



Annual Management Report  
Independent Auditor's Report  
Financial Statements

Mutual Fund  
Advance Invest

31 December 2015

**advance invest**   
KAROLL CAPITAL MANAGEMENT

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**ANNUAL ACTIVITY REPORT**

**of**

**MF ADVANCE INVEST**

**for 2015**

## **I. DEVELOPMENT, OPERATING RESULTS AND PERFORMANCE OF THE FUND, DESCRIPTION OF SIGNIFICANT RISKS**

The main activity of MF Advance Invest is investing in securities funds, raised by public offering of shares. The overall activities of the Fund are managed by MC Karoll Capital Management EAD.

### **1. Registration and license of the Fund.**

Advance Invest (the "Fund") is an open-end collective investment scheme, which operates under the principle of risk allocation. The Fund was established as an open-ended investment company in October 2003, and was registered in Bulgaria with Decision № 1 dated 21 January 2004 of the Sofia City Court. The Fund was registered in the Commercial Register with 2,050,000 ordinary shares with voting rights, with a par value of BGN 1. The fund was re-entered in the Commercial Register during May 2008 and in September 2013. The Fund was authorized to exercise its activities with decision № 561 - ID dated 22 December 2003 of the FSC, namely investment in securities of funds raised through public offering of shares.

Public offering for the sale and repurchase of the Fund's shares over the counter started on 10 May 2004. The trade of the shares of the Fund on the Bulgarian Stock Exchange-Sofia AD commenced on 25 May 2004. The number of shares outstanding as of 31 December 2013 and 2014 amounted to 4,839,149.2900 and 4,846,939.9821, respectively. According to the final decision of the FSC 479-ID/26.06.2013, the legal form of the Fund converted from an open-end investment company to a contractual mutual fund. These changes are reflected in the Commercial Register. Advance Invest Mutual Fund is registered with the FSC under Article 30, paragraph 1, item 4 of the FSCA by decision 736 - DF/03.10.2013. The shares of the Fund are not traded on the Bulgarian Stock Exchange - Sofia AD

### **2. Investment activity in 2015**

After a good first half of 2015, investors had no way to predict the highly sobering second half. The doubt that this could happen so quickly after the world's leading indexes such as S & P 500, DAX and FTSE registered new historical highest values in the months of April and May, was even less. However, sentiment changed dramatically when serious concerns about the sustainability of the Chinese economy started to circulate, after disappointing information on its state. The local stock market was also seriously sold after strong performance in 2014 and first half of 2015. August offered investors a great deal of unpleasant emotions, such as low liquidity and a strong negative sentiment led to record levels of the VIX index, also known as "the fear" index. For only several days Europe's main index declined by almost 20% of its value, and the American also fell under the correction territory, as its drops reached double-digit negative values.

The tension gradually settled, FED postponed its decision, and in November and October the markets again were overwhelmed by positive sentiment. Neither the terrorist attacks in Paris, nor the emerging refugee crisis in Europe, or the constant concerns about the Chinese economy, were able to pull markets from their rails. However, December was once again sobering for them. Raw materials continued to sell, and oil permanently established levels below USD 40 a barrel as its correlation with the performance of the shares strengthened greatly. FED finally increased the interest rates, and geopolitical tension and the expected slowdown of the world economy pushed down the markets. Reasonably, the typical Christmas rally was not present, and the US stock market represented by S & P 500 ended in negative territory (-0.7%)

for the first time since 2008. Leading European indexes also closed the year with a one-digit growth rate, and far below the registered peaks, as Mario Draghi disappointed investors, who expected additional quantitative easing (QE) in the end of the year.

The East European region also didn't remain unaffected by the current world events. The refugee rush was amongst the most important events during the year, and the geographical position of the region – near the conflict area, definitely has cooled down foreign investors' ambition to seek any kind of exposures in the region. The newly formed conflict between Russia and Turkey also contributed to the decline in this region's attractiveness for investors, as the Greek crisis' solution was just a vague memory.

The two mostly significant markets in the Fund's portfolio again performed differently during the year. The negative trend with Bulgarian SOFIX continued its development through the year, worsening its downturn, that started 20 months ago. Lack of liquidity and foreign investors continues to trouble BSE. Even the obviously low interest levels on deposits could not manage to instigate appetite for risk. The highly anticipated IPO of the technological company Syрма Group (SKK), also could not spark the interest in local companies. Bulgarian market showed complete disagreement not only with leading world indexes, but also with the local markets. After refusing to perform as positively as other European markets in the first half of the year, in the second half, the Bulgarian market showed, that neither severe shocks Western markets had, can move it out of its orbit. And while the most common thing amongst the other markets was the lack of a Christmas rally, unexpectedly BSE showed such. Overall the leading index SOFIX ended the year on red by -11.72%, as the growth in the end of the month compensated losses, amounting to 17% in the beginning of December.

Despite the Romanian BET reaching new highest peaks since 7 years (intraday levels of 7700 p.), it ultimately ended on a minimum negative territory of - 1.11%. The good beginning of the year, dictated mostly by the two banks in the index, being the superbly performing equities in the segment of large entities, after all was compromised in the second half of the year. Correlations with western markets and a new draft law that was affecting directly banks, were some of the reasons to see increasing weakness also on this market. Highly anticipated IPOs on the Romanian stock exchange ended up once again being postponed.

In terms of macroeconomical factors, both countries continued their leadership in the region. Taking advantage of the revival of the leading European economies and EU funds directed towards them, the two states showed some of the best growth rates on the continent. Bulgaria recorded better and better quarters, with annualized growth in the third quarter of 2.9%, compared to the previous quarter. This also has led to a revising of both the expectations for this and the next years, as most probably 2015 will end up on 2.9% growth rate, due to minor performance in the last quarter of the year. Expectations for growth rate of 2.2% for 2016 correspond with the Prime minister's statement that even 4% growth rate would not satisfy him. Export and domestic consumption were the main growth accumulators during the year, and revival of the labour market and consumer confidence were also noted.

The best performing economy in the region – Romania continued to show high growth rates also in this year, with outstanding first quarters. This time the strong domestic consumption generated a growth (6.6% in the third quarter on an annual basis), pulled by increase in wages (in October reaching 10% compared to the previous year). The decrease in VAT also will have an impact in fostering this indicator, and in 2016 the Romanian government announced a decrease in VAT from 24% to 19% for all goods on the market. Thus, Romania is expected to achieve growth of 3.4 % for 2015 and forecasts for 2016 are even more optimistic - 3.9%.

Once the situation around Russia and Ukraine has calmed, tensions in the geopolitical axis close to the region flared up again. This time on the opposing sides were two of the leaders in the region - Russia and Turkey, the conflict between them in regard of uncoordinated actions around the military situation in Syria has grown into a serious diplomatic, and therefore, economic conflict. Military action against ISIS continued to heat up the situation, while Europe has become the ultimate destination of a large wave of refugees from countries in the Middle East and Africa. Tens of thousands of refugees a day began to pass the border and immigrate to the continent. This led to a new crisis, which was reflected in closure of the borders of several countries, which in practice destabilized normal commercial relationships between countries in the Schengen area.

In political terms, the two countries continue to experience typical for this region fluctuations, which are often followed by early elections of a new government or parliament. This year also didn't make an exception for Romania, as this time, the seemingly stable government under the rule of Socialists and former Prime Minister Victor Ponta also resigned. In November the parliament elected a new government of technocrats, led by Dacian Cioloș – politically unbiased former agriculture minister in the government of Ponta. In light of the parliamentary elections scheduled for December next year it is questionable whether this government will be able to push any reforms or will simply be a kind of interim government. The fight against corruption and the amount of investigations against the political elite in the country, undoubtedly led to zero level of tolerance among the population. Judicial reform in the country is going in full force, while in Bulgaria things still are on hold. Resistance against any reform is the key, and the resentment against the political class in the country gains more and more power. The fear from reforms, mostly by the ruling party GERB creates doubts in the EU partners and the lack of progress in judicial reform is the primary basis for controversy.

Liquidity issues were again the greatest problem BSE faced during the year. The lack of interest in foreign investors was absolutely understandable, considering the negative attitude that government gave regarding the pension reform, the subsequently changed controversial texts in the Law on Ownership and Use of Agricultural Land, and government's servicing to the interest of certain economical group. The best performing shares on the market, were those with less liquidity. BG REIT index was protected, losing only 1.74%, as many of the companies in it were among the best performing shares. Growth registered by Bulgartabak Holding (57B) and Speedy AD (OSP) shares have registered was spectacular, respectively 41.3% and 30.9%. Blue chips' performance was disappointing, with Sofarma (3JR) losing almost 1/3 of its value during the year. Once powerful exporters from the machinery-production sector, also finished the year on a negative balance.

