

Annual Management Report Independent Auditor's Report Financial Statements

Mutual Fund
Advance Emerging Europe Opportunities

31 December 2022

advance emerging europe
opportunities 

KAROLJ CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT OF MUTUAL FUND ADVANCE EMERGING EUROPE OPPORTUNITIES FOR 2022

1. Development, operating results and status of the mutual fund, description of main risks

1.1. Registration and licensing

MF Advance Emerging Europe Opportunities is an open-end collective investment scheme, which invests in securities, by raising money through public offering of its own units. MF Advance Emerging Europe Opportunities (formerly MF Advance IPO Fund) is organized by Management Company Karoll Capital Management EAD in 2007. The overall activities of the Fund are administered by the Management Company Karoll Capital Management EAD. The company has a three-member Board of Directors. The company is represented jointly by the executive director and the procurator. As of 31.12.2022 the members of the Board of Directors are: Stanimir Karolev - Chairman of the Board of Directors, Konstantin Prodanov - Deputy Chairman of the Board of Directors and Daniel Ganev – Chief Executive Officer. The sole owner of the Management company's capital is Stanimir Karolev.

The management company, acting on behalf of Mutual Fund Advance Emerging Europe Opportunities, concluded a depository services agreement with Unicredit Bulbank AD. The fund is entered in the register under Art. 30, para. 1, item 5 of the FSC Act and its UIC is 175398715.

The public offering of units of the Mutual Fund Advance Emerging Europe Opportunities, began on 23 November 2007. The Fund's shares are not listed for trading on a regulated market.

The capital of the Fund is variable and may change depending on the number of units issued and redeemed, but it is always equal to the net asset value of the Fund. The units of the Fund are denominated in EUR, and the nominal value of one unit is EUR 1.

In 2021 The Management Company has entered into an agency agreement with Waystone Fund Services (Switzerland) SA for investors in the Swiss Confederation and into a paying agency agreement with Helvetische Bank AG, with which it has a contract for servicing payments to and investors from the Swiss Confederation in accordance with the local legal requirements.

1.2. Investment activity in 2022

Review of the developments in the markets from the Fund's portfolio in 2022

In the first half of 2022, the environment for global equities deteriorated significantly and this led to the largest decline over the period in the US S&P 500 Index (-20.58% in dollar terms) since 1970. Against this backdrop, markets in the CEE region underperformed relative to global equity markets. Measured through the benchmark MSCI EFM Europe + CIS ex RU index, the region recorded a decline of 20.11% in euro terms. The performance of the Fund's holdings was similar, where the decline reached 19.39%. The sell-off was triggered by growing concerns of a global recession, aggressive monetary tightening and risks stemming from the war in Ukraine (including accelerating inflation). In addition to these dangers, the region has suffered from its proximity to military conflict and growing political and regulatory risks.

In the second half of the year, performance was more favourable. The trajectory of the indices changed more markedly in the last quarter, when strong gains were realised. Among the reasons for the improvement in sentiment were weakening inflation, expectations of a looming end to interest rate hikes and an improved macro outlook. In the CEE region, extremely low valuation ratios also caught the attention of market participants. Thus, as measured through the benchmark MSCI EFM Europe + CIS ex RU index, the region ended the year with a decline of 6.5% in euro terms, marking a significant improvement on the mid-year. Mainly influenced by the absence of Turkey and Greece in the portfolio, which significantly outperformed other markets, the Fund's holdings underperformed, realising a 16.2% decline. Higher than usual cash levels limited the loss somewhat. Among the major markets in the Fund's portfolio, Poland's WIG20 declined by 20.9% and the major indices in Hungary and the Czech Republic declined by 13.7% and 15.7%, respectively. In Austria, the ATX index retreated 19%, while in the Baltics, the Lithuanian and Estonian indices performed slightly stronger, posting declines of 2% and 11.7%, respectively.

At the sector level, all industries negatively impacted the Fund's returns in 2022. Financial Services and Communication Services had the largest negative impact.

Among the major currencies to which the Fund has exposure, the Polish zloty and the forint depreciated by 2.0% and 7.7% against the euro, while the Czech koruna appreciated by 3%.

Changes in the portfolio of MF Advance Emerging Europe Opportunities and operating results in 2022

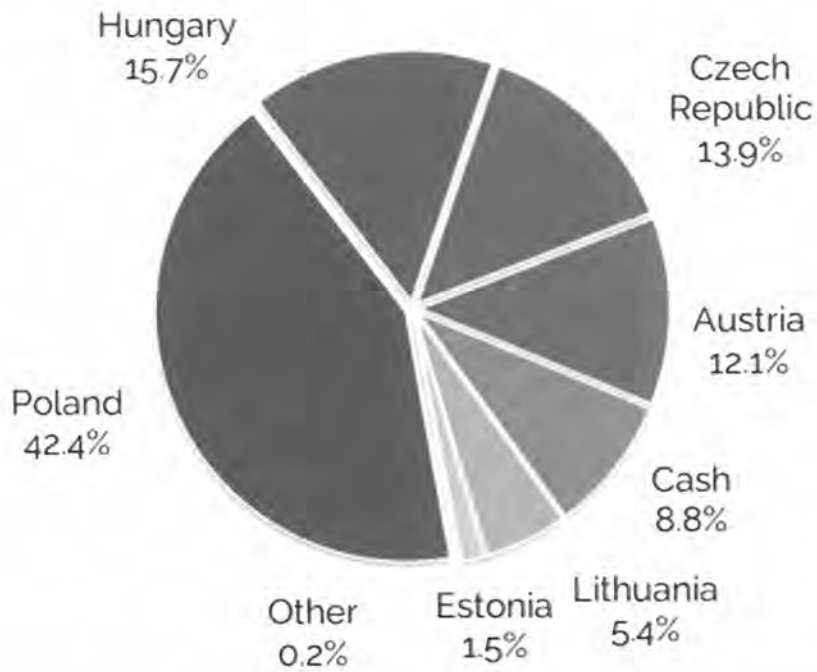
In 2022, Poland continued to be the leading market with a weight of 42.4% at the end of the year, followed by Hungary (15.7%) and the Czech Republic (13.9%). No significant changes have been made to the portfolio structure.

In the first half of the year we closed our positions in Avast PLC and the Estonian company Tallink. We reduced our exposure to companies more directly affected by the war in Ukraine, such as OTP Bank and Raiffeisen Bank. At the same time, we added to our positions in Pepco Group, Kruk, Erste Bank, Allegro, Wizz Air, Richter Gedeon and added Inter Cars to the portfolio.

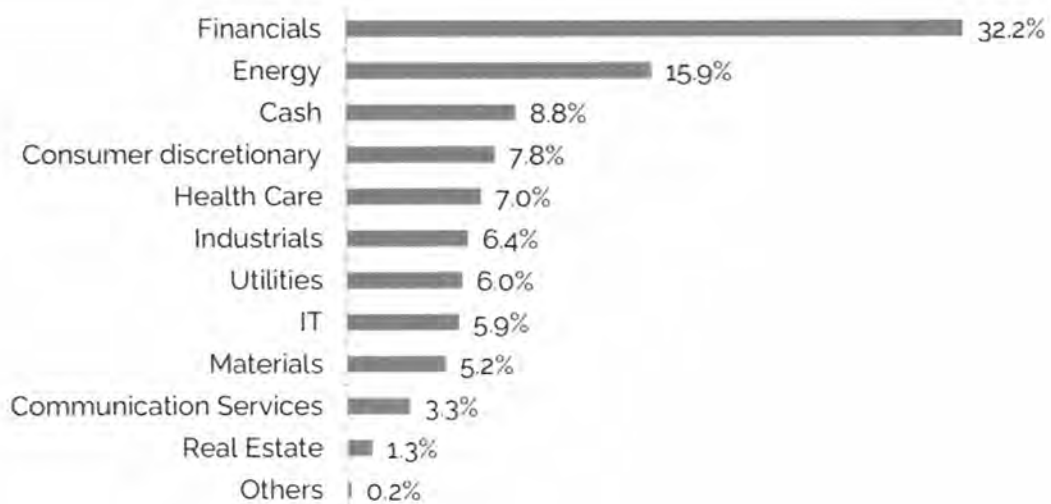
In the second half of the year we opened a position in Grupa Kety SA, a leading Polish supplier of aluminium components, systems and packaging materials. We also increased our position in the chemical company Ciech, as well as in OTP Bank. At the same time, we have fully closed our position in the Polish mining company KGHM.

