



Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund
Advance Emerging Europe Opportunities

31 December 2016

advance emerging europe
opportunities 

KAROLI CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT

OF

MF ADVANCE EMERGING EUROPE OPPORTUNITIES

FOR 2016

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

1.1. Registration and license

MF Advance Emerging Europe Opportunities is an open-end collective investment scheme, which invests in securities, by raising money through public offering of its own units. MF Advance Emerging Europe Opportunities (formerly MF Advance IPO Fund) is organized by Management Company Karoll Capital Management EAD, according to decision of the Board of Directors dated 12/07/2007, pursuant to art.177a, para. 1, in conjunction with art. 164a, para. 2 of the Public Offering of Securities Act (POSA). The overall activities of the Fund are administered by the Management Company Karoll Capital Management EAD, entitled for this with decision № 1410 – DF, dated 7 November 2007 of the Financial Supervision Commission. The Fund is registered under art. 30, para. 1, item 5 of the FSCA. In 2007, on behalf of the Fund, MC Karoll Capital Management signed a contract for depository services with UniCredit Bulbank AD. The public offering of units of the Fund, began on 23 November 2007. The capital of the Fund is variable and may change depending on the number of units issued and repurchased, but it is always equal to the net asset value of the Fund. The nominal value of one unit is EUR 1.

In 2015, the Management Company changed the name and investment policy of its Fund under management – MF Advance IPO Fund. The name has changed from MF Advance IPO Fund to MF Advance Emerging Europe Opportunities. The strategy of the collective investment scheme also changed as to include investments in shares of companies from Central and Eastern Europe, primarily from Poland, Czech Republic, Hungary, Estonia, Lithuania, Latvia. The Fund may also invest in shares of Austrian companies, whose revenues are mainly generated in the region. Furthermore, the Fund will seek to participate actively in IPO deals, and at the discretion of the Management Company, even in IPOs in countries outside of the region of Central and Eastern Europe. In cases of investments in countries different from Poland, Czech Republic, Hungary and the Baltic republics, the objective is to benefit from attractive opportunities, applying a short-term horizon rule for investing (they will be held for not more than a few months). Investments on the regulated markets of Romania, Russia, Slovenia, Serbia, Croatia, Bulgaria, Turkey, Kazakhstan, Macedonia, Ukraine are also permitted. The Fund may also invest in shares of companies from Central and Eastern Europe, traded on foreign stock exchanges.

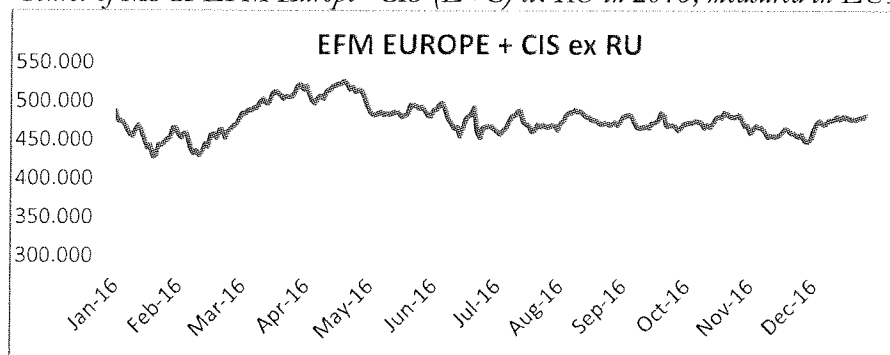
All changes are approved by FSC with Decision № 112 - DF / 23.02.2015, Decision № 113 - DF / 23.02.2015 and Decision № 114 - DF / 23.02.2015.

1.2. Investment activity in 2016

During the dynamic 2016, emerging markets succeeded in outperforming developed countries for the first time in the last 6 years. In 2016 markets were subject to several challenges but ultimately finished the year positively. The beginning of the year was quite negative, with sharp decreases, due to doubts about the global growth, slowdown of the Chinese economy, and weak performance of raw materials. The incentives announced by the ECB in March as well as the indications for a smooth increase in interest levels in the USA, interrupted the negative trend. The surprising results of the UK referendum led again to uncertainty and selloffs, followed by prompt recovery. Trump's election in the USA had the same effects.

The Central and East European region performed positively, but MSCI EFM Europe + CIS (E+C) index ended the year dropping by 1.29%. The main reason for this was the significant impairment of the Turkish currency. Almost all markets presented in the fund's portfolio ended 2016 positively, especially for Hungary, whose index was in the 10 best performing markets for 2016, with a rise of over 33%.