The best performing shares on the Bucharest exchange were banks, starting the year strongly, in conformance with their peers in Europe, with the announced QE. They were also the foundation for a good performance of BET. Although they have lost part of the accumulated yield, they have led the growth ranking – Banca Transilvania (TLV) almost doubled its value – 48%, and BRD – GSG (BRD) progressed by 38%. Crucial for the first one was the acquisition of one of its biggest local competitors, which made Banca Transilvania second in country in terms of assets. The utilities sector performed well, with average growth of 12.6%. The companies in the sector are traded with good dividend yield (little less than 8%), but free market and new lower fees in 2016 will be a great obstacle to good results. From the companies with less capitalisation, IAR BRASOV (IARV) made remarkable impression, gaining 294 % early in the year. Liquidity of the company remains low, and its weight in the fund's portfolio has grown significantly, positioning it into the top 5 exposures at year-end.

# Annual yield and since the beginning of public offering up to 31.12.2015

	Fund	
<b>Benchmark</b>		
Yield during 2015	-6.26 %	-22.13 %
Yield since incorporation (on an annual basis)	0.10 %	2.31 %

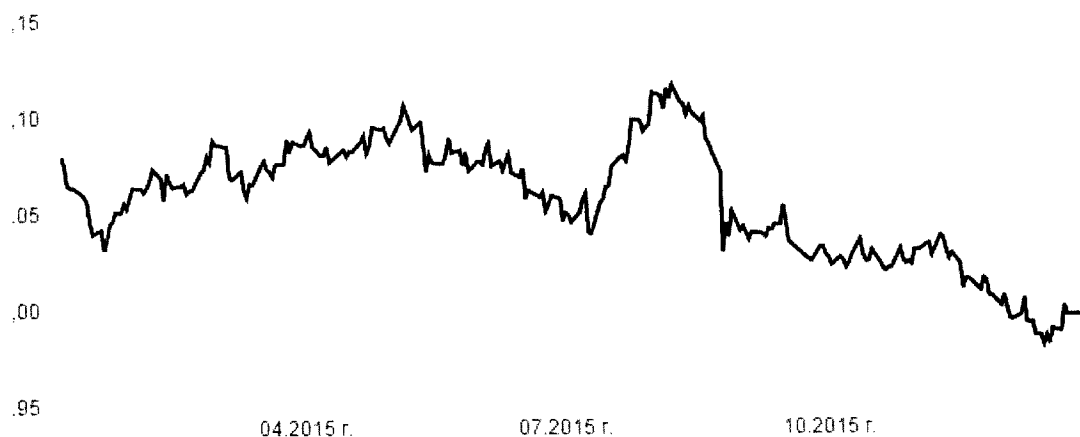


Chart 1. Performance of Advance Invest in 2015

## Allocation by markets

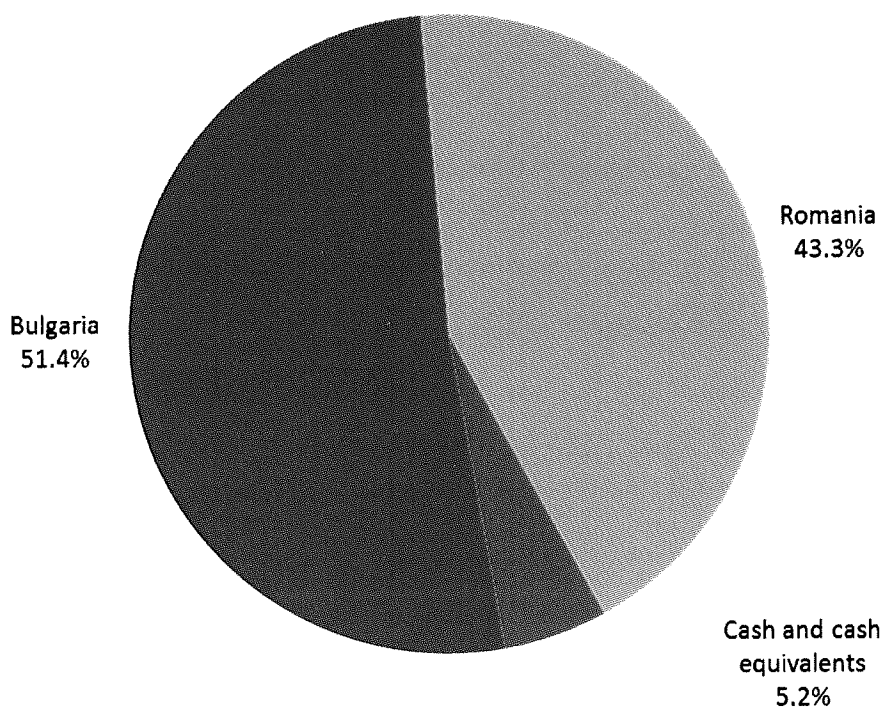


Chart 2. Allocation of Advance Invest's assets as at year-end

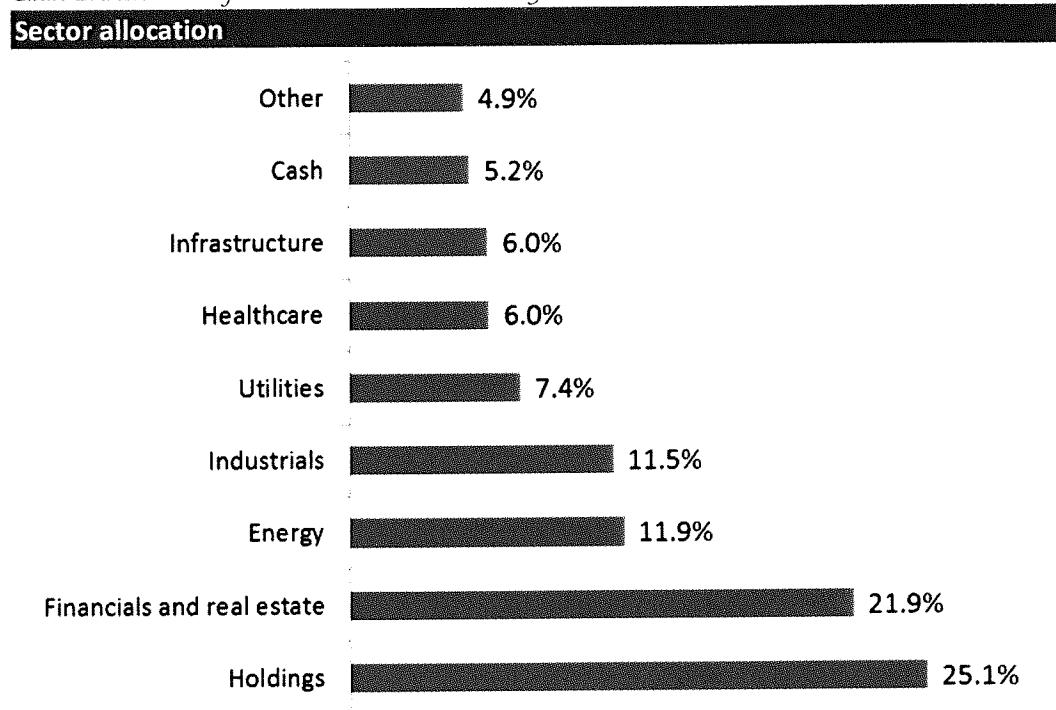


Chart 3. Sector allocation of the fund's assets

#### Top 5 securities

**FONDUL PROPRIETATEA SA (ROMANIA), Holdings**  
**ТРЕЙС ГРУП ХОЛД АД (BULGARIA), Infrastructure**  
**АКТИВ ПРОПЪРТИС АДСИЦ (BULGARIA), Finance and real estate**  
**IAR BRASOV (ROMANIA), Industrial**  
**SNTNG TRANSGAZ S.A (ROMANIA), Utilities**

The allocation by sectors of the portfolio continues to be dominated by Holdings and Finance. The weight of the Bulgarian banks in the portfolio has been reduced, due to unsatisfying performance and expectations about the stress tests in 2016. Thanks to their good performance, the Romanian banks increased their share in the Fund's asset. Industrial and energy sectors follow in the Fund's portfolio weight ranking. Expectations are, that during 2016, they will recover the most. Undoubtedly both economies, subject of Fund's investments, will benefit from such events. Domestic consumption's restoration is also a strong factor, leading the growth in both markets.

### 3. Financial result and comprehensive income for 2015

The financial results of MF Advance invest as at 31 December 2015 is loss, amounting to BGN 21 thousand, with total comprehensive income for the year of BGN (313) thousand. The Fund's revenues during 2015 were at the amount of BGN 578 thousand, from which BGN 65



thousand represent revenue from operations with financial assets, income from dividend of BGN 143 thousand, interest income of BGN 2 thousand, and positive currency exchange differences of BGN 368 thousand.

The Fund's finance costs for 2015 amounts to BGN 449 thousand, of which BGN 71 thousand represent expenses from operations with financial assets and BGN 378 thousand - negative foreign exchange differences. Total operating costs of the Fund as at 31 December 2015, amount to BGN 150 thousand, and represent 3.05% of the average annual net assets value. From them BGN 123 thousand represent remuneration to the Management Company.