The share of cash increased to 8.8% at year-end. The Fund's net asset value decreased to BGN 21.3 million, mainly as a result of negative market returns.

Portfolio of MF Advance Emerging Europe Opportunities as of 31.12.2022.



Portfolio allocation of MF Advance Emerging Europe Opportunities by sectors as of 31.12.2022



Leading positions in the portfolio and share of assets as of 31.12.2022

Company	% of assets
CEZ AS, Czech Republic, Utilities	6.0%
POLSKI KONCERN NAFTOWY ORLEN, Poland, Energy	5.6%
RICHTER GEDEON NYRT, Hungary, Health Care	4.7%
ERSTE GROUP BANK AG, Austria, Financials	4.6%
MONETA MONEY BANK, Czech Republic, Financials	4.4%

1.3. Financial result for 2022

The financial result of MF Advance Emerging Europe Opportunities for 2022 is a loss of BGN 4,088 thousand. It is formed by net loss from operations with financial assets in the amount of BGN 3,670 thousand and non-financial expenses in the amount of BGN 418 thousand.

The net loss on operations with financial assets consisted of a net loss on operations with investments of BGN 4,213 thousand, a loss on foreign exchange of BGN 341 thousand and other financial expenses of BGN 7 thousand, partially offset by reported dividend income of BGN 891 thousand.

The Fund's non-financial expenses represent expenses related to the Fund's operations, amounting to 1.95% of the Fund's average annual net asset value in 2022. The Management Fee of the Management Company under the rules of the Fund is BGN 324 thousand.

1.4. Changes in the unit price of MF Advance Emerging Europe Opportunities for the period

The principle indicator of the effectiveness of the management of MF Advance Emerging Europe Opportunities is the change in the price of the Fund's units, calculated on the basis of the NAV. The NAV per share decreased to EUR 0.9483 as of 31.12.2022 compared to EUR 1.1316 a year earlier.

Performance of Advance Emerging Europe Opportunities in the last 10 years:



Performance as of 31.12.2022	
Since the beginning of the year	-16.20%
3 years, annualized	-1.94%
5 years, annualized	-2.00%
Since the fund's inception (annualized)	-0.35%

1.5. Expected risks related to the investment portfolio and techniques for their management

The process of identifying, managing and monitoring the risks in the operating activities of MF Advance Emerging Europe Opportunities aims to reduce the impact of external and internal risk factors on investments, including risks arising from the macroeconomic environment.

Risk management procedures include:

- (a) risk identification;
- (b) risk assessment;
- (c) selection of a risk strategy;
- (d) selection of ways to reduce the level of risk;
- (e) control of the level of risk.

The assessment, analysis and monitoring of risk factors is performed daily by employees in the risk management departments.

The Management Company identifies and measures all risk factors, related to the individual instruments in the portfolio of MF Advance Emerging Europe Opportunities, then measures the total portfolio exposure to these factors and makes decisions on limits, tolerance and risk management at the portfolio level.

The risk factors that have effect on the investments of MF Advance Emerging Europe Opportunities are:

a) market risk - the possibility of incurring losses due to adverse changes in securities prices, market interest rates, exchange rates and others. The components of market risk are:

- interest rate risk - the risk of a decrease in the value of an investment in a security due to a change in the level of interest rates.
- currency risk - the risk of a decrease in the value of an investment in a security or deposit denominated in a currency other than lev and euro due to a change in the exchange rate between that currency and the lev or the euro..
- price risk associated with investment in shares or other equity securities – the risk of a decrease in the value of an investment in a security in the event of adverse changes in market price levels.

b) credit risk - the possibility of reducing the value of the position in a financial instrument due to unexpected events of credit nature related to the issuers of financial instruments, the counterparty to exchange and over-the-counter transactions, as well as the countries in which they operate;

c) operational risk - the possibility of realizing losses related to errors or imperfections in the organization's system, insufficiently qualified staff, adverse external events of a non-financial nature, including legal risk;

d) liquidity risk - risk arising from possible losses due to sales of assets in adverse market conditions to meet unexpected short-term obligations;

e) concentration risk - the possibility of loss due to improper diversification of exposures to customers, groups of related customers, customers from the same industry, geographical area or arising from the same activity, which may cause significant losses, as well as the risk associated with large indirect credit exposures.

The specific methods and organization for managing the above risks are regulated in the Rules for risk assessment and management of MF Advance Opportunities in New Europe.

2. Important post-reporting date events

No adjusting events or significant non-adjusting events occurred between the date of the financial statements and the date of their approval.

3. Expected future development of the Fund

In 2023, we intend to continue to pursue the Fund's strategy without making drastic changes to the geographic allocation of investments. Stocks in the CEE region, in our view, trade at attractive valuation ratios relative to global equities and have the potential for appreciation. We believe that the main market risks to investment in the Fund relate to slowing economic growth, recession risk and earnings downside expectations. Geopolitical tensions in the region and the war in Ukraine also pose significant risks that could lead to a rise in market volatility. On the other hand, if the macroeconomic outlook improves, or if a peaceful settlement of the military conflict in Ukraine is reached, we believe this could provide significant support for equity prices in the region.

4. Research and development activities

The specific nature of the activity of the mutual fund does not imply the development of research and development activities.

5. Information pursuant to art. 187d and art. 247 of the Commerce Act

The Fund's equity as of 31 December 2022 consists of 11,498,238.2271 with a par value of EUR 1 per unit. In 2022 the Fund issued 257,854.1884 units and repurchased 72,411.8299 units. Fund's net asset value decreased to BGN 21,327 in the end of the year. The number of unit holders during the year changed to 313 as of the end of 2022, of which 284 individuals and 29 legal entities.

The equity in the amount of BGN 21,327 thousand consist of:

- Share capital: BGN 22,489 thousand;
- Share premium: BGN 487 thousand;
- Accumulated loss: BGN 1,649 thousand, of which retained earnings in the amount of BGN 2,439 thousand from prior periods and a loss in the amount of BGN 4,088 thousand for 2022.

The fund does not distribute dividends. The fund has no registered branches. There are no restrictions on the rights of the members of the Board of Directors of the Management Company with respect to the acquisition of units of the Fund. As of 31 December 2022 Daniel Ganeyv owns 3,539.2626 units and Bistra Kotseva owns 2,296.1938 units of the

Fund. The management company Karoll Capital Management EAD owns 348,636.2601 units.

In 2022, the Management company elects the audit firm Grant Thornton OOD with registration number 032 to audit the annual financial statements for 2022. The agreed remuneration amounts to BGN 10,120 without VAT.

6. Changes in net assets and net asset value per share

	31.12.2022	31.12.2021	31.12.2020
	EUR	EUR	EUR
Net assets	10,904,319.47	12,801,918.26	9,761,149.87
Net asset value per share	0.9483	1.1316	0.9116

7. Information on the method for calculating the total risk exposure of the Fund

In 2022, the Management Company identifies and measures all risk factors associated with the individual instruments in the Fund's portfolio, then measures the total exposure of the portfolio to these factors and takes decisions on limits, tolerance and risk management at portfolio level. The Fund's total risk exposure is calculated daily. The risk management department calculates the measurement and market risk assessment indicators.

The Management Company measures the market risk associated with a decrease in the value of the investments through one of the quantitative methods applicable to the relevant securities market:

1. Historical volatility measured by standard deviation.
2. β -coefficient to indices of the respective markets (the relationship between the price of the individual share and the price of the market as a whole).
3. If it is not possible to apply points 1 and 2, the management company shall use the standard deviation of the selected index of the regulated market on which the given shares are traded as a substitute in the overall analysis of the portfolios; β coefficient to the indices of the respective markets / the relationship between the price of the individual share and the price of the market as a whole.

In calculating the Fund's overall risk exposure, the Management Company may consider netting and hedging agreements if these agreements do not disclose obvious and significant risks and lead to a clear reduction in risk exposure.

As at 31.12.2022 the total risk of the Fund's portfolio, measured by the standard deviation is 24.62%. The total portfolio risk of MF Advance Emerging Europe Opportunities is measured by the historical volatility of a unit price, measured by the standard deviation.