Course of MSCI EFM Europe+CIS (E+C) ex RU in 2016, measured in EUR



1.2.1 Overview of the markets included in the Fund's portfolio

Poland

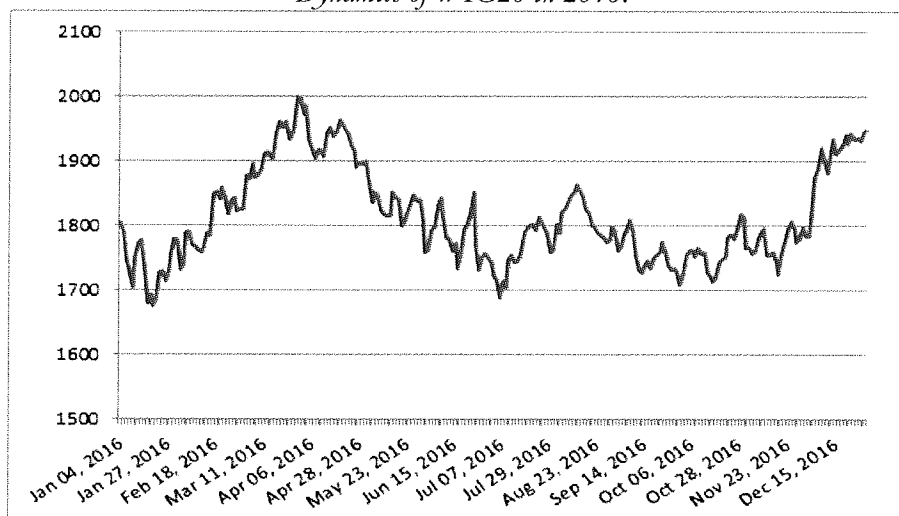
In the second half of the year, the Polish market managed to compensate lossess, so WIG20 ended 2016 with an increase of 4.8%. At the same time, the Polish zloty impaired by 3.7% vs. EUR, thus erasing the gains generated by local equities in their own currency. The local market was under pressure because of increased political risk, after the Conservative party's election victory. The new government's activities provoked S&P to decrease the country's credit rating, fearing an impaired independence of key institutions.

The result from the BREXIT referendum also had negative influence on the Polish market, due to the large Polish immigrant population in UK. Banks were also under pressure because of the newly imposed tax on their assets.

The Polish economy is still developing strongly despite the expected slowdown of GDP growth in Q3 to 2.2% y-o-y. Unemployment rate continues to drop, as the level of 6% measured at the end of November is among the lowest reported in the EU.

The IT sector performed particularly well, with its index advancing over 35%. Oil companies kept up the pace of the global trends and their index also gained 32%. Most significant increase reported the mining sector (+91%), and on the oposite side were energy (-11%), chemical (-14%) and telecommunications (-10%) companies. At year-end equities traded at an average P/E ratio of 16.5x. Given this valuation, the market offers a broad spectrum of companies from various sectors, with some of them being traded at comparatively attractive levels.

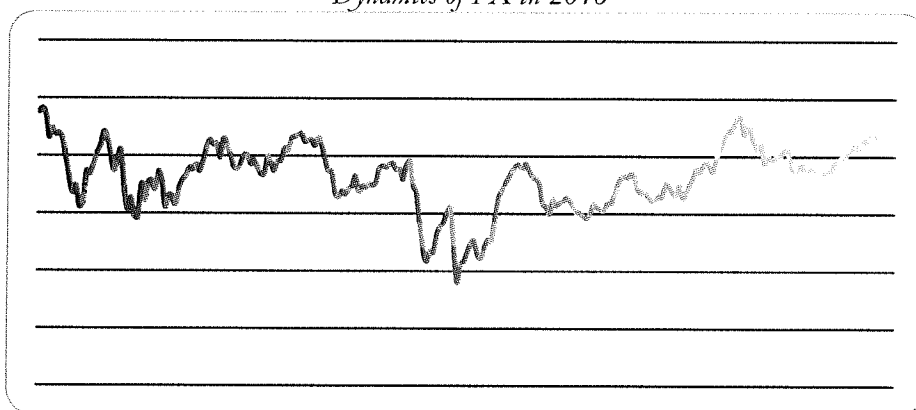
Dynamics of WIG20 in 2016.



Czech Republic

The Czech market continued to perform poorly throughout the past year. In the second half of 2016, PX index erased most of the losses, but still ended the year negatively (-3.6%). The Czech economy also registered a slowdown in Q3 – GDP growth decreased to 1.9% y-o-y, with 2.6% in Q2, based on a lower domestic demand and investments. Domestic consumption was supported by the labor market situation, with unemployment rate of 3.7% at November-end being the lowest in EU. Companies traded on the Prague exchange are at attractive levels with average P/E ratio of 10.9x on ttm basis.

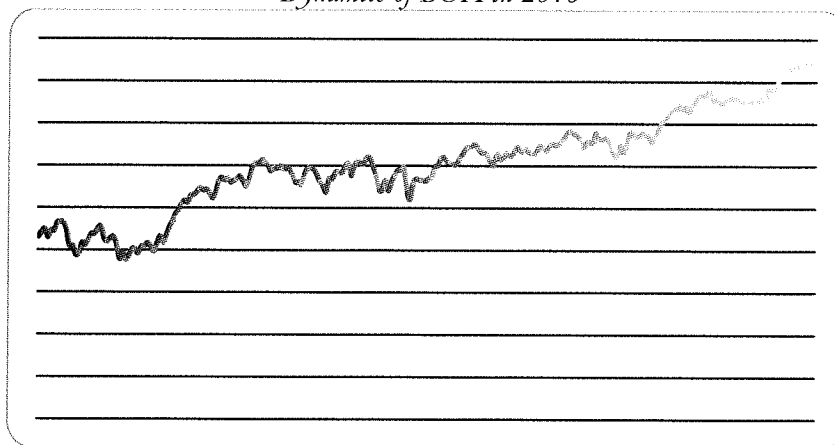
Dynamics of PX in 2016



Hungary

The positive trend in Hungary continued in 2016 – with a rise of 33.8% BUX index was in top 10. Hungarian forint remained stable, appreciating with 1% against the EUR. Despite the slowdown the Hungarian economy continues to develop well, and reforms triggered by the government will contribute additionally for the increase. In Q3 the economy reported growth of 1.6% y-o-y. After the increase in GDP with almost 3% in 2015, last year's performance was mainly influenced by final utilization of last EU program period's funds and respectively decrease in investments. At year-end it was announced that starting 2017 the income tax rate will be lowered to 9%, which will be the lowest in the European Union. As at the period end, Hungarian equities traded at an average P/E of 25.5x. Despite the relatively high ratio, we remain with positive expectations for the market, in light of the good prospects for companies' development, given the positive expectations of the Hungarian economy