#### 4. Changes in the share price of Advance Invest Mutual Fund

The performance of Advance Invest was negatively influenced by Bulgarian market's decline, as it still dominates the structure of the Fund. After all its relative share didn't change during the period, in contrast with that of the Romania (from 38.7% to 43.3%). Despite that the performance of the Romanian securities with major share in Fund's asset structure, like Fondul Proprietatea (FP) and Petrom (SNP), this time was poor. Colapse of gas and petrol prices is the main factor for that.

The new benchmark, against which the Fund assesses its performance – **MSCI EFM Europe + CIS ex RU** performed extremely dissapointing during the year, losing 22.13%. Comparison between the Fund, and the two main indexes BET and SOFIX, equally weighted, shows similar negative return of -6.42%.

Annual performance		
	Fund	Benchmark
2014	2.40%	2.24%
2013	18.95%	-16.81%
2012	-5.02%	34.08%
2011	-17.02%	-29.75%
2010	-11.73%	16.29%

*Chart 5. Comparison between the performances of Advance Invest and MSCI EFM Europe + CIS ex RU, for the last 5 years.*

#### 5. Expected risks associated with the investment portfolio and risk management techniques

The risks associated with the investment portfolio can be divided into the following groups:

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

- interest rate risk - the risk of decrease in the value of an investment in a security due to changes in interest rates. The Management company measures interest rate risk by calculating duration. Duration is a measure of the sensitivity of a security to the level of interest rates. The Management company uses the method of modified duration to measure interest rate risk associated with each security based on interest rates as bonds, interest rate swaps, futures on interest rates and futures on bonds.

- currency risk - the risk that the value of an investment in a security or a deposit denominated in a currency other than the Bulgarian lev and Euro, due to changes in the exchange rate between the Bulgarian lev and Euro. Currency risk is measured by using the historical volatility of the exchange rate Bulgarian lev and Euro against the net currency exposure.

- price risk associated with investment in shares or other equity securities - the risk of decrease in the value of an investment in a security due to adverse changes in market prices. The Management company measures the price risk associated with investing in stocks by tracking historical volatility measured by the standard deviation or calculating the  $\beta$ -coefficients to the appropriate index.

6) *Credit risk* – the possibility of reducing the value of the position in a financial instrument due to unexpected credit events relating to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as countries in which they operate.

There are three types of credit risk:

- counterparty risk is the risk of default by the counterparty to the OTC.

- settlement risk is the risk that mutual funds may not receive the cash or securities from a counterparty on the settlement date, after they have fulfilled their obligations arising from that trade. The Management company measures this risk by value of all trades with a counterparty as a percentage of the value of the portfolio. Transactions concluded on condition of DVP (delivery versus payment) and markets with a clearing house are not included.

- Investment credit risk is the risk of reducing the value of an investment in a debt security due to a credit event with the issuer of the instrument.

Credit event includes bankruptcy, insolvency or significant change in the capital structure, reducing the credit rating and others.

6) *Operational risk* – the possibility of incurring losses, errors or flaws in the organization, inadequately trained personnel, adverse external non-financial events, including legal risk. Operational risks are internal - related to the work of the management company in the management of Advance Invest and external - related to macroeconomic, political and other factors that influence and / or may affect the business of the management company in relation to management of the fund. Internal operational risks include risks related to staff and technological risks, and external debt - risk environment and risk of physical interference. Assessment of the operational risks associated with the activities of Advance Invest is conducted by the Compliance department.

7) *Liquidity risk* – risk arising from possible losses due to sales of assets in adverse market conditions to meet unexpected short-term obligations

8) *Concentration risk* - the possibility of loss due to inadequate diversification of exposures to customers, groups of connected clients, clients from the same industry, geographic region or arising from the same activity, which may cause significant losses, and the risk associated with large indirect credit exposures

The specific methods and organization to manage the above risks are set out in the Rules of valuation and risk management of Advance Invest Mutual Fund.

## **II. IMPORTANT EVENTS OCCURRED AFTER THE BALANCE SHEET DATE**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization for publication.

## **III. EXPECTED FUTURE DEVELOPMENT OF THE FUND**

The last months of 2015 showed that world markets are seriously vulnerable to volatility issues. High market ratios seen in trading of American companies, as well as the fact that the American market is “bearish” for more than 6 years, are making investors more and more cautious. Emerging markets show weakness and feel pressure not only from raw materials’ prices, but also from FED’s cycle of interest rates increase. Now the American economy is near its peak, with employment rate closely to the levels from 2007-2008. The dollar is strong, compared to the other currencies, which historically proved not to lead always to recession. The problem now is, that with the low growth rate of the emerging markets, and especially in case of troubles for the expected growth in China, there is no market that could contribute for a positive figures for the world economy. Oil and other raw materials’ prices clearly prove this statement, while positively affecting some economies, they have severe negative influence on others. Deflation has spread across the world, and the continuing incentives, given by national banks already have become a necessary. The problems, Europe faces at the moment - economic, geopolitical and social issues will not be resolved soon. This undoubtedly affects the stability of the stock markets on the Old Continent, which already are heavily correlated with major US indices. The exchange rate of Euro against the Dollar definitely has a positive effect on exporting companies, and the QE is not yet working as intended, meaning that it could be additionally increased.

Both markets, presented in the Funds portfolio, are dependant on situation in Europe, this is especially true for Romanian, which shows more robust correlation with leading markets. If western markets show declines during the year, most probably the Romanian market will not stay isolated and will suffer a greater correction. No matter of the number of defensive companies on the market, development of such correction into a negative trend is possible. The energy sector performed very poorly and was dragging down the main index - BET in 2015. In terms of risk/return – the negative trend seems to come to an end, but the pressure in such situation could last for a sufficiently long period. A positive scenario will be, if the situation on the market develops like the Asian crisis, considering the oil prices in 1998. In such case, the market will find arguments to continue its positive trend. On the other hand, the Bulgarian market’s performance could not be correlated to other markets.

Technically, the Bulgarian market’s performance remains negative, and it will not easily reverse it. Liquidity continues to “dry up”, volumes are still low. On the other hand, pressures intensity from sellers on those same levels, is not that strong anymore. Thus despair is reaching levels close to those in the summer of 2012, when after decline by 37.5% for 1.5 years, the market reached the bottom. As at the moment, support level of SOFIX could be the zone near 400 p., and if breaking through 490 p., than positive attitude will return on BSE. The positive trend from the middle of 2012 for the Romanian BET index, will continue, with levels of support equal to the peaks from 2010, 2011 of 600 p. Otherwise we could see even more serious correction of the last increase.

Currently, the Management Company's strategy for the Fund is towards reducing the share of Romanian equities, as they are more vulnerable to external shocks, caused by alleged decline on the Western markets. Cash's weight in this situation will increase to 10-15%, depending on the frame and sentiment.

Expectations for both economies in 2016 are more than big. Forecasts show Romania again amongst the growth leaders in Europe – 4%, while the Bulgarian government also is optimisticly set, expecting same growth for the Bulgarian economy. All of this, however will happen only if expectations for more sound growth on the European market realize. Also stock markets represent future expectations, more than they represent current events in economies. For countries like Bulgaria and Romania, this period of gap could be even 1 year.

#### **IV. RESEARCH AND DEVELOPMENT**

The specific activities of the Fund do not involve research and development.

#### **V. INFORMATION UNDER ART. 187D AND ART. 247 OF THE COMMERCIAL LAW**

During the period 1,466.8090 shares of Advance Invest were issued and 373,786.5136 were repurchased with a par value of BGN 1. The net asset value of the Fund decreased from BGN 5,233 thousand at the beginning of 2015 to BGN 4,529 thousand at the end of the year. The number of shareholders decreased during the year from 834 to 781 at the end of 2015, of which 766 individuals and 15 legal entities

Equity as at 31.12.2015 in the amount of BGN 4,529 thousand consists of:

- Share capital: BGN 4,475 thousand;
- Discount from issue of shares: BGN (857) thousand;
- Reserve from subsequent revaluation of securities: BGN (553) thousand;
- General reserves: BGN 10,793 thousand;
- Accumulated loss from previous years: BGN (9,805) thousand
- Retained earnings from previous years: BGN 497 thousand
- Loss for the current period BGN (21) thousand.

The Fund has not distributed dividends. The Fund has no registered branches. As of 31 December 2014 there are no restrictions imposed on the rights of members of the Board of Directors of the Management Company to acquire shares of the Fund.

During 2015 the Management Company selected the specialized auditing company Grant Thornton OOD with Reg No. 032 to audit the annual financial statements for 2014. The remuneration is at the amount of EUR 3,500.00 before VAT and represents entirely the remuneration for an independent financial audit.

**2 March 2016**

**Daniel Ganev:** \_\_\_\_\_  
**Executive Director**



**Grant Thornton Ltd.**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of  
Mutual Fund Advance Invest  
1 Zlatovryh Str., Sofia, Bulgaria**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mutual Fund Advance Invest, which comprise the statement of financial position as of 31 December 2015, and the statement of profit or loss and other comprehensive income for the year ended 31 December 2015, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

#### **Chartered accountants**

Member firm of Grant Thornton International Ltd.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Mutual Fund Advance Invest as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation.