The Risk Management Department performed a back-test of the validity of the risk assessment and forecasting model, measured by the NAV Standard Deviation approach, in order to verify the sustainability of the Fund's price risk assessment model, as of 09.01.2023 has compiled a report covering the period 01.01.2022 – 31.12.2022. The report, adopted by the Board of Directors on 09.01.2023, states that under standard market conditions the model is sufficiently precise in forecasting the maximum allowable monthly loss with a 99% confidence interval. During the backtesting period, one excess over the estimated maximum loss was found, which was the result of geopolitical factors related to the military conflict in Ukraine. During the back-testing period, no exceedances of the estimated maximum loss were found. In conclusion to the analysis, the Management Company has decided that there

is no need to review the used model for maximum value at risk and the parameters used for its application.

The management company does not charge performance fees to the collective investment scheme.

8. Disclosure for sustainable investments under Article 6 of Regulation 2019/2088

Karoll Capital Management EAD has adopted a policy to integrate sustainability risks into its investment decision-making process in order to invest responsibly on behalf of and at the expense of managed collective investment schemes. The Management Company takes into account the risks to sustainability in the investment decision-making process, as these risks affect the risk of investments and, accordingly, their return. The Management Company applies the principles of responsible investment and sustainability in asset management, using assessments and indicators of sustainable finance from external suppliers in examining and determining the main adverse impacts on sustainability as part of the investment process. In the absence of such external assessments, the Management Company applies an internal factor assessment based on its own model, which takes into account both the criteria and the specifics of the sectors in which companies operate and their ability to collect and disclose information about their actions towards sustainability and social responsibility. Although a significant part of the investments made by the Fund could meet the principles of sustainable investment, the Fund does not have environmental and/or social characteristics within the meaning in Art. 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council from 29 November 2019 on the disclosure of sustainability information in the financial services sector.

The investments in the Fund as a financial product do not comply with the EU criteria for environmentally sustainable economic activities. In accordance with the requirements of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

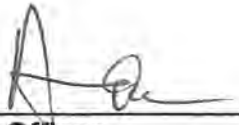
9. Remuneration policy of the Management company

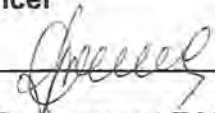
The Management Company of the Fund - Karoll Capital Management EAD discloses to all interested parties details of the applied remuneration policy and any subsequent changes in it, without disclosing information that is a secret, protected by law.

The remuneration policy covers all forms of remuneration paid by the management company, as well as all amounts paid directly by the managed collective investment schemes.

The applied policy for remuneration in the Management Company is published on the company's website [Homepage | Karoll \(karollcapital.bg\)](#). In its financial report, available again on the website, MC Carol Capital Management EAD has announced the result of the mandatory review of the implementation of the policy.

Sofia
17.03.2023

Daniel Ganev: 
Chief Executive Officer

Bistra Kotseva: 
Procurator
MC Karoll Capital Management EAD



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Mutual Fund Advance Emerging Europe Opportunities
57 Hristo Botev str., Sofia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mutual Fund Advance Emerging Europe Opportunities** (the Company), which comprise the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management report, prepared in accordance with Bulgarian Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the management report is consistent with the financial statements for the same reporting period;
- (b) the management report is prepared in accordance with the applicable legal requirements; and
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

23 March 2023
Bulgaria, Sofia, 26, Cherni Vrah Blvd



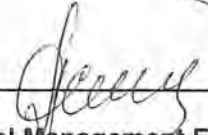
Silvia Dinova
Registered auditor responsible for the audit

MF ADVANCE EMERGING EUROPE OPPORTUNITIES
 STATEMENT OF FINANCIAL POSITION
 31 DECEMBER 2022
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	6	1,890	1,857
Financial assets at fair value through profit or loss	5	19,427	23,179
Current receivables and prepaid expenses	7	44	39
Total assets		21,361	25,075
Net assets, belonging to the shareholders			
Share capital	8.1	22,489	22,126
Premium reserve	8.2	487	473
(Accumulated loss) / Retained earnings		(1,649)	2,439
Total net assets, belonging to the shareholders		21,327	25,038
Liabilities			
Related party payables	12.2	29	33
Trade payables	9	5	4
Total liabilities		34	37
Total liabilities and net assets, belonging to the shareholders		21,361	25,075

Daniel Ganev: 
 Chief Executive Officer
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Bistra Kotseva: 
 Procurator
 MC Karoll Capital Management EAD

Date: 17.03.2023

Audited, according to auditor's report, dated 23.03.2023

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner
 Grant Thornton Ltd.
 Audit company



The accompanying notes on pages from 5 to 29 form an integral part of the financial statements.

MF ADVANCE EMERGING EUROPE OPPORTUNITIES
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 31 DECEMBER 2022
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	For the year ending 31.12.2022	For the year ending 31.12.2021
Dividend income	10.1	891	577
(Loss) / gain from operations with investments, net	10.2	(4,213)	4,387
(Loss) / gain from foreign currency exchange differences, net	10.3	(341)	84
Other finance costs		(7)	(6)
Net (loss) / gain from financial assets		(3,670)	5,042
Hired services expenses	10.4	(418)	(415)
Total operating expenses		(418)	(415)
(Loss) / profit for the year		(4,088)	4,627
Total comprehensive (loss) / income		(4,088)	4,627

Daniel Ganev: 
 Chief Executive Officer
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Bistra Kotseva: 
 Procurator
 MC Karoll Capital Management EAD

Date: 17.03.2023



Audited, according to auditor's report, dated 23.03.2023

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner
 Grant Thornton Ltd.
 Audit company




The accompanying notes on pages from 5 to 29 form an integral part of the financial statements.

MF ADVANCE EMERGING EUROPE OPPORTUNITIES
 STATEMENT OF CASH FLOWS
 31 DECEMBER 2022
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	For the year ending 31.12.2022	For the year ending 31.12.2021
Cash flows from operating activities			
Cash payments for financial assets' acquisition		(3,045)	(2,669)
Proceeds from sale of financial assets		2,285	1,200
Dividends received		875	550
Cash payments to the Management Company		(355)	(344)
Cash payments related to trade counterparties		(72)	(79)
Cash payments, related to foreign currency operations, net		(31)	8
Other cash flows, net		(3)	(2)
Net cash flows from operating activities		(346)	(1,336)
Cash flows from financial activities			
Proceeds from units' issue		514	1,469
Payments for units' repurchase		(135)	(142)
Net cash flow from financing activities		379	1,327
Net (decrease) / increase of cash and cash equivalents		33	(9)
Cash and cash equivalents at the beginning of the year	6	1,857	1,866
Cash and cash equivalents at the end of the year	6	1,890	1,857

Daniel Ganev: 
 Chief Executive Officer
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Bistra Kotseva: 
 Procurator
 MC Karoll Capital Management EAD

Date: 17.03.2023

Audited, according to auditor's report, dated 23.03.2023


Silvia Dinova
 Registered auditor, responsible for the audit


Mariy Apostolov, Managing Partner
 Grant Thornton Ltd.
 Audit company



MF ADVANCE EMERGING EUROPE OPPORTUNITIES
 STATEMENT OF CASH FLOWS
 31 DECEMBER 2022
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Share capital	Premium reserve	Accumulated loss	Total
Balance as of 1 January 2021	20,943	336	(2,188)	19,091
Issue of units	1,320	143	-	1,463
Repurchase of units	(137)	(6)	-	(143)
Transactions with shareholders	1,183	137	-	1,320
Profit for the year	-	-	4,627	4,627
Total comprehensive income for the year	-	-	4,627	4,627
Balance as of 31 December 2021	22,126	473	2,439	25,038
Issue of units	504	8	-	512
Repurchase of units	(141)	6	-	(135)
Transactions with shareholders	363	14	-	377
Loss for the year	-	-	(4,088)	(4,088)
Total comprehensive loss for the year	-	-	(4,088)	(4,088)
Balance as of 31 December 2022	22,489	487	(1,649)	21,327

Daniel Ganev: 
 Chief Executive Officer
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Bistra Kotseva: 
 Procurator
 MC Karoll Capital Management EAD

Date: 17.03.2023

Audited, according to auditor's report, dated 23.03.2023

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner
 Grant Thornton Ltd.
 Audit company



Notes to the financial statements

1. General information

MF Advance Emerging Europe Opportunities (the Fund) is an open-end collective investment scheme that operates, following the principle of risk sharing.

MC Karoll Capital Management EAD, with registered office in Bulgaria, Sofia, Vazrazhdane district, 57 Hristo Botev Blvd., and address of management in Bulgaria, Sofia, Lozenets district, 1 Zlatovruh Str., has received a license № 1410 – MF/7.11.2007 of FSC to organize and manage mutual fund Advance Emerging Europe Opportunities. The Fund has been registered in the register according to art. 30, para 1, pt. 5 of FSCA. In 2015 the name of MF Advance IPO Fund has changed to MF Advance Emerging Europe Opportunities, with Decision №112-MF/23.02.2015, Decision №113-MF/23.02.2015 and №114-MF/23.02.2015.

