by locking down the country with only 25 confirmed coronavirus cases. Consumer discretionary stocks thus were among the major underperformers in March, as companies were forced to shut down their stores and restaurants due to the restrictions. Due to the high uncertainty around the length of the lockdown, we have decided to remain unexposed to the sector. Dragged by recession fears, bank stocks were also among the biggest losers, with WIG Banks finishing the month 29.5% lower. More defensive sectors like telecommunications and consumer staples held up relatively better. The former fell by 4.3%, whereas shares of food retailers like Dino (DNP) and Jeronimo (JMP) appreciated by 14.3% and 3.4%, respectively. Video games industry, which is one of the few that might benefit from the current situation, also performed strongly. However, due to the higher risks we decided to reduce our overweight position in CD Projekt (CDR) and locked in some gains.

Czech PX index lost 19.2% in March. The index was dragged down by the banks, which shed over a third of their value. Among the reasons for the sharp sell-off was the recommendation of the CNB to postpone the dividend payments. We think that the banks are well positioned to weather the looming crisis and for this reason we have decided to keep our exposure. Hungarian BUX declined by 17.6% as all of the major index constituents finished the month in red. Defensive stocks like ANY Security Printing (ANYB) and Gedeon Richter (GDRB) continued to outperform, whereas the shares of Wizz Air (WIZZ) remained under high pressure. In the first half of the month, we reduced our exposure to the latter based on a top-down view. Nevertheless, we remain long-term positive on the stock.

In March the fund's unit value decreased by 22.31%, slightly underperforming the benchmark, which fell 21.67%. However, the fund maintained its superior performance vs. the benchmark both YTD and over the longer term. In the near-term we plan to hold a slightly higher-than-usual cash level, which will help us to reduce the impact of high volatility.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, Konstantin Prodanov
Fund size	EUR 7.38 M
NAV/share	EUR 0.688
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	-22.31%	-21.67%
1 year	-28.77%	-31.65%
Year to Date	-31.58%	-34.27%
Since Launch (annualized)	-2.98%	-8.64%

Fund Performance

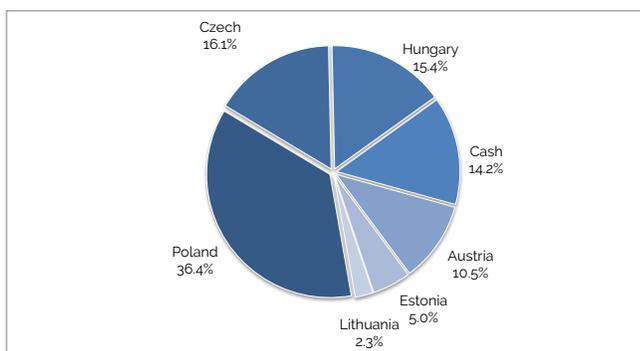


Annual Performance

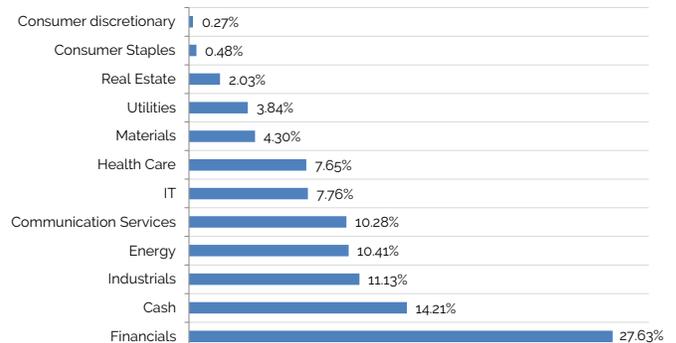
Year	Fund	Benchmark
2019	11.31%	6.91%
2018	-14.09%	-20.91%
2017	20.96%	22.39%
2016	7.26%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	-22.13%
2013	3.47%	2.24%
2012	17.55%	-16.81%
2011	-23.26%	34.08%
2010	21.98%	-29.75%
2009	2.85%	16.29%
2008	-15.88%	51.49%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

CD PROJEKT SA (Poland), Communication Services	RICHTER GEDEON NYRT (Hungary), Health Care	LIVECHAT SOFTWARE SA (Poland), Information Technology	CEZ AS (Czech), Utilities	AVAST PLC ORD (Czech), Information technology
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