Dynamics of BUX in 2016



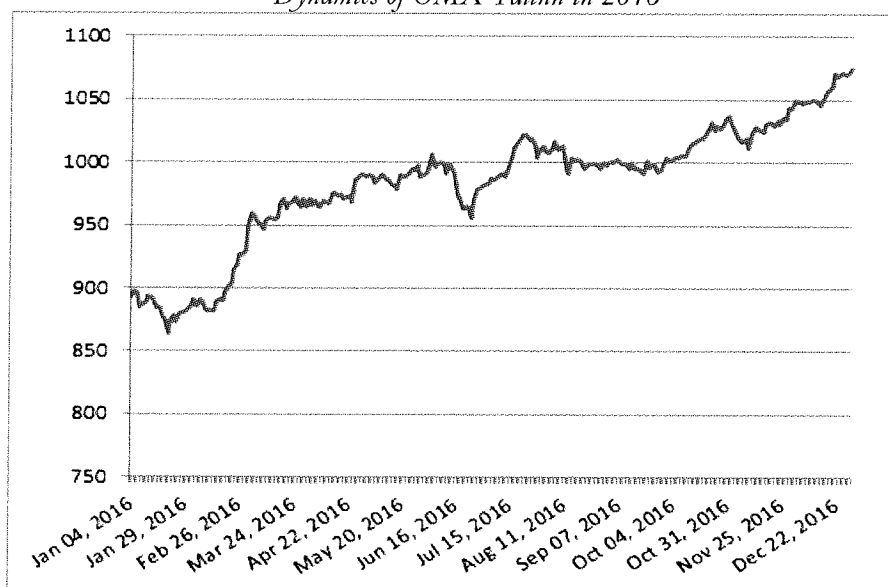
Estonia

The Estonian market extended its positive trend in 2016, ending the year 19.6% higher.

Estonian economy advanced moderately in 2016, with Q3 GDP up by 1.3%, gaining momentum compared to the prior quarter. Despite the continuing problems of one of Estonia's major trade partners – Russia, namely the export made significant contribution to the GDP growth.

At the end of December, Estonian shares traded at an average P/E of 15x.

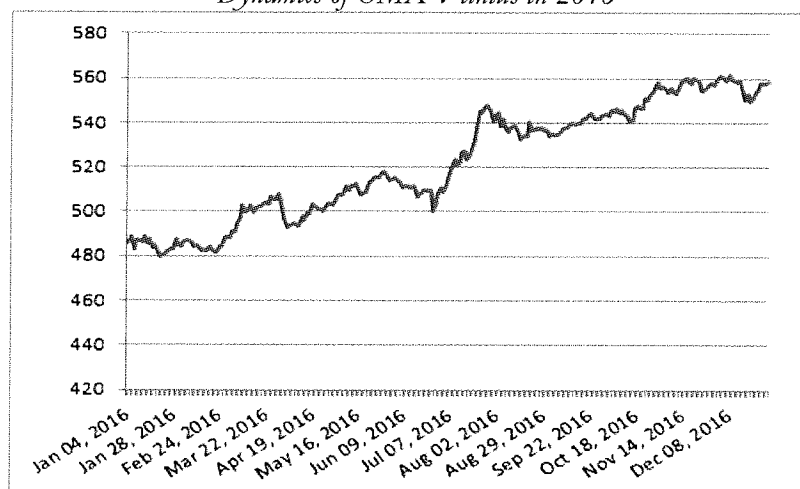
Dynamics of OMX Tallinn in 2016



Lithuania

Lithuanian market also staged good performance in 2016, ending the year with an increase of nearly 15%. The Lithuanian economy was also influenced by Russia's troubles, and the GDP growth has slowed down in Q3 to 1.7% per annum. Expectation predict that the growth will increase in 2017 (to 3%, as forecasted by IMF), favored by improved internal economic environment and domestic consumption. Proof for the latter is the sound increase in retail sales, observed in 2016 (+7.8% in November). Corporate results of Lithuanian companies were constantly improving, as despite the market growth of near than 15%, at the end of December the average P/E was 10.7x.