The Fund is subject to regulation by the Financial Supervision Commission (FSC). The special legislation concerning the activity of the Fund is contained and arises mainly from the Act on the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI) and related regulations in conjunction with the above.

MC Karoll Capital Management EAD, acting on behalf of MF Advance Emerging Europe Opportunities, elected Unicredit Bulbank AD as a custodian bank that will hold dematerialised securities and cash of the Fund.

The public offering of units of MF Advance Emerging Europe Opportunities started on 23 November 2007. They are denominated in euro, with par value of 1 euro per unit.

The fund capital is a variable and may vary depending on the number of units issued and offered for redemption, but is always equal to the net asset value of the Fund. The number of units outstanding as of 31 December 2022 and 2021 is respectively 11,498,238.2271 and 11,312,795.8686.

1.1. Investment strategy of the Fund

The main goal is to increase the value of investments of the units of the Fund by realizing capital gains by assuming moderate to high level of risk.

The Fund's investment portfolio is structured based on an active approach, on the grounds of investments in companies from the region of Central and Eastern Europe, primarily Poland, the Czech Republic, Hungary, Estonia, Lithuania, Latvia. The Fund may also invest in equities of Austrian companies, whose revenues are mainly generated in the mentioned region. The policy of the Fund provides for active management of the portfolio of financial instruments and cash, investing in financial assets that can be purchased or sold, easily and without significant loss of value, as well as achieving sustainable and optimal growth in combination with risk mitigation. The investment strategy involves providing income in the form of capital gains and dividends. The Fund does not target specific industrial sector for its investments, and does not pursue result linked to any specific market indices.

Risk management is conducted by diversification of assets, such as the Management Company may apply appropriate strategies to avoid various risks when necessary.

The Fund will pursue an aggressive strategy, and in the event of more significant market disruptions or of the risk of such disruptions, the management company can significantly reduce the weight of stocks in the portfolio and maintaining higher cash balance.

2. Basis for preparation of the financial statements

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Fund. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2021) unless stated otherwise.

In 2022, the Fund reported a loss of BGN 4,088 thousand due to a net loss on operations with financial assets of BGN 3,670 thousand and non-financial expenses of BGN 418 thousand, of which BGN 324 thousand for the management company. No significant changes were undertaken in 2022 with regard to the portfolio structure, as at 31.12.2022 Poland continued to be the leading market in the portfolio with a weight of 42.4%, followed by Hungary (15.7%) and the Czech Republic (13.9%). Among the main factors that impacted global markets, the military conflict between Russia and Ukraine, which began in February 2022, rising inflation and commodity prices, etc. stand out. On world stock exchanges, share price indices declined in the first half of 2022 and gradually rose timidly in the second half of the year.

Going concern assumption

The financial statements have been prepared under the going concern principle and taking into account the direct and indirect effects of Russia's military invasion of Ukraine and the macroeconomic environment affecting the major financial markets in which the Fund invests. In this environment, the management of the Fund's Management Company has made an analysis and assessment of the Fund's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Fund has sufficient financial resources to continue as a going concern in the foreseeable future and continues to apply the going concern basis in preparing the financial statements.

3. Changes in accounting policies

3.1. New standards adopted as at 1 January 2022

The Fund has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's separate financial statements for the annual period beginning 1 January 2022, but do not have a significant effect on their application on the financial result and the financial condition of the Fund:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022 adopted by the EU.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Fund

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted

by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Fund. All standards and amendments are expected to be adopted in the Fund's accounting policies in the first period beginning after their effective date.

Information on those expected to be relevant to the Company's financial statements is provided below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective not earlier than 1 January 2024 not yet adopted by the EU

- The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:
- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by EU

The Company is required to disclose its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of a Company's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments will help companies improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and distinguish changes in accounting estimates from changes in accounting policies.

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but have not been effective or adopted by the EU for the financial year beginning 1 January 2022 and have not been previously adopted by the Company. They are not expected to have a material impact on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policies in the first period beginning after the effective date. The following is a list of changes in standards:

- IFRS 17 Insurance Contracts effective from 1 January 2023, adopted by the EU.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023, adopted by the EU.
- Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023, adopted by EU.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU.
- IFRS 14 Regulatory deferral accounts effective from 1 January 2016, not adopted by the EU.

4. Significant accounting policies

4.1. General provisions

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimate.

4.2. Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Fund has elected to present the statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Fund applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements and this has a material impact on the statement of financial position at the beginning of the preceding period.

The Fund has none of the above conditions for the presentation of two comparative periods so the financial statements are therefore presented with a single comparative period.

4.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4. Revenues

The main financial revenue of the Fund comprises revaluation of securities, realized gains or losses from transactions with securities, interest income on deposits, interest-bearing securities and from dividends.

4.4.1. Interest income

Interest income on bank deposits is reported on an accrual basis to the Statement of profit or loss and other comprehensive income of the Fund, in accordance with the contract's terms. Interest income is recognized on an accrual basis.

Dividend income is recognised to the profit or loss at the time the right to receive payment is established.

4.4.2. Net income from investment operations

Subsequent measurement, due to changes in the market (fair) value of securities is presented in the statement of profit or loss and other comprehensive income of the Fund as net income from investment operations.

Differences from changes in the value of financial instruments are reported as current income or expense from revaluation of financial assets.

The difference between the revalued amount and the price of the financial instruments, when sold is recognised as current revenue or expense from operations with financial instruments.

4.4.3. Net income from foreign exchange operations

Foreign currency transactions are recognised in BGN by applying the exchange rate of the Bulgarian National Bank (BNB) as of the date of the respective transaction. Assets and liabilities denominated in foreign currency are reported by applying the closing exchange rate of BNB at the date of preparation of the statement of financial position.

Gains and losses from exchange rate differences and from trade with currency are reported in the Statement of profit or loss and other comprehensive income in the period of their occurrence.

The subsequent measurement, due to changes in foreign exchange rates are reflected in the statement of profit or loss and other comprehensive income as net income from foreign exchange operations. The effects of changes in exchange rates in the subsequent measurement of financial assets denominated in foreign currencies at fair value through profit or loss, are recognised after taking into account changes in the market prices in original currencies.

4.5. Expenses

Expenses related to the Fund's activities are recognized in profit or loss in the statement of profit and loss and other comprehensive income, following the accrual basis. The annual operating expenses of the Fund shall not exceed 2.50% of the annual average net asset value of the Fund. The percentage is determined by the management of the Management Company, as it is set in the Prospectus of the Fund and is approved by the Financial Supervision Commission. Operating expenses, which are indirectly borne by all its unit-holders, including Management and remuneration fees of the Custodian Bank shall be charged daily, in accordance with the concluded agreements with the Management Company and the Custodian Bank.

Costs associated with the investment in units of the Fund are borne directly by the individual investor / shareholder.

The Fund's units are purchased at their issue price, which is equal to the net asset value per share plus the cost of issuance, calculated as a percentage of net asset value per share as follows:

- 1.5% (1.5 percent) of the net asset value per unit for orders up to EUR 50,000.
- 1% (1.0 per cent) of the net asset value per unit for orders from EUR 50 000.01 to EUR 250 000.
- 0.5% (0.5 per cent) of the net asset value per unit for orders from EUR 250 000.01 to EUR 500 000.
- For orders above EUR 500,000 – no expenses on issuance, as well as for orders on behalf of institutional investors, and orders on behalf of investors, resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management EAD.

Unitholders do not pay expenses for redemption of units of the Fund.

These expenses are payable by the Fund to the Management Company and are due by the 5th of following month.

4.6. Financial instruments

4.6.1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.6.2. Classification, initial reporting and subsequent measurement

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

Financial assets at fair value through profit or loss.

The Fund classifies its investments on the basis of both the business model for their management and the contractual cash flow characteristics of the financial asset. The Fund's investment portfolio is managed and its presentation is evaluated on the basis of fair value information. The Management Company of the Fund is focused on information about the fair values of its financial assets and uses this information to make a decision and evaluate the performance of the assets.

The Fund has not chosen to irrevocably classify equity instruments as measured at fair value through other comprehensive income.