### **Report on Other Legal and Regulatory Requirements – Management's report for the year ended 31 December 2015**

We have reviewed the management's report for the year ended 31 December 2015 of Mutual Fund Advance Invest, which is not part of the financial statements. The historical financial information in the management's report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation. The preparation of the management's report is responsibility of the management.

**Mariy Apostolov**  
Managing partner

**Grant Thornton Ltd.**  
Auditing Company

25 March 2016  
Bulgaria, Sofia

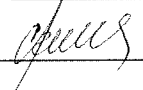
**Milena Mladenova**  
Registered auditor responsible for the audit



MF ADVANCE INVEST  
STATEMENT OF FINANCIAL POSITION  
31 December 2015  
All amounts are presented in BGN'000, unless otherwise stated

	Note	As at 31.12.2015	As at 31.12.2014
<b>Assets</b>			
<b>Current assets</b>			
Financial assets available for sale	5	4,302	4,899
Current receivables	7	-	15
Cash and cash equivalents	6	237	331
<b>Total assets</b>		<b>4,539</b>	<b>5,245</b>
<b>Net assets, belonging to the shareholders</b>			
Share capital	8	4,475	4,847
Premium reserve	8	(857)	(838)
Revaluation reserve	10	(553)	(261)
General reserves	9	10,793	10,793
Accumulated loss		(9,329)	(9,308)
<b>Total net assets, belonging to the shareholders</b>		<b>4,529</b>	<b>5,233</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Related party payables	13	9	11
Current payables		1	1
<b>Total liabilities</b>		<b>10</b>	<b>12</b>
<b>Total net assets, belonging to shareholders and liabilities</b>		<b>4,539</b>	<b>5,245</b>

Daniel Ganev:   
Executive Director  
MC Karoll Capital Management EAD

Stoyka Koritarova:   
Chief Accountant  
MC Karoll Capital Management EAD

Date: 19.02.2016

Audited, according to the auditor's report dated 25.03.2016

Milena Mladenova  
Registered auditor, responsible for the audit

Mariy Apostolov  
Managing partner - Grant Thornton Ltd.  
Auditing Company



The accompanying notes on pages from 5 to 31 form an integral part of the financial statements.

MF ADVANCE INVEST  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 DECEMBER  
All amounts are presented in BGN'000, unless otherwise stated

	Note	For the year ended 31.12.2015	For the year ended 31.12.2014
Dividend income	11.1	143	242
Gain/ Loss from operations with investments, net	11.2	(6)	79
Loss from exchange differences, net	11.3	(10)	(8)
Interest income	11.4	2	18
<b>Net profit from financial assets</b>		<b>129</b>	<b>331</b>
Hired services expenses	12	(150)	(193)
<b>Total operating expenses</b>		<b>(150)</b>	<b>(193)</b>
<b>Profit/ Loss for the year</b>		<b>(21)</b>	<b>138</b>
<b>Other comprehensive income/ loss:</b>			
Financial assets available for sale:			
- Profit/ loss for the year		(302)	111
- reclassification to profit or loss		10	(81)
<b>Other comprehensive income/ loss</b>		<b>(292)</b>	<b>30</b>
<b>Total comprehensive income/ loss for the year</b>		<b>(313)</b>	<b>168</b>

Daniel Ganev:  
Executive Director  
MC Karoll Capital Management EAD

Stoyka Koritarova:  
Chief Accountant  
MC Karoll Capital Management EAD

Date: 19.02.2016

Audited, according to the auditor's report dated 25.03.2016

Milena Mladenova  
Registered auditor, responsible for the audit

Mariy Apostolov  
Managing partner - Grant Thornton Ltd.  
Auditing Company



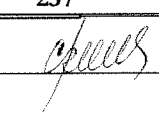
The accompanying notes on pages from 5 to 31 form an integral part of the financial statements.



MF ADVANCE INVEST  
STATEMENT OF CASH FLOWS  
31 December 2015  
All amounts are presented in BGN'000, unless otherwise stated

	For the year ended 31.12.2015	For the year ended 31.12.2014
<b>Cash flows from investing activities</b>		
Cash payments for financial assets acquisition	(165)	(2,119)
Proceeds from sale of financial assets	455	2,157
Interest received	2	22
Interest payments	-	(4)
Dividends received	157	231
<b>Net cash and cash equivalents used in investing activities</b>	<b>449</b>	<b>287</b>
<b>Cash flows from non-specialized investment activities</b>		
Cash payments related to trade contractors	(26)	(30)
Cash payments related to managing company	(125)	(161)
<b>Net cash and cash equivalents used for non-specialized investment activities</b>	<b>(151)</b>	<b>(191)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issue	2	1,986
Payment for share redemption	(394)	(2,023)
<b>Net cash and cash equivalents from financing activities</b>	<b>(392)</b>	<b>(37)</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(94)</b>	<b>59</b>
<b>Cash and cash equivalents at the beginning of the year (note 6)</b>	<b>331</b>	<b>272</b>
<b>Cash and cash equivalents at the end of the year (note 6)</b>	<b>237</b>	<b>331</b>

Daniel Ganev:   
Executive Director  
MC Karoll Capital Management EAD

Stoyka Koritarova:   
Chief Accountant  
MC Karoll Capital Management EAD

Date: 19.02.2016

Audited, according to the auditor's report dated 25.03.2016

Milena Mladenova  
Registered auditor, responsible for the audit

Mariy Apostolov  
Managing partner - Grant Thornton Ltd.  
Auditing Company

The accompanying notes on pages from 5 to 31 form an integral part of the financial statements.

MF ADVANCE INVEST  
STATEMENT OF CHANGES IN NET ASSETS, BELONGING TO SHAREHOLDERS  
31 December 2015  
All amounts are presented in thousand Bulgarian leva (BGN'000), unless otherwise stated

	Share capital	Premium reserve	Revaluation reserve	General reserves	(Accumulated loss)/ Retained earnings	Total
<b>Balance as at 1 January 2014</b>	<b>4,839</b>	<b>(793)</b>	<b>(291)</b>	<b>10,793</b>	<b>(9,446)</b>	<b>5,102</b>
Issue of share capital	1,826	160	-	-	-	1,986
Share redemption	(1,818)	(205)	-	-	-	(2,023)
Transactions with shareholders	8	(45)	-	-	-	(37)
Profit for the year	-	-	-	-	138	138
Other comprehensive income	-	-	30	-	-	30
Total comprehensive income for the year	-	-	30	-	138	168
<b>Balance as at 31 December 2014</b>	<b>4,847</b>	<b>(838)</b>	<b>(261)</b>	<b>10,793</b>	<b>(9,308)</b>	<b>5,233</b>
Issue of share capital	2	-	-	-	-	2
Share redemption	(374)	(19)	-	-	-	(393)
Transactions with shareholders	(372)	(19)	-	-	-	(391)
Loss for the year	-	-	-	-	(21)	(21)
Other comprehensive income	-	-	(292)	-	-	(292)
Total comprehensive income for the year	-	-	(292)	-	(21)	(313)
<b>Balance as at 31 December 2015</b>	<b>4,475</b>	<b>(857)</b>	<b>(553)</b>	<b>10,793</b>	<b>(9,329)</b>	<b>4,529</b>

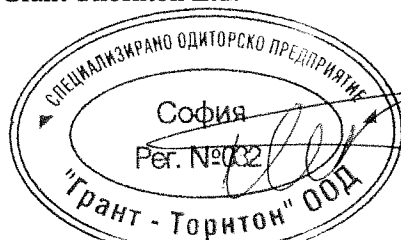
Daniel Ganey:  Stoyka Koritarova:   
Executive Director Chief Accountant  
MC Karoll Capital Management EAD MC Karoll Capital Management EAD

Date: 19.02.2016

Audited, according to the auditor's report dated 25.03.2016

Milena Mladenova  
Registered auditor, responsible for the audit

Mariy Apostolov  
Managing partner - Grant Thornton Ltd.  
Auditing Company



The accompanying notes on pages from 5 to 31 form an integral part of the financial statements.

## Notes to the financial statements

### 1. GENERAL INFORMATION

MF Advance Invest (the Fund) is an open-end mutual fund, which operates on the principle of risk sharing. The Fund is established as open-end investment company in October 2003 and is registered in Bulgaria by decision № 1 of Sofia City Court, dated January 21, 2004. The Fund is enlisted in the Commercial Register with 2,050,000 ordinary voting shares, with a par value of BGN 1 each. The Fund was re-registered in the Commercial Register in May 2008 and September 2013.

The Fund is licensed to perform its activity by decision №561-ID dated 22 December 2003 from the FSC, namely: investing in securities of cash equivalents raised through public offering of shares.

