

# 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.



28 February 2022

## Fund Manager's Comment

In February market turbulence intensified considerably following the Russian invasion of Ukraine. In response to this violent act of aggression, the West imposed several rounds of devastating economic and financial sanctions. Given that the hit on the Russian economy will have global repercussions as Russia is a major commodity exporter, the sell-off became broad-based, with investors becoming more concerned that global inflation will remain persistently elevated. Unsurprisingly, Europe, which is relatively more dependent on Russian commodities, underperformed. Thereby, the region of CEE ex RU, as measured by MSCI EFM Europe + CIS ex RU lost 10.7% in EUR, slightly outperforming the fund, whose unit value was down by 11%. While we acknowledge that in the near term the CEE region will suffer from a de-rating, with market risk premium rising as a result of the higher uncertainty, from a longer-term perspective we believe that it might be able to reap certain benefit. This is due to the fact that Russia's exclusion from the MSCI and FTSE EM indices, automatically increases the weights of Poland, Czechia, Hungary etc., which could lead to higher passive inflows going forward. From a macro perspective, the risks are tilted to the downside due to potential energy supply-chain disruptions, yet GDP growth in CEE is expected to remain positive in 2022E. At the same time, the vast majority of the companies in our portfolio (>80% of the fund's value) do not have a direct exposure to Russian and Ukrainian markets. Among the rest, RBI, OTP and Wizz Air (c.8% of the fund) appear to be most exposed. Still, in each of these cases the exposures are relatively minor. In the case of RBI and OTP, in a worst-case scenario, the CET1 ratio of the first is expected to decrease by c.1.0pp, while the impact on OTP's CET1 should be c. -0.2%, which in our view does not justify the market sell-off. Overall, we think that the stocks with highest exposure to Russia and Ukraine have already been heavily discounted by the market.

In Poland only Energy and Oil&Gas closed the month in the black, while mounting stagflation fears led to a sharp sell-off of the banks, with WIG-banks erasing 13.7%. Discretionary retailers LPP and CCC, which are not part of our portfolio, also ranked among the biggest losers, falling by 45.5% and 30.2% respectively, as the former decided to write off all of its assets located in Ukraine. As a result, WIG20 fell by 9.5%. During the month, we slightly increased our position in the debt collector Kruk.

Czech equities performed slightly better, as the shares of the firearms company Ceska Zbrojovka and CEZ outperformed, surging by 8.4% and 6.0%. Thereby, PX fell by 4.6%. In Czechia, we closed our position in Avast, realising a gain of 168% since our first investment into the company.

Hungarian and Austrian equities underperformed, as BUX plunged 18.2%, while ATX fell 11.8%. In Hungary, we reduced slightly our underweight in OTP, which lost nearly a third of its value in February.

Meanwhile, local currencies depreciated vs. the euro as a result of the conflict in Ukraine, impacting negatively the fund's return. Zloty fell by 2.5%, whereas the koruna and forint depreciated by 3.3% and 4.3%.

## Fund Facts

|                     |  |
|---------------------|--|
| Fund type           | open-end                               |
| Fund Manager        | Emil Yanchev, CFA, Konstantin Prodanov |
| Fund size           | EUR 11.3 M                             |
| NAV/share           | EUR 0.9979                             |
| Launch date         | 23.11.2007                             |
| Currency of account | Euro                                   |
| Subscription fee    | up to 150%                             |
| Management fee      | 15 % NAV p.a.                          |
| Redemption fee      | none                                   |
| Minimum investment  | none                                   |
| Benchmark           | MSCI EFM Europe + CIS ex RU            |

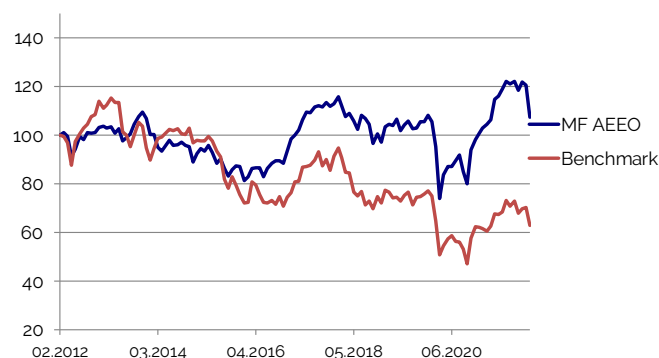
## Fund Identifiers

|                |              |
|----------------|--------------|
| ISIN           | BG9000023077 |
| Bloomberg Code | ADVIPOF.BU   |
| Reuters Lipper | 68417298     |

## Fund Results

|                           | Fund    | Benchmark |
|---------------------------|---------|-----------|
| 1 month                   | -10.97% | -10.66%   |
| 1 year                    | 4.38%   | 2.11%     |
| Year to Date              | -11.82% | -9.79%    |
| Since Launch (annualized) | -0.01%  | -6.12%    |

## Fund Performance 10Y

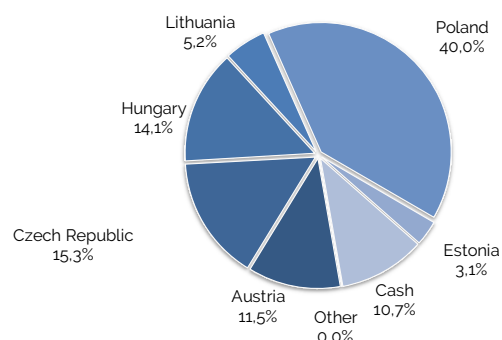


## Annual Performance

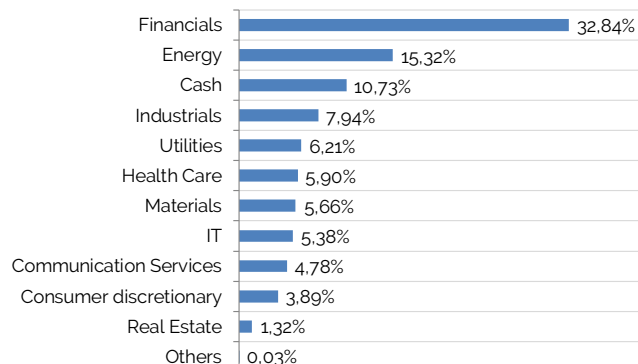
|      | Fund    | Benchmark |
|------|---------|-----------|
| 2021 | 24.13%  | 11.71%    |
| 2020 | -9.35%  | -19.20%   |
| 2019 | 11.31%  | 6.91%     |
| 2018 | -13.89% | -20.91%   |
| 2017 | 20.96%  | 22.39%    |
| 2016 | 7.76%   | -1.29%    |
| 2015 | -2.27%  | -22.13%   |
| 2014 | -16.68% | 2.24%     |
| 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

KOMERCNI BANKA (Czech  
Republic), Financials

MOL HUNGARIAN OIL AND  
GAS PL (Hungary), Energy