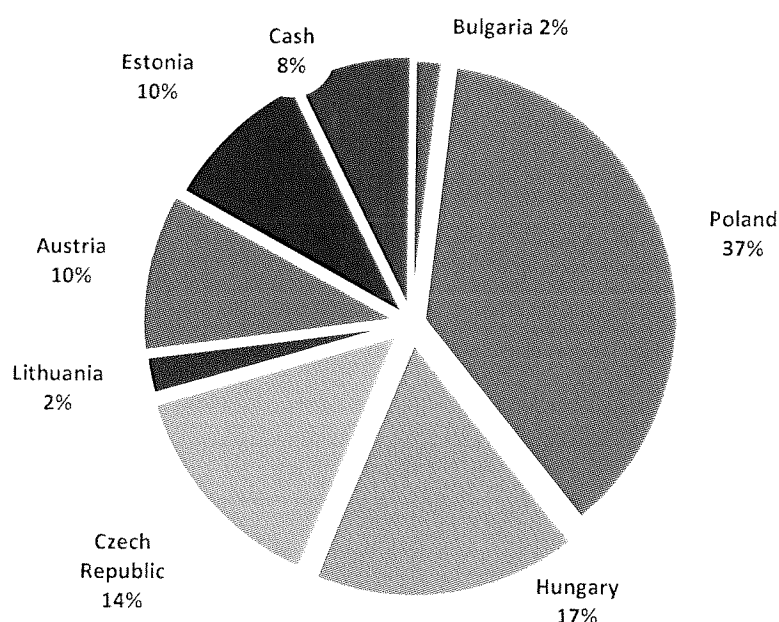
Dynamics of OMX Vilnius in 2016



1.2.2 Changes in the portfolio of MF Advance Emerging Europe Opportunities, and operating results in 2016

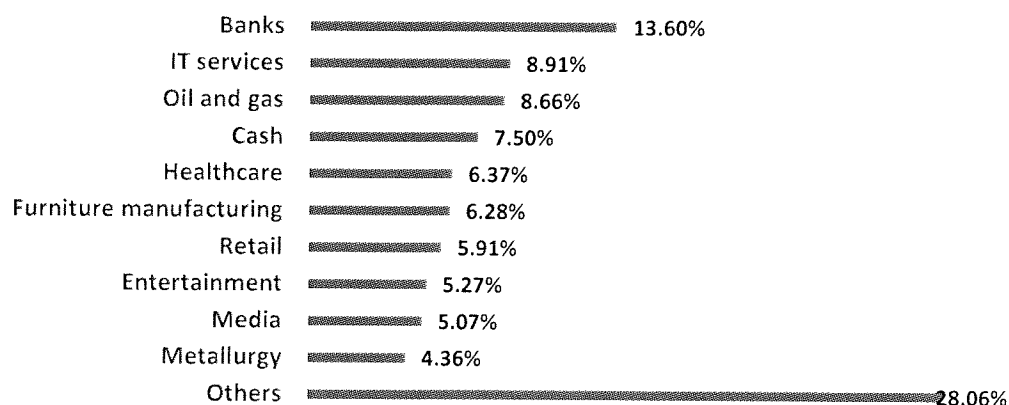
The Funds' portfolio was significantly restructured in 2016, with the view to take advantage of the changed conditions. Polish equities continue to hold the most significant share, and there has been an increase in Hungary's share, given the positive tendencies there. Also we disposed of cash in order to follow with the positive market trends.

Portfolio of MF Advance Emerging Europe Opportunities as at 31.12.2016



Sector distribution of the assets in the portfolio of MC Advance Emerging Europe Opportunities as at 31.12.2016.

Banking sector continued to be in pole position in the Fund's portfolio. One of the major changes is the significant increase in the share of IT companies in the portfolio, as we remain positive about the sector, given the overall situation and expected EU funding. We also increased our exposure to the raw materials market due to the change of sentiment here.



Main exposures in the portfolio as proportion of total assets as at 31.12.2016

Company	% of total assets
KRUK S.A. (Poland), Financial services	4.20%
OTP BANK (Hungary), Banks	3.71%
RICHTER GEDEON NYRT (Hungary), Healthcare	3.61%
TALLINNA KAUBAMAJA GRUPP AS (Estonia), Retail	3.54%
ANY SECURITY PRINTING GO (Hungary), Printing industry	3.44%

1.3. Financial result for 2016

The financial result of MF Advance Emerging Europe Opportunities as at 31 December 2016 is profit at the amount of BGN 174 thousand.

The Fund's revenues comprise of financial revenue at the amount of BGN 4,552 thousand, from which BGN 76 thousand is dividend income, BGN 3,836 – gain on operations with financial assets, and positive exchange rate differences – BGN 640 thousand.

In 2016 the Fund's financial expenses amounted to BGN 4,289 thousand, mainly loss from operations with financial assets – BGN 3,609 thousand, and negative foreign exchange differences – BGN 680 thousand.

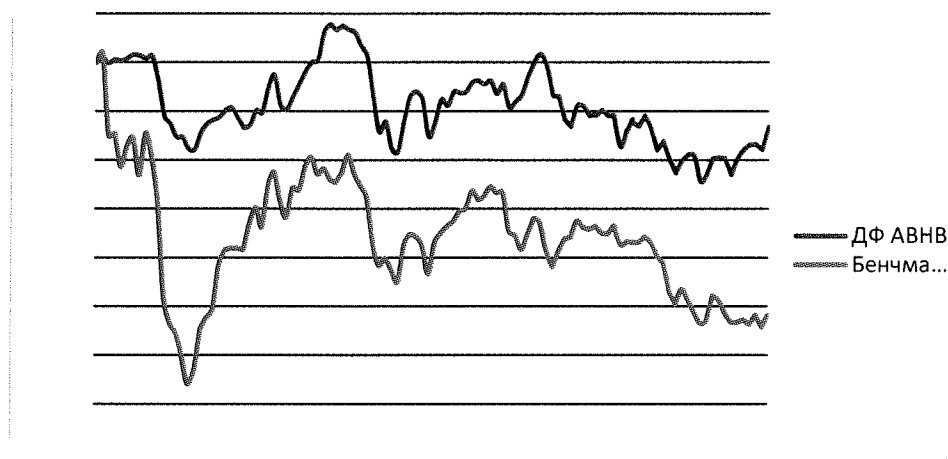
Non-financial costs of the Fund at the amount of BGN 89 thousand are comprised of operating expenses, forming 3.25% of the average net asset value of the Fund for 2016. Management fee charged by the Management Company according to the Fund's Rules is BGN 69 thousand.

1.4. Changes in the share price for the period

Principal indicator of the management effectiveness of MF Advance Emerging Europe Opportunities is the change in the price of the Fund's units, calculated based on the net asset value. Net assets value per share has increased to EUR 0.8873 as at 31 December 2016, compared to EUR 0.8086 as at 31 December 2015.

The Fund managed to significantly overachieve, compared to the benchmark in 2016, and also since incorporation, NAV has increased by more than 7% per annum, as the result for the benchmark is negative. Regardless of the poor performance of the Polish market, taking most significant part of our portfolio, polish equities in which we have held good trends during the year, especially those of IT and industrial companies. The expanded exposure to Hungarian market also favoured for the good results.