The contractual cash flows of the Fund's debt instruments include only interest and principal payments but these securities are neither held for the purpose of collecting the contractual cash flows nor for the purpose of collecting the contractual cash flows and sales. The collection of contractual cash flows is incidental and not essential to achieving the objectives of the Fund's business model.

All investments of the Fund are subsequently measured at fair value through profit or loss.

Receivables

The Fund's receivables arise mainly from the reported dividends and receivables related to operations with financial instruments such as participation in capital increases and maturing principal and interest on bonds. These financial instruments are initially classified as debt instruments at amortized cost and are held by the Fund for the purpose of collecting the contractual cash flows.

Receivables are subsequently measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.6.3. Subsequent measurement of financial assets

Debt instruments at amortized cost

Financial assets are measured at amortized cost if they meet the following criteria and are not qualified for measurement at fair value through profit or loss:

- The Fund manages assets within a business model that aims to hold the financial assets and collect their contractual cash flows;
- under the contractual terms of the financial asset, cash flows arise on a specific dates, which are only principal payments and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discounting is not performed when the effect is insignificant. The Fund classifies in this category its receivables, as well as cash and cash equivalents.

Receivables

Receivables originally originated in the Fund are non-derivative financial instruments with fixed payments that are not traded in an active market. They are usually due for settlement in the short term and are therefore classified as current. Receivables are recognised initially at the unconditional consideration unless they contain significant financing components. The Fund holds receivables for the purpose of collecting contractual cash flows and therefore measures them at amortised cost using the effective interest method. Discounting is not carried out when its effect is immaterial.

Financial assets at fair value through profit or loss

Financial assets, for which the business models 'held for collection of contractual cash flows' or 'held for collection and sale' are not applicable, as well as financial assets whose contractual cash flows are not merely principal and interest payments, are reported at fair value through profit or loss.

This category includes investments in equity instruments. The Fund has not chosen to irrevocably report the investments at fair value through other comprehensive income and report at fair value through profit or loss.

All changes in the fair value of assets in this category are recognised in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in case of absence of an active market.

4.6.4. Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses.

The "expected credit loss" model applies to all debt assets, except those measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Fund and the cash flows it is actually expected to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

The calculation of expected credit losses is determined on the basis of the probabilistic weighted estimation of credit losses over the expected maturity of financial instruments.

As at the reporting date, the leadership of the Management Company has made an approximate assessment of the impairment of receivables based on the expected credit losses and has concluded that it is insignificant, respectively it is not accounted for and presented in the financial statements.

4.6.5. Classification, initial reporting and subsequent measurement of the financial liabilities

The Fund's financial liabilities include payables to the Management Company which represent trade payables and are initially measured at fair value.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

The Fund does not measure its financial liabilities at fair value through profit or loss.

4.7. Cash and cash equivalents

The Fund accounts for cash and cash equivalents available cash on hand and cash in bank accounts.

In the proceeds from the issue of own units in the Cash Flow Statement, the Fund presents the gross amount received from the client on subscription orders for units, including the issuance costs, which are addressed directly by the specific investor and paid to the management company.

4.8. Income taxes

According to the Corporate Income Tax, collective investment schemes that are admitted for public offering in Bulgaria, and the national investment funds under the Activity of Collective Investment Schemes and Other Collective Investment Entities Act, are not subject to corporate tax.

4.9. Net assets, belonging to shareholders

The Fund is an open type collective investment scheme that issued its "capital" instruments and then has the responsibility for their repurchase. The funds raised - face value and reserves and issuing financial result determined net asset value belonging to investors.

Objectives, policies and processes for managing its obligation to the Fund to redeem the instruments when the holders of these instruments require this are set out in note 0.

The estimation of the net asset value of the Fund shall be under the rules for determining the net asset value of MF Advance Emerging Europe Opportunities, approved by the Financial Supervision Commission.

The methodology for determining the net asset value is based on the legislation related to the Fund and includes the principles and methods of valuation of assets and liabilities of the Fund.

The net assets value per unit is the basis for determining the issue price and the repurchase of the units of MF Advance Emerging Europe Opportunities, calculated every business day. The net assets value of the Fund is obtained by reducing the value of all assets from the value of liabilities. The net assets value of the Fund shall be declared in euro.

In 2022 the management company acting on behalf of MF Advance Emerging Europe Opportunities is amending the fund rules and the rules for portfolio valuation and for determining the net asset value. As of 01.01.2023, the Fund determines the NAV, the issue value and the redemption price of the units each business day for the previous business day. The rules have been approved by the FSC. On 03.01.2023, the Fund announces the net asset value and net asset value, issue value and redemption price per unit as at 30.12.2022.

The methodology for determining the net asset value of the Fund is based on:

- the provisions of the accounting legislations;
- the provisions of the Act for the activities of collective investment schemes and other collective investment entities (ZDKISDPKI);
- Ordinance №44 - 20 October 2011 for the requirement for the activities of collective investment schemes, close-end investment entities and management companies (NIDKISIDZTUD);
- the rules and prospectus of the Fund.

Retained earnings include the current financial result and retained earnings and uncovered losses from previous years.

4.10. Provisions, contingent liabilities and contingent assets

Provisions are recognised when there is a possibility of present obligations resulting from past events to lead to an outflow of resources from the Fund and can be made reliable estimate of the amount of the obligation. Timing or amount of the outflow may still be uncertain. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as legal disputes. Restructuring provisions are recognised only if there is a developed and implemented detailed formal restructuring plan or management has announced the main points of the restructuring plan to those affected by it. Provisions for future operating losses are not recognised.

The amount recognised as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties associated with the present obligation. Where there are several similar obligations, the likelihood that an outflow to settle the obligation is determined by considering the class of obligations as a whole. Provisions are discounted when the effect of the time value of money is significant.

Benefits, from third parties, in connection with obligations, to which the Fund is confident, that it would receive, are recognised as an asset. This asset may not exceed the value of the related provision.

Provisions are reviewed at each reporting period and their value is adjusted to reflect the current best estimate.

In cases, where it is considered unlikely, that outflow of economic resources will arise as result of a current liability, this liability is not recognised.

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets.

4.11. Significant management judgements in applying accounting policies

Significant management judgments in applying the accounting policies of the Fund which have the most significant impact on the financial statements are described below:

- The issue and redemption price of Fund units are based on the net asset value of the Fund at the date of determination. The Management Company is assessing the portfolio, determine the net asset value of the Fund, net asset value per unit and calculate the issue price and the redemption price under the control of the Custodian bank in accordance with regulatory requirements;
- The Management Company invests the Fund's assets in securities and in proportions determined in accordance with the Activity of Collective Investment Schemes and Other Collective Investment Entities Act (ZDKISDPKI) and the Fund Rules;
- The subsequent valuation of the Fund's assets shall be made in accordance with the Fund's Rules and Ordinance № 44 on the requirements to the activities of collective investment schemes, investment companies and management companies;
- According to agreement with the Management Company and the Custodian, fees are collected daily;
- The management of the Fund is carried out by the Management Company. Management fees and expenses for marketing services provided by the Management Company are charged daily;

- The Fund does not have the right, and has no tangible or intangible assets, investment property. The Fund is not entitled to be a party to lease agreements and thus no accounting policy has been adopted regarding this type of assets.

The Fund does not have its own staff and thus no accounting policy has been adopted for pension and other employee obligations, as well as for staff remuneration based on shares.

4.12. Uncertainty of the accounting estimates

4.12.1 Fair value of financial instruments

Management uses techniques as "net asset value", „market comparables method" and "discounted expected cash flows method" to assess the fair value of financial instruments in the absence of quoted prices in an active market in accordance with the Fund's Rules and Ordinance № 44 on the requirements to the activities of collective investment schemes, investment companies of closed-end type and management companies.

In applying the valuation techniques, management makes maximum use of market data and assumptions that market participants would use in pricing the financial instrument. These estimates may differ from the actual prices that would be determined in a fair market transaction between knowledgeable and willing parties, in the end of the reporting period.

4.12.2 Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows due to the Fund and all cash flows that the Fund expects to receive. Expected credit losses are probability weighted assessment of credit losses, that require judgment from the Management's company officers.

Expected credit losses are discounted with the initial effective interest rate (or with adjustments to the loan effective interest rate for purchased or initially created financial assets with credit impairment).

