

# 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 December 2021

### Fund Manager's Comment

Following a setback in November, the fund's unit value quickly recovered in December, as global equity markets shook off Omicron worries amid less concerning data from South Africa and the UK. Thereby, the fund's unit value surged 2.92%, for a total return of 24.13% in 2021. This marked a substantial outperformance vs. the benchmark index (12.42pp) which appreciated by 11.71% (in EUR). In relative terms, the region of CEE, as measured by the benchmark index MSCI EFM Europe + CIS ex RU, achieved a much stronger result vs. Global Emerging Markets (MSCI EM) (+2.66% YTD in EUR) in 2021, but lagged behind MSCI World (+29.26% YTD in EUR) which had another tremendous year. Given that the macro backdrop is set to remain supportive, with GDP and earnings growth momentum carrying forward, we think that CEE equities outlook for 2022E looks encouraging, as valuations are still undemanding. Our view was reinforced in December, when at WOOD's Winter Wonderland EME conference we had the opportunity to meet with representatives of the majority of the companies that we cover.

Sector-wise, value sectors returned to positive growth and as a result Energy (+0.9pp), Financials (+0.8pp) and Utilities (+0.8pp) contributed the most to the fund's result in December. The worst performer was the IT sector which subtracted 0.3pp.

The Czech market finished the year on a very solid footing (PX Index up by 5.1%), with an YTD return of 38.8%. In line with our expectations, the aggressive tightening of the monetary policy, started to push the koruna higher. In December, it appreciated 2.6% vs. the euro and in the first days of 2022 it hit a 9-year high. CNB remained extremely hawkish and on 22 Dec once again surprised the markets, increasing the main rate by 100bp. Driven by soaring electricity prices, shares of our largest position – CEZ – continued their upward trajectory, surging 12.5%. Banking stocks finished the month in black as well, but their returns were less spectacular.

In Poland, the WIG20 rose by 4.8%, bolstered by Oil&Gas stocks (+7.3%) and Banks (+0.8%), as expectations for another rate hike in January provided support for the latter. A fashion retailer – LPP – was one of biggest winners, with a MTD return of 28.6%, driven by a remarkable Q3 earnings surprise and an optimistic 2022E outlook.

In Hungary, market sentiment once again deteriorated due to the announcement of new anti-market government measures. Following the fuel price cap in November, the government now decided to freeze interest rates on retail mortgages, which led to a sell-off of the shares of OTP Bank declining 6.7% for the month. This weighed considerably on the BUX which fell 2.5%. Still, the measures will not hit hard OTP's operating results, as the majority of mortgages are fixed-rate. Apart from Hungary, the rest of the markets in the portfolio contributed positively, led by Austria, adding 0.5pp to the MTD return.

### Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, Konstantin Prodanov
Fund size	EUR 12.8 M
NAV/share	EUR 1.1316
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

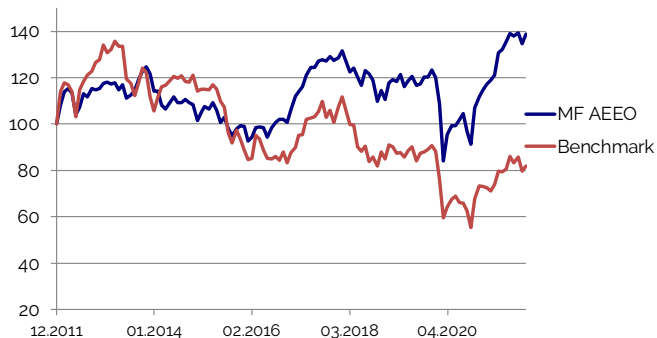
### Fund Identifiers

ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298

### Fund Results

	Fund	Benchmark
1 month	2.92%	2.67%
1 year	24.13%	11.71%
Year to Date	24.13%	11.71%
Since Launch (annualized)	0.88%	-5.50%

### Fund Performance 10Y

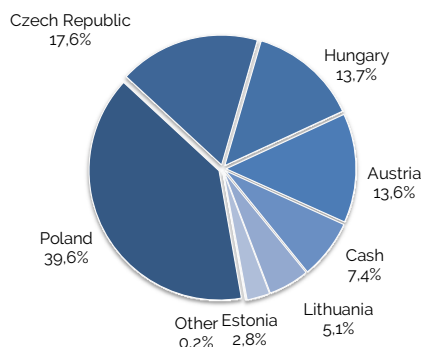


### Annual Performance

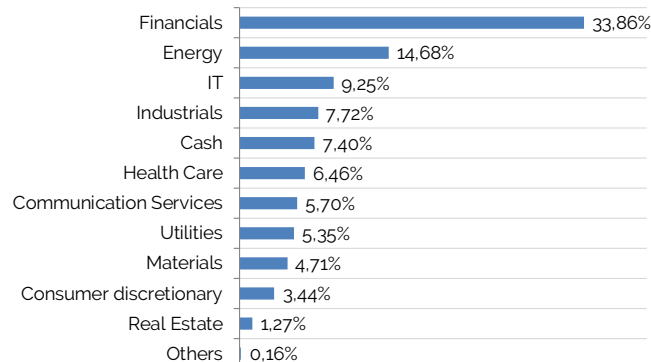
	Fund	Benchmark
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	2.24%
2013	3.47%	-16.81%
2012	17.55%	34.08%
2011	-23.26%	-29.75%
2010	21.98%	16.29%
2009	2.85%	51.49%
2008	-15.88%	-56.45%

### Portfolio Breakdown

#### Market Breakdown



#### Sector Breakdown



### 5 Largest Holdings

CEZ AS (Czech Republic), Utilities	BANK PEKAO SA, Poland, Financials	MONETA MONEY BANK (Czech Republic), Financials	RAIFFEISEN BANK INTERNAT. AG (Austria), Financials	KOMERCNI BANKA (Czech Republic), Financials
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