Comparison between the performances of MF Advance Emerging Europe Opportunities and the benchmark, since Fund's inception



Benchmark: MSCI EFM Europe + CIS ex RU

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

The risks associated with the investments of MF Advance Emerging Europe Opportunities are:

a) *Market risk* - the possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and others. Components of the 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 EURO or BGN, because of a change in the exchange rate between that currency and the BGN or EURO. Currency risk is measured using the historical volatility of the exchange rate of the BGN currency to the EURO or to 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 β -coefficients to the appropriate index.

b) *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 deal;
- 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.

c) *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 Emerging Europe Opportunities 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 Emerging Europe Opportunities is conducted by the Department for internal control.

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

e) *Concentration risk* – the possibility of loss due to 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

2. Post balance sheet date events

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

3. Expected future development of the Fund

We remain positive about CEE countries, as they show sustainable economic development and manage to cope with their main trade partners' slowdown, compensating with measures aiming to support internal consumption. At the same time, valuation ratios are on low levels, representing discount compared to other emerging markets. The positive course from the end of 2016 indicates a permanent reversal of the tendencies in the region, which we expect to continue in 2017.

Our expectations for Poland, which holds the major part of our portfolio and offers most variable companies and sectors, are good. We will monitor in detail the situation around the pension system reform, because of the large volume and the great importance of the investments made by pension funds on the Warsaw exchange. Especially strong performance is expected from the IT sector in the region, supported by the overall tendencies as well as awaited EU funding. We will also watch the companies in the retail sector, as we are expecting that they will continue to benefit from the overall increase of the net disposable income. Predictions are that the macroeconomic perspectives in the region and the confidence in business environment will lead to increased demand for loans and respectively to increased profits for the banks. Given the expected recovery of the Euro-zone, we will monitor the results of export-oriented companies. We will watch for industrial companies with view of their competitive advantages of the region in terms of qualified personnel, low labour costs and outsourcing of numerous processes to the region. We remain positive about automobile

manufacturing and related sectors, with respect to the positive trend the economies are on, and the expanding numbers of newly registered vehicles in Europe.

We will continue to exercise the stock-picking approach, and the Polish market is likely to continue its leading position, because of the great variety of companies and sectors, being traded on it.

Taking into account the negative performance of the most markets in the region until the beginning of the past year (MSCI EFM Europe + CIS (E+C) ex RU is about 50% lower than its peak in 2007), the positive trend economies in the region are showing makes local companies more underrated compared to developed as well as to other developing markets.

4. Research and development

The specificity of the activities of the Fund does not involve research and development.

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

The Funds equity as at 31 December 2016 is comprised of 1,470,874.3834 units with par value of EUR 1 per share. In 2016 the Fund issued 6,488.1158 units and redeemed 371,869.3002. The number of shareholders changed during the period, reaching 151 as at the end of 2016; 143 of them are individuals, and 8 – commercial entities.

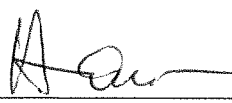
Equity at the amount of BGN 2,495 thousand consists of:

- Share capital : BGN 2,877 thousand;
- Premium reserve from share emission: BGN 2,877 thousand;
- Accumulated loss from prior periods: BGN (3,289) thousand;
- Retained earnings from prior periods: BGN 1,811 thousand;
- Current period profit: BGN 174 thousand

The Fund has not distributed dividends, and does not have registered branches. There are no restrictions on the Board members to purchase shares of the Fund.

In 2016, the Management Company elects specialized auditing company Grant Thornton OOD, reg. Number 032 to audit the annual financial statements for 2016. The remuneration is BGN 2,625.00 without VAT and is fully paid for independent financial audit.

09 March 2017

Daniel Ganev: 
Executive Director
MC Karoll Capital Management EAD



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INDEPENDENT AUDITOR'S REPORT

**To the investors in units of
Mutual Fund Advance Emerging Europe Opportunities
1, Zlatovrah str., Sofia**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mutual Fund Advance Emerging Europe Opportunities** (the Fund), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be

materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section “Information Other than the Financial Statements and Auditor’s Report Thereon”, regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA), issued on 29 November 2016. The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

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

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

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

Mariy Apostolov
Managing partner

Milena Mladenova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

21 March 2017
Bulgaria, Sofia



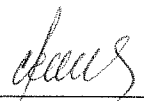
MF ADVANCE EMERGING EUROPE OPPORTUNITIES
STATEMENT OF FINANCIAL POSITION

31 December 2016

All amounts are presented in BGN'000, unless otherwise stated

	Note	As at 31.12.2016	As at 31.12.2015
Assets			
Current assets			
Financial assets at fair value through profit or loss	5	2,312	2,554
Cash and cash equivalents	6	188	356
Current receivables	7	1	-
Total assets		2,501	2,910
Net assets, belonging to the shareholders			
Share capital	8.1	2,877	3,591
Premium reserve	8.2	922	790
Accumulated loss		(1,304)	(1,478)
Total net assets, belonging to the shareholders		2,495	2,903
Liabilities			
Current liabilities			
Related party payables	12.2	5	6
Current payables	9	1	1
Total liabilities		6	7
Total net assets, belonging to shareholders and liabilities		2,501	2,910

Daniel Ganey: 
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: 
Chief Accountant
MC Karoll Capital Management EAD

Date: 09.03.2017

Audited, according to auditor's report, dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing Partner