The public offering for sale and repurchase of shares of Advance Invest Open-End Mutual Fund started on May 10, 2004. As of 31 December 2015 and 2014 the number of shares in circulation is 4,474,620.2775 и 4,846,939.9821 respectively.

By an effective decision of the FSC 479 - ID/26.06.2013, the legal form of the Fund is converted from an open type investment company into a mutual fund. The changes are reflected in the Commercial Register. Advance Invest Open-End Mutual Fund is registered with the FSC under art. 30, paragraph 1, pt. 4 of the FSCA by decision 736 - DF/03.10.2013. With that decision the issue of shares was delisted and an issue of shares (units) is registered in the public register maintained by FSC. The shares of the Fund are not traded on the Bulgarian Stock Exchange – Sofia AD.

The special legislation concerning activities of the Company is described and arises mainly from the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and regulations associated with it. Based on it the Company is subject to regulation by Financial Supervision Commission (FSC).

Advance Invest MF is managed by Karoll Capital Management EAD. In compliance with the regulation of the LPOS, the Fund has elected Eurobank EFG Bulgaria AD as a depository bank, where the Company's cash and securities are held for safekeeping.

The capital of the fund varies, depending on the number of shares issued and offered to be repurchased shares, but it is always equal to the net asset value of the Fund.

#### 1.1. Investment strategy of the Fund

The main objective of MF Advance Invest is to provide its shareholders with an increase in the value of their investments through capital gains at medium to high risk. The model of active portfolio management is the basis of the Fund's investment strategy for achieving the expected profitability.

One of the criteria for selection of assets is the growth potential, defined by fundamental and technical parameters. Another important criterion is the relatively high liquidity of the assets, i.e. the ability to convert them quickly into cash without significant losses.

MF Advance Invest is mainly focused on shares of Bulgarian issuers. Shares of foreign companies represent a lesser portion of the Fund's portfolio

## **2. BASIS OF 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 2014) unless otherwise stated.

The financial statements are prepared under the going concern principle.

At the date of preparation of the current financial statements, the management of the Asset Management Company has assessed the ability of the Fund to continue as a going concern on the basis of the available information for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Fund has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis when preparing the financial statements.

## **3. CHANGES IN ACCOUNTING POLICIES**

### **3.1 New standards, amendments and interpretations to IFRS that are effective for annual periods beginning on or after 1 January 2015**

The Fund has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Funds's financial statements for the annual period beginning 1 January 2015:

#### **Annual Improvements to IFRSs 2012 effective from 1 July 2014, adopted by the EU for annual periods on or after 1 February 2015**

These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards, from which the following affect the Fund

- IFRS 13, 'Fair value measurement';
- Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets';
- IAS 39, Financial instruments – Recognition and measurement'.

**Annual Improvements to IFRSs 2013 effective from 1 July 2014, adopted by the EU for annual periods on or after 1 January 2015**

The amendments include changes from the 2010-12 cycle of the annual improvements project that affect:

IFRS 13, 'Fair value measurement

The amendments to IAS 19 "Employee Benefits" (amended) – Employee Contributions, effective from 1 July 2014, adopted by the EU for annual periods on or after 1 February 2015 are mandatory for the annual period beginning on 1 January 2014 but are not effective for the financial statements of the Company.

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

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

**IFRS 9 "Financial Instruments" effective from 1 January 2018, not yet adopted by the EU**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management have yet to assess the impact of IFRS 9 on these consolidated financial statements.

**IAS 1 "Presentation of financial statements" (amended) – Disclosure Initiative, effective from 1 January 2016, not yet adopted by the EU**

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. They clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The Managing company's officials are still assessing the possible effects of future implementation of the new standards, interpretations and amendments.

The following new standards and interpretations were issued, which are not relevant to and effective for the Company's financial statements:

- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective from 1 January 2016, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities" and IAS 28 "Investments in associates and joint ventures" - Investment Entities: Applying the Consolidation Exception (amended), effective from 1 January 2016, not yet adopted by the EU
- IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU

- IFRS 15 “Revenue from Contracts with Customers” effective from 1 January 2018, not yet adopted by the EU
- IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets” (amended), effective from 1 January 2016, not yet adopted by the EU
- IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” (amended) - Bearer Plants, effective from 1 January 2016, not yet adopted by the EU
- IAS 27 “Separate financial statements” (amended), effective from 1 January 2016, not yet adopted by the EU;
- Annual Improvements to IFRSs 2014 effective from 1 January 2016, not yet adopted by the EU

## **4. SUMMARY OF ACCOUNTING POLICIES**

### **4.1 Overall considerations**

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 estimates.

### **4.2. Presentation of financial statements**

The financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements” (revised 2007 and corrected). 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:

- (i) applies an accounting policy retrospectively;
- (ii) makes a retrospective restatement of items in its financial statements, or
- (iii) reclassifies items in the financial statements.

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 of the Fund, using the exchange rates as 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 remeasurement 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. Segment reporting**

With Part III of the Listing Rules now being effective and by decision of the Board of Directors of Bulgarian Stock Exchange - Sofia AD and Protocol № 26/09 May 2014, the registration of all issues admitted to trading on the Segment for collective investment schemes is terminated, effective from 12 May 2014. As at 31 December 2015, the shares of the Fund are not traded on a regulated market. The Fund operates in a single economic sector because of legal restrictions and the purpose for which it was created. For these reasons no information will be presented regarding various sectors.

#### **4.5. Revenue**

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

##### **4.5.1 Interest income**

Interest income from bank deposits is recognized in the Statement of profit or loss and other comprehensive income of the Fund, according to the terms of the contracts. Interest income is recognized on an accrual basis.

Interest received on bank deposits is presented in the statement of cash flows as interest income.

Dividend income is recognized in profit or loss at the time of origination of the right to receive payment.

##### **4.5.2 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 when those assets are held for trade and in equity as revaluation reserves when these assets are available for sale.

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

#### **4.5.3. Net income from foreign exchange operations**

Foreign currency transactions are recognized 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 recognized after taking into account changes in the market prices in original currencies.

#### **4.6. Expenses**

Expenses associated with the operations of the Fund are recognized in profit or loss in the statement of profit or loss and other comprehensive income following the accrual basis. The annual operating expenses of the Fund cannot exceed 4.50% of the average annual 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 approved by the Financial Supervision Commission. Costs relating to the activities that are borne indirectly by all its shareholders, including management fee and remuneration of the depository bank are accrued daily, under contracts with the Management Company and Depository bank.

The expenses regarding the issue of shares are included in the issue price per share. These expenses depend on the amount of the accepted order, as follows:

- 1.5% of the net assets value per share for orders up to BGN 100,000;
- 1.0% of the net assets value per share for orders from 100,000.01 up to BGN 500,000;
- 0.5% of the net assets value per share for orders from 500,000.01 up to BGN 1,000,000;
- For orders above BGN 1,000,000 – 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.

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

#### **4.7. Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to contractual agreements, which include financial instruments.

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

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their settlement date



Financial assets and financial liabilities are subsequently measured as described below.

#### **4.7.1. Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment is applied for each category of financial assets, which is described below.

All income and expenses relating to financial assets are recognized in profit or loss upon receipt, regardless of how the carrying value of the financial assets to which they relate is estimated, is presented in the statement of profit or loss and other comprehensive income within "Gains / (losses) from investment operations, net", except for impairment of trade receivables which is presented within 'Other expenses/income (including financial)'.

Financial assets held by the Fund are:

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest rate method, less provision for impairment.

Any change in their value is recognized in profit or loss in the current period. The Fund's cash and cash equivalents, trade and most of other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial. Current receivables are measured at their expected realizable value. Individually significant receivables are tested for impairment when they are past due or when there is objective evidence that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The impairment percentage is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is presented within 'Other expenses/income (including financial)'.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that upon initial recognition are classified as financial assets at fair value through profit or loss. All derivative financial instruments fall into this category, except for those specifically classified as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial

instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### **Available-for-sale financial asset**

Available-for-sale financial assets are non-derivative financial assets that are either classified within this category or do not qualify for any of the other categories of financial assets. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest rate method or at cost in cases when they do not have a fixed payment date. Changes in fair value are recognized in other comprehensive income and are reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When an asset, classified as available-for-sale is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity into profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Subsequent daily measurement of financial instruments is carried out according to the accounting policy for revaluation complying with the Rules of portfolio valuation and determination of the net asset value of MF "Advance Invest" according Ordinance № 44 of 2011 October 20 on the requirements to the activities of collective investment schemes, investment companies of closed-end type and management companies, which is approved by the Financial Supervision Commission. These rules can be found on the website of the Fund <http://www.karolcapital.bg>.

The Fund follows certain basic principles for the measurement of its assets:

- available-for-sale investments, investments held to maturity, and financial assets measured at fair value through profit or loss are measured at fair value, which is the market price in case they have a market price;
- when an asset has no market price, its fair value is determined by using valuation models;
- a basic criterion for determining whether an asset has a market price is the asset's liquidity.

Cash is measured at its nominal value.