5. Financial assets at fair value through profit or loss

Type of security	ISIN	As of 31.12.2022	% of total shares	As of 31.12.2021	% of total shares
CEZ AS	CZ0005112300	1,289	6.03	1,343	5.35
Polski Koncern Naftowy Orlen	PLPKN0000018	1,200	5.62	608	2.42
Richter Gedeon Nyrt	HU0000123096	994	4.65	838	3.34
Erste Group Bank AG	AT0000652011	983	4.60	923	3.68
Moneta Money Bank	CZ0008040318	931	4.36	1,115	4.45
LIVECHAT SOFTWARE SA	PLLVTSF00010	920	4.31	1,022	4.08
OMV AG	AT0000743059	841	3.94	873	3.48
Mol Hungarian Oil And Gas PL	HU0000153937	812	3.80	854	3.41
Bank PEKAO SA	PLPEKAO00016	790	3.70	1,134	4.52
OTP Bank	HU0000061726	789	3.69	792	3.16
Komercni Banka	CZ0008019106	750	3.51	1,039	4.15
Kruk S.A.	PLKRK0000010	716	3.35	637	2.54
INTER CARS SA	PLINTCS00010	655	3.07	-	-
SIAULIU Bankas	LT0000102253	601	2.81	667	2.66
PEPCO GROUP NV	NL0015000AU7	600	2.81	447	1.78
Ciech Spolka Akcyjna Powszechny Zaklad	PLCIECH00018	567	2.65	481	1.92
Ubezpieczen Spolka Akcyjna	PLPZU0000011	559	2.62	568	2.27
AB IGNITIS GRUPE	LT0000115768	551	2.58	608	2.42
Uniq Insurance Group AG	AT0000821103	481	2.25	554	2.21
Any Security Printing Go Neuca	HU0000093257	442	2.07	496	1.98
ALLEGRO.EU SA	PLTRFRM00018	410	1.92	540	2.15
ALLEGRO.EU SA	LU2237380790	402	1.88	414	1.65
Cyfrowy Polsat	PLCFRPT00013	368	1.72	739	2.95
GRUPA KETY SA	PLKETY000011	344	1.61	-	-
Comarch	PLCOMAR00012	332	1.56	371	1.48
AS Tallinna Sadam	EE3100021635	325	1.52	424	1.69
Wizz Air Holdings PLC	JE00BN574F90	311	1.46	443	1.77
FAMUR SPOLK Akcyjna	PLFAMUR00012	280	1.31	290	1.16
RAIFFEISEN BANK INTERNAT. AG	AT0000606306	278	1.30	1,061	4.23
Globe Trade Centre Spolka Akcyjna	PLGTC0000037	276	1.29	318	1.27
Alumetal S.A.	PLALMTL00023	193	0.91	159	0.63
CD PROJEKT SA	PLOPTTC00011	187	0.88	284	1.13
Ten Square Games SA	PLTSQGM00016	141	0.66	396	1.58
Celon Pharma SA	PLCLNPH00015	100	0.47	241	0.96
Huuuge Inc.	US44853H1086	9	0.04	11	0.04
GETBACK SA	PLGTBCK00297	-	-	-	-
AVAST PLC ORD	GB00BDD85M81	-	-	926	3.69
Polskie Gornictwo Naftowe I Gazownictwo Spolka AKC	PLPGNIG00014	-	-	738	2.95
KGHM POLSKA MIEDZ SA	PLKGHM000017	-	-	541	2.16
Tallink GRP	EE3100004466	-	-	284	1.13
TOTAL		19,427	90.95	23,179	92.44

For all shares as of 31 December 2022, the method of estimation of their fair values was based on directly observable quotations from active markets, except for GETBACK SA (PLGTBCK00297), which has been completely impaired.

Investments are allocated by countries as follows:

Country	As of 31.12.2022	% of total assets	As of 31.12.2022	% of total assets
Poland	9,050	42.36	9,940	39.64
Hungary	3,348	15.68	3,423	13.65
Czech Republic	2,970	13.91	4,422	17.65
Austria	2,583	12.09	3,411	13.60
Lithuania	1,151	5.39	1,275	5.08
Estonia	325	1.52	708	2.82
TOTAL	19,427	90.95	23,179	92.44

Investments are allocated by sectors are follows:

Sector	As of 31.12.2022	% of total assets	As of 31.12.2022	% of total assets
Financial services	6,878	32.20	8,490	33.86
Energy	3,403	15.93	3,681	14.68
Consumer goods	1,657	7.76	861	3.44
Healthcare	1,504	7.04	1,619	6.46
Industrial manufacturing	1,359	6.36	1,937	7.72
Utilities	1,289	6.03	1,343	5.35
IT	1,252	5.86	2,319	9.25
Materials	1,103	5.17	1,181	4.71
Communication services	706	3.31	1,430	5.70
Real estate	276	1.29	318	1.27
TOTAL	19,427	90.95	23,179	92.44

Investments are allocated by currency as follows:

		As of 31.12.2022	% of total assets	As of 31.12.2021	% of total assets
Polish zloty	PLN	9,050	42.37	9,940	39.64
Euro	EUR	4,059	19.00	5,394	21.51
Hungarian forint	HUF	3,037	14.22	2,980	11.89
Czech koruna	CZK	2,970	13.90	3,496	13.94
British pound	GBP	311	1.46	1,369	5.46
TOTAL		19,427	90.95	23,179	92.44

Allocation of investments by trading market:

Market	As of 31.12.2022	% of total assets	As of 31.12.2022	% of total assets
Warsaw Stock Exchange	9,050	42.37	9,940	39.64
Budapest Stock Exchange	3,037	14.22	2,980	11.89
Prague Stock Exchange	2,970	13.90	3,496	13.94
Wiener Boerse Ag	2,583	12.09	3,411	13.6
Ab Nasdaq Vilnius	1,151	5.39	1,275	5.08
NASDAQ Tallinn As	325	1.52	708	2.82
London Stock Exchange	311	1.46	1,369	5.47
TOTAL	19,427	90.95	23,179	92.44

During the two presented periods, the Fund has had no blocked investments or investments pledged as collateral for liabilities of the Fund.

6. Cash and cash equivalents

	As of 31.12.2022	As of 31.12.2021
Cash in current accounts in BGN	911	1,298
Cash in current account in foreign currency	979	559
TOTAL	1,890	1,857

The Fund has evaluated the expected credit losses on cash and cash equivalents.

The estimated amount is less than 0.1% of the gross amount of cash deposited in financial institutions, which is therefore considered to be immaterial and has not been accounted for in the financial statements of the Fund.

The Fund has no blocked cash and cash equivalents.

7. Trade receivables and prepaid expenses

	As of 31.12.2022	As of 31.12.2021
Dividend receivables	34	31
Financial assets	34	31
Prepaid expenses	10	8
Non-financial assets	10	8
TOTAL	44	39

As of 31.12.2022 the Fund has dividend receivables from ALUMETAL S.A. (PLALMTL00023), Poland, in the amount of BGN 7 thousand, LIVECHAT SOFTWARE SA (PLLVTSF00010), Poland, in the amount of BGN 10 thousand and CIECH SPOLKA AKCYJNA (PLCIECH00018) Poland, in the amount of BGN 17 thousand. All of them are paid in January 2023.

In order to provide information to investors from the Swiss Confederation in accordance with the requirements of local law, the Management Company has appointed Waystone Fund

Services (Switzerland) SA as a representative with whom it has a contract for such services. As of 31.12.2022 the Fund has a prepaid expense to Waystone Fund Services (Switzerland) SA for an annual representation fee until 13.10.2023 in the amount of BGN 10 thousand

8. Net assets, belonging to shareholders

8.1 Number of units issued

Number and values of units issued

	Number of units	Nominal value per share	Share capital BGN'000
As of 01.01.2021	10,708,026.5185	1 EUR/share	20,943
Units issued	674,727.2312	1 EUR/share	1,320
Units repurchased	(69,957.8811)	1 EUR/share	(137)
As of 31.12.2021	11,312,795.8686	1 EUR/share	22,126
Units issued	257,854.1884	1 EUR/share	504
Units repurchased	(72,411.8299)	1 EUR/share	(141)
As of 31.12.2022	11,498,238.2271	1 EUR/share	22,489

8.2 Share premium reserve

	As of 31.12.2022	As of 31.12.2021
Share premium as at 1 January	473	336
Change due to units issued	8	143
Change due to units repurchased	6	(6)
Share premium as at 31 December	487	473

8.3 Net asset value per share

Net asset value per share is the basis for determining the issue price and the repurchase price of units of MF Advance Emerging Europe Opportunities, calculated every work day. Net asset value of the Fund is presented in Euro. For the accurate use of financial information and given that the Fund declares the net asset value in euro, this note is presented in EUR. For the purposes of these annual financial statements and compliance with the principles of IFRS, the net asset value per unit, issue price and redemption price have been calculated and presented as of 31.12.2022 and 31.12.2021.