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

MF ADVANCE EMERGING EUROPE OPPORTUNITIES
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 31.12.2016	For the year ended 31.12.2015
Dividend income	10.1	76	75
Profit/(Loss) from operations with investments, net	10.2	227	(77)
(Loss)/profit from foreign currency exchange differences, net	10.3	(40)	36
Interest income	10.4	-	2
Net profit/(loss) from financial assets		263	36
Hired services expenses	11	(89)	(105)
Total operating expenses		(89)	(105)
Profit/(loss) for the period		174	(69)
Total comprehensive income / (Total comprehensive loss)		174	(69)

Daniel Ganey: 
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: 
Chief Accountant
MC Karoll Capital Management EAD

Date: 09.03.2017

Audited, according to auditor's report, dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing Partner



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MF ADVANCE EMERGING EUROPE OPPORTUNITIES
STATEMENT OF CASH FLOWS

31 December 2016

All amounts are presented in BGN'000, unless otherwise stated

	For the year ended 31.12.2016	For the year ended 31.12.2015
Cash flows from investing activities		
Cash payments for financial assets acquisition	(489)	(2,315)
Proceeds from sale of financial assets	917	2,570
Interest received	-	2
Dividends received	76	73
Net cash flow from investing activities	504	330
Cash flows from non-specialized investment activity		
Cash payments related to trade counterparties	(20)	(27)
Cash payments related to the Management Company	(69)	(79)
Net cash flow from non-specialized investing activities	(89)	(106)
Cash flows from financing activities		
Proceeds from units issue	10	1
Payment for share repurchase	(593)	(216)
Net cash flow from financing activities	(583)	(215)
Net (decrease)/increase in cash and cash equivalents	(168)	9
Cash and cash equivalents at the beginning of the year (note 6)	356	347
Cash and cash equivalents at the end of the year (note 6)	188	356

Daniel Ganey: 
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: 
Chief Accountant
MC Karoll Capital Management EAD

Date: 09.03.2017

Audited, according to auditor's report, dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing Partner



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


MF ADVANCE EMERGING EUROPE OPPORTUNITIES
STATEMENT OF CHANGES IN NET ASSETS, BELONGING TO SHAREHOLDERS

31 December 2016

All amounts are presented in BGN'000, unless otherwise stated

	Share capital	Premium reserve	Accumulated loss	Total
Balance as at 1 January 2015	3,852	744	(1,409)	3,187
Issue of units	2	-	-	2
Share repurchase	(263)	46	-	(217)
Transactions with shareholders	(261)	46	-	(215)
Loss for the year	-	-	(69)	(69)
Total comprehensive loss for the year	-	-	(69)	(69)
Balance as at 31 December 2015	3,591	790	(1,478)	2,903
Issue of units	13	(3)	-	10
Share repurchase	(727)	135	-	(592)
Transactions with shareholders	(714)	132	-	(582)
Loss for the year	-	-	174	174
Total comprehensive loss for the year	-	-	174	174
Balance as at 31 December 2016	2,877	922	(1,304)	2,495

Daniel Ganev: 
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: 
Chief Accountant
MC Karoll Capital Management EAD

Date: 09.03.2017

Audited, according to auditor's report, dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing Partner



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 Emerging Europe Opportunities (the Fund) is a collective investment scheme of an open type that operates following the principle of distribution of the risk. The Mutual Fund is organized and managed by MC Karoll Capital Management EAD that has received a license with a decision 328 – UD of 21 August 2003 of FSC for realizing its activity within the meaning of the Public Offering of Securities Act. The license is supplemented with a decision 115 – UD of 14 February 2006 of SFC on the order of the amendments in the Public Offering of Securities Act with a subject of activity management of the activity of the collective investment schemes and collective investment schemes of a closed type and management of individual portfolios and providing investment consultations regarding securities.

MC Karoll Capital Management EAD has received a license № 1410 – MF/7.11.2007 of FSC to organize and manage MF Advance Emerging Europe Opportunities. The Fund has been registered in the register according to art. 30, para 1, pt. 5 of FSCA. In 2015 the name of MF Advance IPO Fund has changed to MF Advance Emerging Europe Opportunities, with Decision №112-MF/23.02.2015, Decision №113-MF/23.02.2015 and №114-MF/23.02.2015.

The Fund is subject to regulation by the Financial Supervision Commission. The special legislation concerning the activity of the Fund is contained and arises mainly from the Act on the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI) and regulations related. MC Karoll Capital Management EAD, acting on behalf of MF Advance Emerging Europe Opportunities chooses UniCredit Bulbank AD as a custodian bank that will hold dematerialized securities and cash of the Fund.

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

The fund capital is a variable and may vary depending on the number of issued and offered for redemption units, but is always equal to the net asset value of the Fund. The number of units in circulation as at 31 December 2016 and 2015 is respectively 1,470,874.3834 and 1,836,255.5678.

1.1. Investment strategy of the Fund

The main goal is to increase the value of investments of the units of the Fund by realizing capital gains by assuming a moderate to high level of risk, and providing investment results through long-term growth in the value of its investments.

The Fund's investment portfolio is structured based on an active approach, on the grounds of investments in companies from the region of Central and Eastern Europe, primarily Poland, Czech Republic, Hungary, Estonia, Lithuania, Latvia. The Fund may also invest in equities of Austrian companies, whose revenues are mainly generated in the mentioned region. The policy of the Fund provides for active management of the portfolio of financial instruments and cash, investing in financial assets that can be purchased or sold, easily and without significant loss of value, as well as achieving sustainable and optimal growth in combination with risk mitigation.

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The investment strategy involves providing income in the form of capital gains and dividends. The Fund does not target specific industrial sector for its investments, and do not pursue result linked to some those of any market indexes.

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

The Fund will pursue an aggressive strategy in the event of more significant market disruptions or the risk of such management company can significantly reduce the weight of shares in the portfolio by maintaining higher balances in cash and bank deposits.