#### **4.7.2. Financial liabilities**

The Fund's financial liabilities include trade and other payables. Financial liabilities are recognized when the Fund becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or a contractual liability for exchange of financial instruments with another company under unfavorable terms. All expenses associated with changes in fair value of financial instruments are recognized in profit or loss.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

#### **4.7.3. Agreements for the sale and repurchase of securities**

Securities may be rented or sold with a commitment to repurchase (repo agreement). These securities continue to be recognized in the statement of financial position, when the significant

risks and benefits of ownership remain with the Fund. In this case, the Fund recognizes a liability to the other contracting party in the statement of financial position when the Fund receives the remuneration.

The difference between the sale price and the redemption price is recognized deferred for the period of the contract using the effective interest rate method. Securities rented out by the Fund continue to be recognized in the statement of financial position. Securities, received under lease agreements are not recognized in the statement of financial position, unless they are sold to third parties in which the obligation to repurchase is recognized as commercial liability at fair value and subsequent gains or losses are included in net operating result.

When the Fund rents or buys securities with a commitment to resell them (reverse repo) while acquiring the risks and benefits of ownership, securities are recognized in the statement of financial position.

#### **4.8. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash in bank accounts

#### **4.9. Income tax expense**

According to the Corporate Income Tax Act, Art. 174, Collective investment schemes that are admitted for public offering in Bulgaria and licensed investment companies of closed-type under the Public Offering of Securities Act are not subject to corporate tax.

#### **4.10. Net assets, belonging to shareholders**

The Fund is a mutual fund which issues its "capital" instruments and then has the responsibility for their repurchase. The raised resources - nominal value, reserves from issuance and financial result determine the net asset value, belonging to investors.

Objectives, policies and processes regarding the management of the Fund's obligation to redeem the instruments when the holders of these instruments require so, are set out in note "Risks associated with financial assets."

Determining net asset value of the Fund is carried out according to the Rules for determining the net asset value of MF "Advance Invest", approved by Decision № 259 of 25 March 2004 of the Financial Supervision Commission.

In 2013, the Management Company amended the Rules of portfolio valuation and determination of the net asset value of the Fund's assets in connection with the change of the legal form of the Fund - from an investment company into the a mutual fund. The changes were approved by Decision № 974-DF of 16.12.2013 of the Financial Supervision Commission.

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

Net Asset Value per share is the basis for determining the issue price and the redemption per share of MF "Advance Invest", calculated each working day. The net asset value of the Fund is obtained by subtracting the liabilities from the value of all assets. The net asset value of the Fund is represented in euro.

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

- the regulations of the accounting legislation;
- the regulations of the Law On The Activities Of Collective Investment Schemes And Other Collective Investment Undertakings (LACISOCIU) promulgated on 4 October 2011

- Ordinance №44 of 20 October 2011 on the requirements for collective investment schemes, investment companies and management companies;
- Rules and the Prospectus of the Fund.

The Retained earnings / the Accumulated loss include the current financial result and retained earnings and uncovered losses from previous years.

#### **4.11. Provisions, contingent liabilities and contingent assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Fund and when amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events, for example, legal disputes.

Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or if the management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Fund can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

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

#### **4.12. Significant management judgement in applying accounting policies**

The following are significant management judgements in applying the accounting policies of the Fund that have the most significant effect on the financial statements:

- The issue price and the redemption price of Fund shares are based on the net asset value of the Fund at the date of their determination. The Management Company assesses the portfolio of the Fund, determines the net value of the Fund's assets, determines the net asset value per share and calculates the issue price and the redemption price under the control of the Depositary Bank in accordance with regulatory requirements;
- The Management Company invests the Fund's assets in securities and in proportions determined in accordance with Art. 38 of the Law On The Activities Of Collective Investment Schemes And Other Collective Investment Undertakings (LACISOCIU) promulgated on 04 October 2011 and the Fund Rules;

- The subsequent measurement of the Fund's assets shall be made in accordance with the Fund's Rules and Ordinance № 44/20 October 2011 on the requirements for the activities of collective investment schemes, investment companies and management companies;

- According to an Agreement with the Management Company and the Custodian bank, the fees are accrued on a daily basis;

- The management of the Fund is carried out by the Management Company. 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 of 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.

#### **4.13. Uncertainty in accounting estimates**

##### **4.13.1 Fair value of financial instruments**

Management uses techniques 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 of 2011 October 20 on the requirements to the activities of collective investment schemes, investment companies of closed-end type and management companies, which is approved by the Financial Supervision Commission.

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.

##### **4.13.2. Impairment of financial assets**

Management assesses at each reporting date, whether there is objective evidence, that a financial asset or group of financial assets should be impaired.

If there is objective evidence for an impairment loss from loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows. The carrying amount of the asset is reduced either directly or through an allowance account. The amount of the loss is recognized in profit or loss.

A financial asset or group of financial assets are considered impaired and impairment losses are incurred when there is objective evidence for impairment arising from one or more events that occurred after the initial recognition of the asset (event "loss") and when this event "loss" (or events) has an effect on the estimated future cash flows from an asset or group of financial assets that can be measured reliably.

It may not be possible to identify a single event that caused the impairment. Rather, the impairment may be caused by the combined effect of several events.

Losses expected as a result of future events, no matter how likely, are not recognized.

## 5. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale as at 31 December 2015 are as follows:

	Note	Fair value As at 31.12.2015	Fair value As at 31.12.2014
<b>Shares:</b>			
- BGN	5.1	2,335	2,999
- Foreign currency	5.2	1,967	1,900
<b>TOTAL</b>		<b>4,302</b>	<b>4,899</b>

### 5.1. SHARES IN BGN

Type	ISIN	As at 31.12.2015	% of Assets	As at 31.12.2014	% of Assets
Trace Group Hold AD	BG1100049078	272	5.99	316	6.02
Activ Properties REIT	BG1100003059	257	5.66	248	4.72
Monbat AD	BG1100075065	197	4.33	231	4.41
CEZ Razpredelenie Bulgaria AD	BG1100025110	195	4.30	220	4.20
Advance Equity Holding AD	BG1100033064	183	4.03	221	4.22
Sopharma AD	BG11SOSOB18	173	3.80	276	5.25
Chimimport AD	BG1100046066	163	3.59	205	3.91
Advance Terrafund REIT	BG1100025052	135	2.98	160	3.04
Eurohold Bulgaria AD	BG1100114062	115	2.53	197	3.76
Bulgarian real estate fund REIT	BG1100001053	96	2.12	100	1.90
Chimimport AD	BG1200001094	90	1.98	149	2.84
First investment bank AD	BG1100106050	88	1.93	114	2.17
Plovdiv Jury Gagarin BT AD	BG11PLPLVT16	65	1.43	51	0.98
Svilosa AD - Svishtov	BG11SVSVAT11	56	1.24	-	-
Sopharma Trading AD	BG1100086070	54	1.18	-	-
Central Cooperative Bank AD	BG1100014973	50	1.11	160	3.04
Sirma Group Holding AD	BG1100032140	45	0.99	-	-
Bulgartabac-Holding AD	BG11BUSOGT14	32	0.70	24	0.47
CEZ Electro Bulgaria AD	BG1100024113	20	0.44	41	0.79
Energetics and Energy Savings Fund REIT	BG1100026068	20	0.44	105	2.01
Severcooop-Gumza Holding AD	BG1100026985	15	0.34	20	0.37
Stara Planina Hold Plc	BG1100005971	10	0.23	-	-
Stardjan Akuafarms Bulgaria AD	BG1100020053	4	0.10	13	0.24
Energo-Pro-Grid AD	BG1100026118	-	-	148	2.81
<b>TOTAL</b>		<b>2,335</b>	<b>51.44</b>	<b>2,999</b>	<b>57.15</b>

	ISIN	As at 31.12.2015	% of Assets	As at 31.12.2014	% of Assets
<b>5.2. SHARES IN FOREIGN CURRENCY</b>					
Fondul Proprietatea SA	ROFPTAACNOR5	324	7.13	362	6.90
IAR SA Brasov	ROIARVACNOR1	249	5.48	70	1.33
S.N.T.G.N. Transgaz	ROTGNTACNOR8	210	4.64	202	3.85
Groupe Societe Generale	ROBRDBACNOR2	204	4.49	149	2.84
Romgaz SA	ROSNGNACNOR3	176	3.88	231	4.41
Banka Transilvania	ROTLVAACNOR1	164	3.61	112	2.13
OMV Petrom SA	ROSNPPACNOR9	150	3.31	214	4.07
Transelectrica	ROTSSELACNOR9	126	2.77	128	2.43
Sif Oltenia SA	ROSIFEACNOR4	109	2.41	109	2.08
Antibiotic	ROATBIACNOR9	102	2.24	113	2.15
Sif Moldova SA	ROSIFBACNOR0	95	2.1	121	2.32
Bursa de Valori Bucuresti SA	ROBVBAACNOR0	58	1.28	74	1.41
Dafora SA	RODAFRACNOR5	-	-	15	0.29
<b>TOTAL</b>		<b>1,967</b>	<b>43.34</b>	<b>1,900</b>	<b>36.21</b>

Market approach has been used in determining the fair value of all shares in the Fund's portfolio as at 31 December 2015.