All amounts are in EUR	31.12.2022 NAV (IFRS)	30.12.2022 NAV (disclosed)	31.12.2021 NAV (IFRS)	30.12.2021 NAV (disclosed)
Net asset value	10,904,319.47	10,904,876.14	12,801,918.26	12,790,936.56
Total number of units issued	11,498,238.2271	11,498,238.2271	11,312,795.8686	11,312,795.8686
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per share	0.9483	0.9484	1.1316	1.1307
Issue price				
orders up to EUR 50 000 after "issue fee" of 1.5% of the net asset value	0.9625	0.9626	1.1486	1.1477
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	0.9578	0.9579	1.1429	1.1420
orders from EUR 250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	0.9530	0.9531	1.1373	1.1364
for orders above EUR 500 000.01 as well as orders from institutional investors, and orders resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management – no issuance fee	0.9483	0.9484	1.1316	1.1307
Redemption price	0.9483	0.9484	1.1316	1.1307

By decision of the Board of Directors of the Management Company, the Fund have not accepted orders for and have not executed transactions with its own units on 30.12.2022.

At the date of approval of the financial statements, the net asset value of the Fund was EUR 11,463,242 and the net asset value per unit was EUR 0.9966 or an increase of more than 5% compared to 31 December 2022. The increase is mainly due to changes in the fair value of investments.

The NAV depends on the fair values of the Fund's investments. In accordance with fund rules, Advance Emerging Europe Opportunities values its assets and announces the net asset value of the same on each business day.

9. Trade payables

	As of 31.12.2022	As of 31.12.2021
Payables to the Custodian bank	4	4
Liabilities related to repurchased own shares	1	-
TOTAL	5	4

10. Activity result

10.1 Dividend income

	For the year ended 31.12.2022	For the year ended 31.12.2021
Dividend income from Czech companies	289	93
Dividend income from Polish companies	239	289
Dividend income from Hungarian companies	192	73
Dividend income from Austrian companies	95	82
Dividend income from Lithuanian companies	55	19
Dividend income from Estonian companies	21	21
TOTAL	891	577

10.2 (Loss) / gain from operations with investments, net

	For the year ended 31.12.2022	For the year ended 31.12.2021
(Loss) / gain from change in fair value of financial assets, (net)	(4,182)	4,390
Profit from transactions with financial assets at fair value through profit or loss (net)	(22)	5
Expenses related to transactions with financial assets	(9)	(8)
TOTAL	(4,213)	4,387

10.3 (Loss) / gain from exchange rate differences, net

	For the year ended 31.12.2022	For the year ended 31.12.2021
Profit from currency revaluations of financial assets	5,929	4,169
Loss from currency revaluations of financial assets	(6,239)	(4,093)
(Loss) / gain from foreign exchange transactions, net	(31)	8
TOTAL	(341)	84

10.4 Other finance costs

	For the year ended 31.12.2022	For the year ended 31.12.2021
Bank charges	(4)	(3)
Paying agent costs	(3)	(3)
TOTAL	(7)	(6)

The Management Company has appointed Helvetische Bank AG as the paying agent of the Swiss Confederation Investors Fund, with which it has concluded a contract for servicing payments to and from Swiss Confederation investors in accordance with the requirements of local legislation.

11. Hired services expenses

	For the year ended 31.12.2022	For the year ended 31.12.2021
Remuneration of the Management company	(324)	(336)
Remuneration of the custodian bank	(43)	(38)
Advertisement	(26)	(24)
Audit	(10)	(10)
Representation costs	(11)	(4)
Annual fees	(2)	(1)
Others	(2)	(2)
TOTAL	(418)	(415)

Expenditures related to the Funds's operations in 2022 represent 1.95% (2021: 1.86%) from the average annual net asset value of the Fund's financial statements.

12. Related parties

The Fund's related parties consist of the Management Company and the other mutual funds, manage by it, and other companies under the control of the ultimate owner of the Management Company – Stanimir Karolev.

12.1 Transactions from the period

	For the year ended 31.12.2022	For the year ended 31.12.2021
Transactions with the Management company:		
Remuneration to the Management company (note 11)	(324)	(336)
Remuneration for marketing services (note 11)	(26)	(11)
Fee for own shares issued	(2)	(7)
	(352)	(354)

Management remuneration

The Management Company receives remuneration in the amount of 1.5% of the average annual net asset value of the Fund for the performed management actions.

Marketing services remuneration

For the provision of marketing services the Management Company receives remuneration in the amount of 0.12% of the average annual net value of the Fund's assets.

Fee for own shares issued

For issue of units, the Fund charges an issuing fee that is income for the Management Company and initially originates in the Fund, as part of the issue value. It is subsequently paid to the Management Company without being reflected in the Fund's comprehensive income.

12.2 Related party balances at year end

	As of 31.12.2022	As of 31.12.2021
Payables to the Management Company	29	33

The liabilities of the Fund to the Management Company as of 31.12.2022 represent due remuneration for the month of December 2022 and were fully repaid in January 2023.

13. Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets	Note	As of 31.12.2022	As of 31.12.2021
Debt instruments at amortized cost:			
Trade receivables	7	34	31
Cash and cash equivalents	6	1,890	1,857
		<u>1,924</u>	<u>1,888</u>
Financial assets at fair value through profit or loss:			
Shares	5	19,427	23,179
		<u>21,351</u>	<u>25,067</u>
Financial liabilities			
	Note	As of 31.12.2022	As of 31.12.2021
Financial liabilities measured at amortized cost:			
Trade payables	9	5	4
Related party payables	12.2	29	33
		<u>34</u>	<u>37</u>

See note 4.6 about information related to the accounting policy for each category financial instruments and the methods which are used for assessment of fair value of financial assets and liabilities measured at fair value. Description of the risk management objectives and policies of the Fund related to the financial instruments is presented in note 14.

14. Risk management related to the financial instruments

Risk management objectives and policy

In order to adequately manage the financial risks, Karoll Capital Management EAD has adopted the Risk Assessment and Risk Management Rules of Advance Emerging Europe Opportunities. The implementation of the methods and procedures set out in the Rules is carried out on a daily basis by the Risk Management Department in the Management Company. In 2022, the Management Company amends the Fund's Risk Assessment and Risk

Management Rules. The amendments have been approved by the FSC and will come into force on 01.01.2023.

Liquidity risk

The Fund is obliged to maintain such a structure of the assets and liabilities that will enable it to carry out its activity unimpeded and to repay its payables on a timely basis at reasonable prices without the need to sell profitable assets. The Fund attracts resources by issuing units.

Liquidity risk can arise as a consequence from the low liquidity on the capital market as well as when there are unusually large orders for repurchase of shares which can lead to insufficiency of Fund's cash.

The Fund invests in equities, traded on active stock markets and when it is necessary it can provide cash and cash equivalents to repurchase own units within the statutory imposed term.

The Fund manages this risk by seeking to maintain a relatively high proportion of cash and highly liquid assets in its assets to minimise the likelihood of being unable to repay its obligations in a timely manner.

According to the rules for maintenance and management of the liquid funds the Fund holds cash on deposits and in current accounts, in order to meet liquidity needs. The portfolio manager monitors on a daily basis cash as a percentage of the assets while there are controlled by the Board of Directors on a monthly basis. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.

The table below shows financial liabilities of the Fund, summarised in groups by maturity from the reporting date to the date they are due.

	<u>Up to 1 month</u>
As at 31 December 2022	
Current payables	
Total financial liabilities	34
As at 31 December 2021	
Current payables	
Total financial liabilities	37

With effect from 01.01.2023, the Management Company shall conduct liquidity stress tests of the Fund in accordance with the Liquidity Stress Testing Policy. The Policy sets out the procedures put in place by the Management Company, the models, the assumptions underlying them and the methodology used for liquidity stress testing as a liquidity risk management tool.

Market risk

Market risk is a systematic (general) risk, having effect on the value of all assets. It arises from the characteristics of the macroeconomic environment and the condition of the capital market in the country. It cannot be controlled by the issuer and it cannot be diversified. Market risk consists of foreign currency risk, interest rate risk and other price risk. Basic methods for reduction of the systematic risk and its components include collecting and processing of

information about the macroeconomic environment and, based on this information, forecasting and adjusting the investment policy to the expected changes in the environment.

