

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.



30 September 2020

Fund Manager's Comment

September was marked by higher turbulence on global equity markets amid rising uncertainty with regards to the election results and a new wave of lay-offs in the USA, as well as a significant increase in COVID-19 cases across Europe. Thereby, investors turned more cautious, which resulted in higher EM equity outflows (\$10.8bn according to IIF), especially in the final days of the month. Still, MSCI EM finished the month in black (+0.18% in EUR), which was the fourth straight month of positive returns.

The picture in the region of CEE was a bit more grim, as the situation with the coronavirus pandemic worsened, putting the countries in jeopardy of a more severe second wave. Thus the region underperformed, with MSCI EFM Europe + CIS ex RU falling 5.4% in EUR terms. The soft equity market performance coincided with devaluation of major regional currencies. The Polish zloty fell 2.94% vs. the euro, whereas the Hungarian forint and the Czech koruna were down respectively by 2.3% and 3%, with rising infections and mounting political tensions being the main factors behind the depreciation.

In contrast to the worsening sentiment towards companies from the "old economy", the IPO of the Polish e-commerce platform Allegro attracted huge investor interest, smashing the local IPO record. The IPO was priced at the top of the price range (PLN 43), which will make the company the most expensive one on the local stock exchange once the stock starts trading on October 12, with market capitalization of \$11.2bn. We decided not to participate in the IPO, due to the extremely high, in our view, valuation metrics and the high competitive threats (i.e. potential entry of Amazon in Poland). Sector-wise, WIG Telecoms was among the top-performers (+2.8%) in September, while WIG Chemicals (-9.8%), WIG O&G (-7.2%) and WIG Banks (-4.4%) ranked among the laggards.

In Hungary, the main equity index BUX fell 5.5%. In the first days of September we saw a good opportunity to trim further our position in Wizz Air, as the risks for new travel bans in Europe intensified. A part of the proceeds from the sale were used to increase our position in the Oil&Gas company MOL, which in our view, is one of the most undervalued companies in the sector now. Besides, in the Czech Republic we increased the weights of Moneta Money Bank and the utility company CEZ, where we also see a great divergence between fair value and market price. In September the Czech PX index fell 3.9%, while Baltic equity indices remained almost flat.

The fund's unit value decreased by 7.44% for the month, which marginally reduced the YTD outperformance vs. the benchmark (+9.77pp), as the latter recorded a smaller monthly decline of 5.41%. The fund's performance remains superior in a longer-term perspective.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, Konstantin Prodanov
Fund size	EUR 8.47 M
NAV/share	EUR 0.7899
Launch date	23.11.2007
Currency of account	Euro
Subscription fee	up to 1.50%
Management fee	15 % 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	-7.44%	-5.41%
1 year	-17.48%	-28.67%
Year to Date	-21.45%	-31.22%
Since Launch (annualized)	-1.82%	-7.99%

Fund Performance

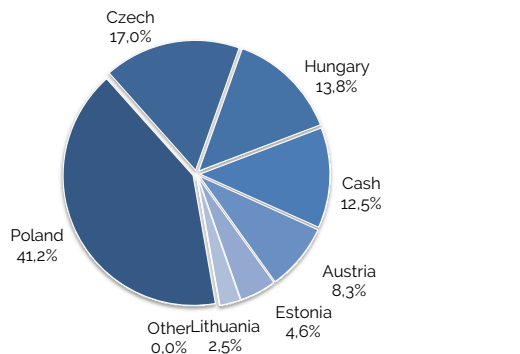


Annual Performance

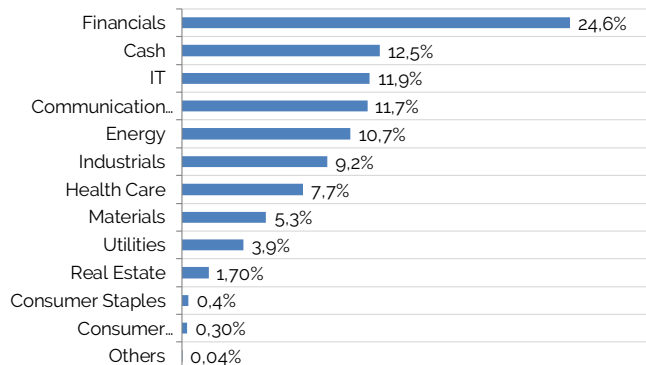
Year	Fund	Benchmark
2019	11.31%	6.91%
2018	-14.09%	-20.91%
2017	20.96%	22.39%
2016	7.26%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	-22.13%
2013	3.47%	2.24%
2012	17.55%	-16.81%
2011	-23.26%	34.08%
2010	21.98%	-29.75%
2009	2.85%	16.29%
2008	-15.88%	51.49%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

LIVECHAT SOFTWARE SA (Poland), Information Technology

CD PROJEKT SA (Poland), Communication Services

AVAST PLC ORD (Czech), Information technology

CEZ AS (Czech), Utilities

RICHTER GEDEON NYRT (Hungary), Health Care