Investments are allocated as follows:

	As at 31.12.2015	% of Assets	As at 31.12.2014	% of Assets
Holdings	1,139	25.09	1,385	26.40
Finance and Real estate	994	21.90	1,042	19.87
Energy	542	11.94	854	16.27
Industrial	520	11.46	353	6.73
Utility services	337	7.41	329	6.27
Healthcare	274	6.04	389	7.41
Infrastructure	272	5.99	331	6.31
Financial services	78	1.72	179	3.41
Consumer goods	58	1.28	13	0.24
Real estate	56	1.25	-	-
Tobacco industry	32	0.70	24	0.45
<b>TOTAL</b>	<b>4,302</b>	<b>94.78</b>	<b>4,899</b>	<b>93.36</b>

As of 31 December 2015 the Fund's management has reviewed financial assets available for sale for impairment and as a result of the analysis, the management believes that no impairment is needed.

Investments are allocated as follows:

Country	As at 31.12.2015	% of Assets	As at 31.12.2014	% of Assets
Bulgaria	2,335	51.44	2,999	57.15
Romania	1,967	43.34	1,900	36.21
<b>TOTAL</b>	<b>4,302</b>	<b>94.78</b>	<b>4,899</b>	<b>93.36</b>

## 6. CASH AND CASH EQUIVALENTS

	As at 31.12.2015	As at 31.12.2014
Cash and cash equivalents on hand and in deposits – BGN	195	52
Cash and cash equivalents on hand and in deposits – foreign currency	42	279
<b>TOTAL</b>	<b>237</b>	<b>331</b>

As at 31.12.2015 the Fund has no blocked cash and cash equivalents.

## 7. CURRENT RECEIVABLES

	As at 31.12.2015	As at 31.12.2014
Dividends	-	15
<b>TOTAL</b>	<b>-</b>	<b>15</b>

## 8. NET ASSETS, BELONGING TO THE SHAREHOLDERS

### 8.1. Number of shares in circulation

During the reporting period the number of shares in circulation is as follows:

#### Number of shares in circulation and value of the shares

Circulation of capital	Number of shares	Nominal value	Share capital (BGN'000)
<b>As at 01.01.2014</b>	<b>4,839,149.2900</b>	<b>1 BGN/share</b>	<b>4,839</b>
Issued shares 2014	1,825,852.3376	1 BGN/share	1,826
Repurchased own shares 2014	(1,818,061.6456)	1 BGN/share	(1,818)
<b>As at 31.12.2014</b>	<b>4,846,939.9821</b>	<b>1 BGN/share</b>	<b>4,847</b>
Issued shares 2015	1,466.8090	1 BGN/share	2
Repurchased shares 2015	(373,786.5136)	1 BGN/share	(374)
<b>As at 31.12.2015</b>	<b>4,474,620.2775</b>	<b>1 BGN/share</b>	<b>4,475</b>



31 December 2015

All amounts are presented in thousand Bulgarian leva (BGN'000), unless otherwise stated

## 8.2. Premium reserve

	2015 BGN'000.	2014 BGN'000
Premium reserve as at 1 January	(838)	(793)
Decrease due to share emission	(19)	(205)
Increase due to repurchase of own shares	-	160
<b>Premium reserve as at 31 December</b>	<b>(857)</b>	<b>(838)</b>

## 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 shares of MF "Advance Invest", calculated every work day. Net asset value of the Fund is presented in Bulgarian Lev. The most recent calculation and announced to investors and to the FSC net asset value per share, issue price and repurchase price is as of 30 December 2015 (30 December 2014). For the purpose of these financial statements and the principles of IFRS the net asset value per share, issue price and repurchase price is calculated and presented as of 31 December 2015

BGN	31.12.2015	30.12.2015	31.12.2014	30.12.2014
Net asset value	4,528,953.50	4,492,841.29	5,233,206.76	5,336,596.99
Number of shares in circulation	4,474,620.2775	4,474,620.2775	4,846,939.9821	4,846,939.9821
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per share	1.0121	1.0041	1.0797	1.1010
Issue price				
orders up to BGN 100,000 after "issue fee" of 1.5% of the net asset value	1.0273	1.0192	1.0959	1.1175
orders from BGN 100 to 500 000 000.01 after "issue fee" of 1.0% of net asset value	1.0222	1.0141	1.0905	1.1120
orders from BGN 500 000.01 to 1 million after issuance fee amounting to 0.5% of net asset value	1.0172	1.0091	1.0851	1.1065
orders above BGN 1 000 000, 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.	1.0121	1.0041	1.0797	1.1010
Redemption price	1.0121	1.0041	1.0797	1.1010

## 9. GENERAL RESERVES

General reserves, amounting to BGN 10 793 thousand (2014: BGN 10 793 thousand), are formed due to distribution of retained earnings from prior periods.

## 10. REVALUATION RESERVE

Changes in the revaluation reserve could be summarized as follows:

	As at 31.12.2015	As at 31.12.2014
<b>Revaluation reserve from subsequent measurement of available-for-sale financial assets in the beginning of the period</b>	<b>(261)</b>	<b>(291)</b>
Profit from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	114	169
Loss from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	(416)	(58)
Profit from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	67	215
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	(57)	(296)
<b>TOTAL</b>	<b>(553)</b>	<b>(261)</b>

## 11. OPERATING INCOME

### 11.1 Dividend income

	Year, ended 31.12.2015	Year, ended 31.12.2014
Dividend income from Bulgarian issuers	51	127
Dividend income from Romanian issuers	92	115
<b>TOTAL</b>	<b>143</b>	<b>242</b>

## 11.2 (Loss) / Gain from operations with investments, net

	Year ended 31.12.2015	Year ended 31.12.2014
Profit from available-for-sale financial assets, reclassified from equity to profit/loss for the period	57	296
Loss from available-for-sale financial assets, reclassified from equity to profit/loss for the period	(67)	(215)
Profit from sale of available-for-sale financial assets	8	8
Loss from sale of assets available-for-sale financial assets	(4)	(12)
Profit from subsequent measurement of financial assets, held for trading	-	3
Loss from subsequent measurement of financial assets, held for trading	-	(1)
<b>(LOSS)/GAIN FROM OPERATIONS WITH INVESTMENTS, NET</b>	<b>(6)</b>	<b>79</b>

## 11.3 Loss from exchange differences, net

	Year ended 31.12.2015	Year ended 31.12.2014
Loss on foreign currency revaluation of financial assets	(377)	(365)
Gain on foreign currency revaluation of financial assets	368	368
Foreign exchange operations – expense	(1)	(11)
<b>TOTAL</b>	<b>(10)</b>	<b>(8)</b>

## 11.4 Interest income, net

	Year ended 31.12.2015	Year ended 31.12.2014
Interest income from deposits	2	17
Interest income from repurchase agreements with shares	-	5
Repurchase agreements expense	-	(4)
<b>TOTAL</b>	<b>2</b>	<b>18</b>

## 12. HIRED SERVICES EXPENSE

	Year ended 31.12.2015	Year ended 31.12.2014
Remuneration of the management company	(123)	(155)
Remuneration of the bank	(14)	(16)
Advertisement	(3)	(6)
Audit	(4)	(3)
Annual fees	(1)	(1)
Other	(5)	(12)
<b>TOTAL</b>	<b>(150)</b>	<b>(193)</b>

Costs related to the Fund's activity represent 3.05% (2014 : 3%) of the average annual net asset value according to the statement of financial position of the Fund.

These financial statements have been audited by Grant Thornton Ltd. (specialized audit company )with managing partner Mariy Apostolov and registered auditor, responsible for the audit – Milena Mladenova. The remuneration of the auditor is for independent financial audit of the financial statements. During the year, the registered auditor did not provide other services. This disclosure is in compliance with the requirements of Art. 38 para. 5 of the Accountancy Act.

## 13. RELATED PARTIES

### 13.1. Transactions during the year

	For the year ended 31.12.2015	For the year ended 31.12.2014
Remuneration under contract regarding management of activities (note 12)	(123)	(155)
Payables to the managing company for issuance of shares	-	(7)
<b>TOTAL</b>	<b>(123)</b>	<b>(162)</b>

For its management activities the Management Company shall receive remuneration amounting to 2.5 % of the average annual net asset value of the Fund.

For issuance of shares – the Fund accrues fee, which is a revenue for the Management Company, and originally is payable to the Fund from investors, and then proceeds to the Managing Company, with no effect on the Fund's comprehensive income.

### 13.2. Related party balances as at year end

	As at 31.12.2015	As at 31.12.2014
Payables to the Management company	9	11
<b>TOTAL</b>	<b>9</b>	<b>11</b>

Payables to the Management Company represent remuneration for the management activities for the month of December 2015 and as at the date of preparation of these financial statements are fully repaid.