All investments in securities can generate risk of loss of capital. The portfolio manager manages this risk by careful selection of securities and other financial instruments within certain limits. The investment portfolio of the Fund is monitored on a daily basis by the portfolio manager. The Fund's risk management report is prepared on a monthly basis, which contains an assessment of the calculated market risk indicators, and it is submitted to the Board of Directors.

Market risk is concentrated in the following positions:

	As of 31.12.2021		As of 31.12.2021	
	Fair value	% of net assets, valued using market price	Fair value	% of net assets, valued using market price
Financial assets at fair value through profit or loss	19,427	91.09	23,179	92.57
Total amount, exposed to market risk	19,427	91.09	23,179	92.57

Currency risk

The Fund is exposed to foreign currency risk while operating with financial instruments, denominated in foreign currency. Foreign currency transactions result in exchange rate gains and losses presented in the statement of profit or loss and other comprehensive income. Such exposures are the monetary assets and liabilities of the Fund, denominated in currency other than BGN and EUR.

During the reporting period the Fund did not carry out transactions with derivative instruments. The Management Company does not plan to hedge the currency exposures in the Fund's portfolio in 2023.

Financial assets and liabilities that are denominated in a foreign currency other than the euro and translated into Bulgarian leva at the end of the reporting period, are presented as follows:

	Polish zloty	Czech krona	Hungarian forint	British pound	American dollar
31 December 2022					
Financial assets at FVTPL	9,050	2,970	3,037	311	-
Cash	-	-	-	-	20
Trade receivables	34				
Total currency risk exposure	9,084	2,970	3,037	311	20

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NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in BGN thousand, unless otherwise stated

	Polish zloty	Czech krona	Hungarian forint	British pound	American dollar
31 December 2021					
Financial assets at FVTPL	9,940	3,496	2,980	1,369	-
Cash	-	-	-	-	19
Total currency risk exposure	9,940	3,496	2,980	1,369	19

The tables below show the sensitivity of the annual net financial result after taxes and net assets to possible changes in the exchange rates of the Bulgarian lev against the following foreign currencies:

- Polish zloty (+/- 7.9%);
- Hungarian forint (+/- 13.4%);
- Czech koruna (+/- 6.6%);
- British pound (+/- 7.2%);
- American dollar (+/- 10.4%)

All other parameters are assumed to be constant.

These percentages are determined using averaged exchange rate for the last 12 months. The sensitivity analysis is based on the Fund's investments in foreign currency denominated assets, held as per year end.

	Increased exchange rate of BGN		Decreased exchange rate of BGN	
	Net financial result BGN '000	Net Assets BGN '000	Net financial result BGN '000	Net Assets BGN '000
Polish zloty (+/- 7.9%)	(720)	(720)	720	720
Hungarian forint (+/- 13.4%)	(407)	(407)	407	407
Czech koruna (+/- 6.6%)	(196)	(196)	196	196
British pound (+/- 7.2%)	(22)	(22)	22	22
American dollar (+/- 10.4%)	(2)	(2)	2	2

Exposure to currency risk varies during the year, based on the volume of deals with foreign securities. Although it is assumed, that the analysis, presented above shows the level of currency risk, the Fund is exposed to.

Interest rate risk

Asset value of the Fund depends on the dynamics of interest rates in the economy. The activity of the Fund is subject to the risk of fluctuations in interest rates, as the cost of interest-bearing assets with fixed-rate changes as a result of change in market interest rates. On the other hand, the Fund is exposed on assets with floating interest rates, to interest rate risk, as a result of a change in the interest rate index, that is linked to the relevant financial instruments. Upon change of 0.1% in interest rates for one year, the effect on net interest income would be negligible.

During the reporting periods, the Fund did not invest in financial assets that carry a significant interest rate risk.

Other price risk

The Fund determines the price risk as the risk of decrease in the price of a financial asset, or portfolio of financial assets, due to factors other than those, arising from interest rate or currency risk.

The Management Company has adopted strict limits on the risk indicators of the positions in the investment portfolio of the Fund. These limits are approved by the Board of Directors of the management company, and their compliance is monitored on a daily basis by the "Risk Management" department.

The Management Company measured general price risk of the investment portfolio through the historic volatility of the net asset value per share, which is measured by the standard deviation. As at 31.12.2022 and 31.12.2021 price risk indicators are calculated as follows:

Name	Currency	2022		2021	
		Average return (ann.)	Standard deviation	Average return. (ann.)	Standard deviation
MF Advance Emerging Europe Opportunities	EUR	-13.50%	24.62%	24.79%	10.61%

The Management Company assesses and monitors the price risk of individual positions through the historical volatility of the shares in the Fund's portfolio as measured by the standard deviation.

Credit risk

Exposure of the Fund to credit risk is limited to the carrying amount of financial assets, recognised at the reporting date, as indicated in Note 13.

The Management Company believes that all of the above-described financial assets that are not impaired during the presented reporting periods, are financial assets with good credit quality, including those with maturity past due.

The Fund defines credit risk as the possibility of reduction in the value of a position in a financial instrument, due to unexpected credit events, related to issuers of financial instruments; the counterparty in exchange and OTC transactions; as well as countries in which they operate.

The Fund distinguishes, assesses and manages the following types of credit risk:

- counterparty risk: risk of default by the contracting party to the OTC deals;
- settlement risk: risk, arising from the possibility that the Fund will not receive the cash or financial instruments on the date of the settlement, after it has fulfilled its obligations, arising from that trade;
- investment credit risk: the risk of reducing the value of an investment in a debt security, due to a credit event with the issuer of the instrument. A credit event includes bankruptcy, insolvency or significant change in the capital structure, reducing the credit rating, and others.

The Management Company of the Fund measures and assesses the counterparty risk and the credit settlement risk by the value of all unsettled transactions with certain counterparty

as a percentage from the value of the investment portfolio. It manages these types of risk by setting limits regarding the value of the unsettled transactions with certain counterparty and strictly observes them, counterparty credit risk and the settlement risk are relatively low with respect to the transactions of the Fund as most of the transactions are concluded under DVP terms of settlement. During the period no investments have been made in debt securities that could expose it to investment credit risk.

15. Fair value measurement of financial instruments

Financial instruments are initially measured at fair value in the statement of financial position. IFRS 7 requires disclosure of the techniques for measurement of the fair value of financial instruments, measured at fair value in the statement of the financial position, after their initial recognition. This Standard introduces a hierarchy of fair values, defined according to the degree of observation of the data used for the measurement.

Observable data can be defined as market data obtained from independent sources, while data reflecting market assumptions of the Fund is defined as unobservable.

Both data sets the three levels of the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides information on financial instruments at fair value as at 31 December 2022 and 2021, presented in levels 1 to 3:

As of 31.12.2022	<u>Level 1</u>
Financial assets at fair value through profit or loss	
- Equity instruments	19,427
As of 31.12.2021	<u>Level 1</u>
Financial assets at fair value through profit or loss	
- Equity instruments	23,179

16. Policy and procedures for management of the net assets belonging to shareholders

The objectives of the Management company regarding capital management are:

- achieve profitability with minimum risk for investors;
- maintain high liquidity for timely repayment of obligations to investors that could arise when repurchasing shares;
- adequate ratio between cash invested in securities and cash instruments.

Capital management of the Fund, and its use to generate income, is performed by the management company in accordance with the regulations, the Prospectus and the Rules of the Fund. It is made under the supervision of the "Risk Management" department, and with active cooperation with the "Accounting" department, in accordance with the internal structure rules and internal control of the Management company.

The Fund's net assets for the presented periods can be analysed as follows:


	2022	2021
Net assets, belonging to unitholders	21,327	25,038
Total assets	21,361	25,075
Net assets to total assets ratio	99.84%	99.85%

17. Post-reporting date events

No adjusting events or significant non-adjusting events occurred between the date of the financial statements and the date of their approval.

18. Authorization of the financial statements

The financial statements for the year ended 31 December 2022 (including comparative information) were approved by the Board of Directors of the Management Company Karoll Capital Management EAD, on behalf of, and at the expense of MF Advance Emerging Europe Opportunities, on 22.03.2023.


Daniel Ganey
Chief Executive Officer
Karoll Capital Management EAD


Stoyka Koritarova
Chief Accountant
Karoll Capital Management EAD


Bistra Kotseva
Procurator
Karoll Capital Management EAD