2. Basis for preparation of the financial statements

The financial statements of the Company 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 Company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2015) unless otherwise stated.

The financial statements are prepared under the going concern principle.

At the date of preparation of these financial statements, the management of the 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. Following a review of the Fund's management expects that the Fund has sufficient financial resources to continue its operational activities in the near future and continue to apply the principle of going concern when preparing financial statements..

3. Changes in accounting policy

3.1. New standards, amendments and interpretations to IFRS that are effective for annual periods beginning on or after 1 January 2016

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 Fund's financial statements for the annual period beginning 1 January 2016:

- 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, adopted by the EU;
- IFRS 11 “Joint Arrangements” (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, adopted by the EU;
- IAS 1 „Presentation of financial statements” (amended) – Disclosures, effective from 1 January 2016, adopted by the EU;
- IAS 16 “Property, plant and equipment” and IAS 38 „Intangible assets“ (amended), effective from 1 January 2016, adopted by the EU;

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- IAS 16 „Property, plant and equipment“ and IAS 41 „Agriculture“ (amended) – Bearer plants, effective from 1 January 2016, adopted by the EU;
- IAS 27 „Separate financial statements“ (amended), effective from 1 January 2016, adopted by the EU.
- Annual Improvements to IFRSs 2012 - 2014 Cycle effective from 1 January 2016, adopted by the EU

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2016 and have not been adopted early by the Fund. Information on those expected to be relevant to the Fund's financial statements is provided below.

Management of the Management Company anticipates that all relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 „Financial instruments” effective from 1 January 2018, 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 Management Company have yet to assess the impact of IFRS 9 on these separate financial statements.

Management Company has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Fund's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss.
- if the Fund continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Fund's own credit risk.

IFRS 9 “Financial Instruments” (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU

These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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

IAS 7 “Statement of Cash Flows” (amended) effective from 1 January 2017, not yet adopted by the EU

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Management Company’s directors are still in the process of analysing the possible effects from the adoption of the abovementioned standards, and at this moment is unable to precisely predict the changes in amounts reported in financial statements, as a result from the adoption.

The following new standards, amendments and interpretations to existing standards, which have also been issued, but are not yet effective, are not expected to have a material impact on the Fund’s financial statements:

- **IFRS 2 “Share Based Payments” (amended) effective from 1 January 2018, not yet adopted by the EU;**
- **IFRS 4 „Insurance contracts” (amended) 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 date to be determined, 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, adopted by the EU;**
- **IFRS 15 “Revenue from Contracts with Customers” (amended) effective from 1 January 2018, adopted by the EU;**
- **IFRS 16 “Leases” effective from 1 January 2019, not yet adopted by the EU;**
- **IAS 12 “Income Taxes” (amended) effective from 1 January 2017, not yet adopted by the EU;**
- **IAS 40 “Investment property” (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU;**
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration” effective from 1 January 2018, not yet adopted by the EU;**
- **Annual Improvements to IFRS Standards 2014-2016 Cycle**

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.

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4.2. Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Fund has elected to present the statement of profit or loss and other comprehensive income in two statements: a statement of profit or loss and a statement of comprehensive income.

Two comparative periods are presented for the statement of financial position when the Company:

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

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

4.4. 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 2016, 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.

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4.5.2. Net income from operations with investments

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 4.00% 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.

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

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

- 1.5% (1.5 percent) of the net asset value per unit for orders up to EUR 50,00.0 euro;
- 1.0% (1.0 percent) of the net asset value per unit for orders from EUR 50,000.01 to EUR 250,000;
- 0.5% (0.5 percent) of the net asset value per unit for orders of EUR 250,000.01 to EUR 500,000;
- For orders above EUR 500,000– no expenses on issuance, as well as for orders on behalf of institutional investors, and orders on behalf of investors, resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management EAD.

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

These expenses are payable by the Fund to the Management Company and are due 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;
- investments, held to maturity;
- available-for-sale financial assets

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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 operations with investments, 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 meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective 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.

Subsequent daily valuation of financial instruments is carried out according to the accounting policy for valuation complying with the rules of portfolio valuation and determination of the net assets value of MF Advance Emerging Europe Opportunities, under Regulation №44 from 20 October 2011 for operation requirements for collective investment schemes, and closed-type investment companies and management companies (NIDKISIDZTUD), which are approved by the Financial Supervision Commission. Rules can be found on the website of the Fund - <http://www.karolcapital.bg>.

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In assessing the assets the Fund is guided by the following principles:

- Financial assets held for trading are measured at fair value, which is their market price in all cases where they have such;
- when assets have no market price, fair value is determined using valuation models;
- • the main criteria for establishing whether an asset has a market price is its liquidity.

Cash is measured at their nominal value

Financial liabilities

Financial liabilities of the Fund include trade and other payables. Financial liabilities are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments with another company under potentially adverse conditions. All costs 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 payments on debt settlement.

4.8. Cash and cash equivalents

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

4.9. Income taxes

According to the Corporate Income Tax 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 are not subject to corporate tax.

4.10. Net assets, attributable to shareholders

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

Objectives, policies and processes for managing its obligation to the Fund to redeem the instruments when the holders of these instruments require this are set out in note 16 "Risks associated with financial instruments."

The estimation of the net asset value of the Fund shall be under the rules for determining the net asset value of the Fund, approved Resolution № 748 - DF of 30 August 2006 of the Financial Supervision Commission. In 2013 MC "Karoll Capital Management" EAD amended rules for valuation and determination of the net asset value of the Fund pursuant to Ordinance 44 on the activities of collective investment schemes and other undertakings for collective investment. The changes were approved by Decision № 976-DF from 16.12.2013 of the Commission for Financial Supervision.

