

ADVANCE EMERGING EUROPE OPPORTUNITIES

*This is marketing material

Investment Objective

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



30 June 2022

Fund Manager's Comment

Headwinds for equities got stronger in June, as recession risks rose globally, while inflationary pressure accelerated and cost of capital increased amid expectations for more aggressive monetary policy tightening. As a result, investors became more risk-averse, sending MSCI World 6.52% lower (in EUR), with US stocks recording their worst H1 in more than 50 years. The backdrop for CEE equities was even more challenging, as investors in addition also had to price in higher regulatory and political risks related to the introduction of new sector taxes and credit holidays. Thereby, the local benchmark index MSCI EFM Europe + CIS ex RU underperformed, sliding 7.65% in EUR. Meanwhile, the fund's unit value fell slightly less, by 6.62%, thanks to the higher than usual cash levels. The volatility of local currencies remained driven predominantly by external factors. Czech koruna and Hungarian forint closed June almost unchanged vs. the euro, while the zloty depreciated by 2.5% due to expectations of narrowing interest rate differential between Poland and the Eurozone. Most sectors, apart from real estate weighed on the fund's performance, with Financials being the biggest drag (c. -2.2pp).

In Poland, Financials continued their losing streak, with WIG Banks, plunging 12.4%, as the bill for credit holidays was approved by the Senate. In the beginning of July investor sentiment toward the sector took another hit amid speculations that the ruling party might impose additional tax on lenders' profits. Due to these risks we plan to keep our exposure low. Regulatory risks aside, lenders booked record income in May, backed by higher interest rates. Among the blue-chips, shares of the mining company KGHM (-18.6%) ranked among the losers as well, amid looming recession fears and falling copper prices. Discretionary retailers –CCC and LPP also suffered large losses, partly due to a negative cross-read from their European peer Zalando, which slashed its 2022E guidance due to poor consumer confidence numbers. We still believe that the discount retailer Pepco is in a more favourable position and thus took advantage of the broad market sell-off, increasing slightly our position. In the consumer staples sector, shares of the food retailer Dino exhibited higher resilience, appreciating 7.3%.

In Czechia, the PX index fell 4.4%. Shares of our largest position –the utility company CEZ (-3.1% MoM) –reached a new multi-year high, driven by the rising power prices and expectations for a higher dividend. In the last days of June, however, the rally was spoiled by speculations about a potential 25% tax on nuclear and coal generation, triggering a severe sell-off. While it now looks more likely to be implemented, we think that this is already priced in. The banks in the index posted mixed performance.

Hungarian market (BUX) stood firmer, trimming just 0.4%. This was largely due to the Oil&Gas company MOL, whose shares completely offset the decline in the prior month, soaring 16%. At the other extreme was Wizz Air, which became the biggest drag on the fund's return, plunging 40% due to concerns on its balance sheet position.

Fund Facts

Fund type	open-end
Fund Manager	Emil Yanchev, CFA, Konstantin Prodanov
Fund size	EUR 10.49 M
NAV/share	EUR 0.9122
Launch date	23.11.2007
Currency of account	Euro
Subscription fee	up to 1.50%
Management fee	1.5 % NAV p.a.
Redemption fee	none
Minimum investment	none
Benchmark	MSCI EFM Europe + CIS ex RU

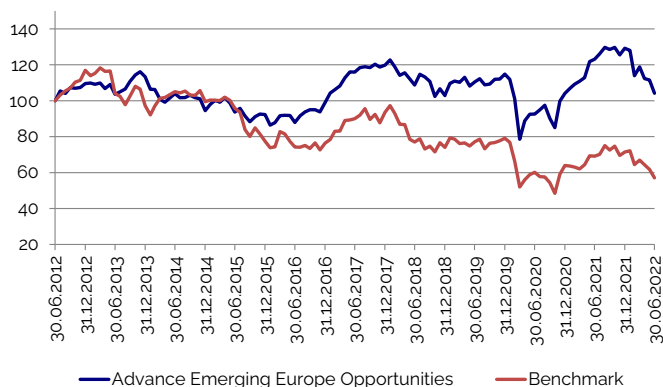
Fund Identifiers

ISIN	BG9000023077
Bloomberg Code	ADVIPOF.BU
Reuters Lipper	68417298

Fund Results

	Fund	Benchmark
1 month	-6.62%	-7.65%
1 year	-15.37%	-17.48%
Year to Date	-19.39%	-20.11%
Since Launch (annualized)	-0.63%	-6.77%

Fund Performance 10Y

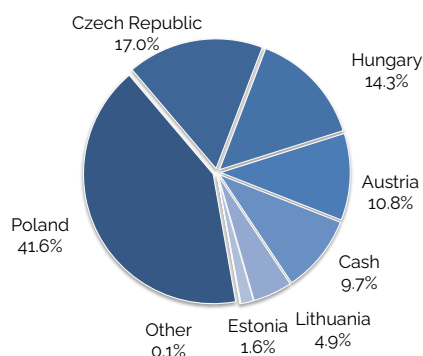


Annual Performance

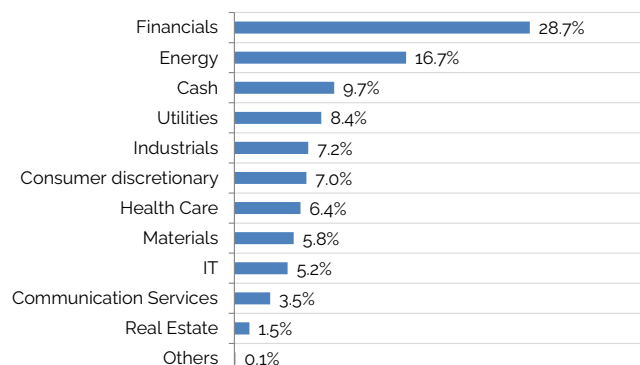
	Fund	Benchmark
2021	24.13%	11.71%
2020	-9.35%	-19.20%
2019	11.31%	6.91%
2018	-13.89%	-20.91%
2017	20.96%	22.39%
2016	7.76%	-1.29%
2015	-2.27%	-22.13%
2014	-16.68%	2.24%
2013	3.47%	-16.81%
2012	17.55%	34.08%
2011	-23.26%	-29.75%
2010	21.98%	16.29%
2009	2.85%	51.49%
2008	-15.88%	-56.45%

Portfolio Breakdown

Market Breakdown



Sector Breakdown



5 Largest Holdings

CEZ AS, Czech Republic, Utilities

MONETA MONEY BANK, Czech Republic, Financials

MOL HUNGARIAN OIL AND GAS PL, Hungary, Energy

LIVECHAT SOFTWARE SA, Poland, IT

RICHTER GEDEON NYRT, Hungary, Health Care