### 14. NON-MONETARY TRANSACTIONS

During the reporting period the Fund has not carried out any investment and financial transactions, during which no cash or cash equivalents were used and which are not reflected in the statement of cash flows.

### 15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Fund has no commitments or contingent assets as at 31.12.2015.

### 16. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of financial assets and liabilities can be presented as follows:

Financial assets	Note	As at 31.12.2015	As at 31.12.2014
Financial assets available-for-sale:			
Shares	5.1, 5.2	4,302	4,899
Loans and receivables:			
Current receivables	7	-	15
Cash and cash equivalents	6	237	331
<b>d</b>		<b>4,539</b>	<b>5,245</b>

<b>Financial liabilities</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>BGN '000</b>	<b>BGN '000</b>
Current liabilities:			
Current payables		1	1
Related party payables	13.2	9	11
		<b>10</b>	<b>12</b>

See Note 4.7 for information on accounting policy for each category of financial instruments and methods used to estimate fair value. Description of the policies and objectives of the risk management of the Company's financial instruments is presented in note 17.

## **17. RISKS, RELATED TO FINANCIAL INSTRUMENTS**

### **Management policy and objectives regarding risk management**

For the purpose of adequate financial risk management MC Karoll Capital Management EAD has accepted Rules on risk assessment and management, on behalf of the Fund. The methods and procedures stated in the Rules have to be performed on a daily basis from the Risk Management Department of the Managing Company.

#### ***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 issue of own shares.

The liquidity risk can arise as a consequence from the low liquidity on the capital market as well as when there are unusual big orders for repurchase of shares which can lead to exhausting the Fund's cash.

The Fund invests in equities, traded on an active stock market and when it is necessary it can provide cash and cash equivalents for the accepted order of repurchase of the own shares within a statutory regulated term.

The Fund manages this risk by keeping a relatively large portion of cash and highly liquid assets in its portfolio, thus reducing to a minimum the possibility of being unable to settle its liabilities on time.

According to the rules for maintenance and management of the liquid funds the Fund holds cash on term and demand deposits in order to meet liquidity needs. The portfolio manager monitors on a daily basis liquid cash as a percentage of the assets while there are controlled by the Board of Directors on a monthly basis.

The table below shows the financial liabilities of the Company, summarized in groups by maturity from the reporting date of the statement of financial to the date of repayment.

<b>31 December 2015</b>	<b>Until 1 month</b>
Current payables	10
Own shares in circulation measured at net value of one share	4,529

<b>31 December 2014</b>	<b><u>Until 1 month</u></b>
Current payables	12
Own shares in circulation measured at net value of one share	5,233

Own shares in circulation are a subject of repurchase according to a decision of their owners.

### ***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 and on a monthly basis by the Board of Directors.

Market risk is concentrated in the following positions:

	<b>As at 31.12.2015</b>		<b>As at 31.12.2014</b>	
	<b>Fair value</b>	<b>% of net assets, measured at market price</b>	<b>Fair value</b>	<b>% of net assets, measured at market price</b>
Financial assets available-for-sale	4,302	94.99	4,899	93.60
Interest receivables and other assets	-	-	15	0.30
<b>TOTAL AMOUNT, EXPOSED TO MARKET RISK</b>	<b>4,302</b>	<b>94.99</b>	<b>4,914</b>	<b>93.90</b>

### ***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 represented through the statement of comprehensive income. Such exposures are the monetary assets and liabilities of the Fund, denominated in currency other than BGN and EUR. The Fund manages foreign currency risk by investing mainly in assets, denominated in local currency, as well as in assets in EUR, since the exchange rate of the latter is stable due to the effective currency board.

The net exposure in assets, denominated in currency other than BGN or EUR is relatively lower in the current period. Thus no special measures were taken to manage currency risk in 2015.

The concentration of assets and liabilities in foreign currency as at 31 December is as follows:

	Short term risk exposure Romanian lea	Long term risk exposure Romanian lea
<b>31 December 2015</b>		
Financial assets	1,967	-
Financial liabilities	-	-
<b>Total risk exposure</b>	<b>1,967</b>	<b>-</b>
<b>31 December 2014</b>		
Financial assets	1,900	-
Financial liabilities	-	-
<b>Total risk exposure</b>	<b>1,900</b>	<b>-</b>

Tables, presented below, show the sensitivity of the financial result and equity to hypothetical change of the Bulgarian lev's exchange rate.

- Romanian lea +/- 1.4 %

All other parameters are assumed 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.

31 December 2015	Increase in Bulgarian lev's exchange rate		Decrease in Bulgarian lev's exchange rate	
	Net financial result	Equity	Net financial result	Equity
Romanian Lea (+/- 1.4%)	-25	-25	25	25

Exposure to currency risk varies during the year, based on the volume of deals with foreign securitites. 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 bound 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.

<b>As at 31 December 2015</b>	<b>Under 1 month</b>	<b>Interest free assets and liabilities</b>	<b>Total</b>
<b>ASSETS</b>			
Available-for-sale financial assets	-	4,302	4,302
Cash and cash equivalents	236	1	237
<b>TOTAL ASSETS</b>	<b>236</b>	<b>4,303</b>	<b>4,539</b>
<b>LIABILITIES</b>			
Current payables	-	10	10
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>10</b>	<b>10</b>
Own shares in circulation, measured using net value per share as at year end	-	4,529	4,529
<b>TOTAL AMOUNT, EXPOSED TO INTEREST RATE RISK</b>	<b>236</b>	<b>(236)</b>	<b>-</b>

<b>As at 31 December 2014</b>	<b>Up to 1 month</b>	<b>Interest-free assets and liabilities</b>	<b>Total</b>
<b>ASSETS</b>			
Available-for-sale financial assets	-	4,899	4,899
Interest receivables and other assets	-	15	15
Cash and cash equivalents	330	1	331
<b>TOTAL ASSETS</b>	<b>330</b>	<b>4,915</b>	<b>5,245</b>
<b>LIABILITIES</b>			
Current payables	-	12	12
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>12</b>	<b>12</b>
Own shares in circulation, measured by net value per share	-	5,233	5,233
<b>TOTAL AMOUNT, EXPOSED TO INTEREST RATE RISK</b>	<b>330</b>	<b>(330)</b>	<b>-</b>

### ***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 Fund 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.

#### 2015

NAME	CURRENCY	AVERAGE RETURN (ANNUAL)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	-5.74%	9.59%

#### 2014

NAME	CURRENCY	AVERAGE RETURN (ANNUAL)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	3.43%	10.98%

### ***Credit risk***

Exposure of the Fund to credit risk is limited to the carrying amount of financial assets, recognized at the reporting date, as indicated below:

#### **Financial assets**

	As at 31.12.2015	As at 31.12.2014
Financial assets available-for-sale:		
Shares	4,302	4,899
	<b>4,302</b>	<b>4 899</b>
Loans and receivables:		
Current receivables	-	15
Cash and cash equivalents	237	331
	<b>4,539</b>	<b>5,245</b>

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 unconcluded 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 unconcluded 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 Company as most of the transactions are concluded under DVP terms of settlement.

The Fund measures and assesses investment credit risk by performing credit analysis of the issuing companies, as well as monitoring and assessment of events and trends in the economic and political environment. The Fund manages investment credit risk by diversification of the investments and limitation of the risk exposure concentration, in accordance with certain limits.

With regard to the following the Fund assesses the credit risk associated with operation of the Fund as low.

## **18. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS**

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 company is defined as unobservable. Both data sets the three levels of the fair value hierarchy.

Financial assets and liabilities measured at fair value in the statement of financial position are grouped in three levels in accordance with the fair value hierarchy based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- 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 level within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement.

<b>As at 31.12.2015</b>	<b>Level 1</b>	<b>Total</b>
Financial assets available-for-sale		
- Shares	4,302	4,302
<b>TOTAL</b>	<b>4,302</b>	<b>4,302</b>

<b>As at 31.12.2014</b>	<b>Level 1</b>	<b>Total</b>
Financial assets available-for-sale		
- Shares	4,899	4,899
<b>TOTAL</b>	<b>4,899</b>	<b>4,899</b>

## 19. POLICIES 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 with regard to the 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 for income generation, 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.

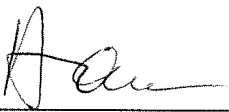
	2015	2014
Net assets, belonging to the shareholders	4,529	5,233
Debt	10	12
- Cash and cash equivalents	(237)	(331)
<b>Net debt</b>	<b>(227)</b>	<b>(319)</b>
<b>Net assets to net debt ratio</b>	<b>1:(0.05)</b>	<b>1:(0.06)</b>

## 20. POST REPORTING DATE EVENTS


No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

## 21. AUTHORIZATION OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 (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 Invest, on 10 March 2016.

  
Daniel Ganey  
Executive Director  
MC Karoll Capital Management



  
Stoyka Koritarova  
Chief Accountant