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

The net assets value per unit is the basis for determining the issue price and the repurchase of the units of MF Advance Emerging Europe Opportunities, calculated every business day. The

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net assets value of the Fund is obtained by reducing the value of all assets from the value of liabilities. The net assets value of the Fund shall be declared in euro.

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

- the accounting legislation's provisions
- provisions of the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI) published on 04 October 2011
- Regulation №44 from 20 October 2011 on the requirements to collective investment schemes, investment companies and management companies (NIDKISIDZTUD);
- Rules and the Prospectus of the Fund.

Retained earnings / 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 there is a possibility of present obligations resulting from past events to lead to an outflow of resources from the Fund and can be made reliable estimate of the amount of the obligation. Timing or amount of the outflow may still be uncertain. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as legal disputes.

Restructuring provisions are recognized only if there is a developed and implemented detailed formal restructuring plan or management has announced the main points of the restructuring plan to those affected by it. Provisions for future operating losses are not recognized.

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

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

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

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

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

4.12. Significant management judgements in applying accounting policies

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

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- The issue and redemption price of Fund units are based on the net asset value of the Fund at the date of determination. The Management Company is assessing the portfolio, determine the net asset value of the Fund, net asset value per unit and calculate the issue price and the redemption price under the control of the Custodian 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 entities (ZDKISDPKI) published on 04 October 2011 and the Fund Rules;
- The subsequent valuation of the Fund's assets shall be made in accordance with the Fund's Rules and Regulation № 44/20 October 2011 on the requirements to the activities of collective investment schemes, investment companies and management companies;
- According to agreement with the Management Company and the Custodian, fees are collected daily;
- The management of the Fund is carried out by the Management Company. 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 / 20 October 2011 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

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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 at fair value through profit or loss

	Note	Fair value As at 31.12.2016	Fair value As at 31.12.2015
Shares in BGN	5.1	44	45
Shares in foreign currency	5.2	2,268	2,509
Total		2,312	2,554

Types of security	ISIN	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
5.1. Shares in BGN					
Alterko AD	BG1100003166	44	1.77	-	-
Syrma Group Holding AD	BG1100032140	-	-	45	1.53
Total		44	1.77	45	1.53

5.2. Shares in foreign currency

Type of security	ISIN	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
Kruk S.A.	PLKRK0000010	105	4.20	136	4.69
OTP Bank	HU0000061726	93	3.71	53	1.80
Richter Gedeon Nyrt	HU0000123096	90	3.61	69	2.36
Tallinna Kaubamaja Gruu As	EE0000001105	88	3.54	72	2.49
Any Security Printing Go	HU0000093257	86	3.44	76	2.63
OMV AG	AT0000743059	85	3.41	102	3.51
Uniq Insurance Group AG	AT0000821103	85	3.38	88	3.03
Erste Group Bank AG	AT0000652011	82	3.26	147	5.05
Tallink GRP	EE3100004466	80	3.21	101	3.46
Fabryki Mebli Forte Spolka					
Akcyjna	PLFORTE00012	79	3.16	58	1.98
Wizz Air Holdings PLC	JE00BN574F90	78	3.11	92	3.14
Pfleiderer Grajewo SA	PLZPW0000017	78	3.13	59	2.02
Mol Hungarian Oil And Gas PL	HU0000068952	78	3.13	53	1.84
UNIWHEELS AG	DE000A13STW4	78	3.11		

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Central European Media					
Enterprises Ltd.	BMG200452024	72	2.89	107	3.66
Olympic Entertainment Group	EE3100084021	70	2.78	96	3.31
CD PROJEKT SA	PLOPTTC00011	70	2.78	-	-
Neuca	PLTRFRM00018	69	2.77	83	2.85
Alumetal S.A.	PLALMTL00023	68	2.72	94	3.22
Pegas Nonwovens SA	LU0275164910	67	2.67	79	2.73
Amica Wronki SA	PLAMICA00010	66	2.64	64	2.21
LIVECHAT SOFTWARE SA	PLLVTSF00010	66	2.64	-	-
PKOBP	PLPKO0000016	63	2.5	-	-
Fortuna Entertainment Group.					
N.V	NL0009604859	62	2.48	82	2.8
Apranga PVA	LT0000102337	59	2.37	60	2.05
CEZ AS	CZ0005112300	56	2.24	74	2.54
Alior Bank S.A.	PLALIOR00045	55	2.21	71	2.42
Cyfrowy Polsat	PLCFRPT00013	55	2.18	48	1.65
UNIPETROL AS	CZ0009091500	53	2.13	-	-
Komercni Banka	CZ0008019106	48	1.92	53	1.85
ASSECO POLAND SA	PLSOFTB00016	43	1.72	-	-
KGHM POLSKA MIEDZ SA	PLKGHM000017	41	1.64	-	-
Warsaw Stock Exchange	PLGPW0000017	-	-	80	2.73
Zaklady Azotowe Pulawy SA	PLZAPUL00057	-	-	72	2.49
Yandex NV	NL0009805522	-	-	70	2.42
Midas	PLNFI0900014	-	-	60	2.06
PKP Cargo	PLPKPCR00011	-	-	55	1.89
Polski Koncern Naftowy Orlen	PLPKN0000018	-	-	53	1.83
Action	PLACTIN00018	-	-	38	1.3
Newag SA	PLNEWAG00012	-	-	37	1.28
Tallinna Vesi	EE3100026436	-	-	27	0.93
TOTAL		2,268	90.68	2,509	86.22

Market approach has been used in determining the fair value of all shares in the Fund's portfolio as at 31 December 2016.

Investments are allocated by countries as follows:

Country	As at	% of assets	As at	% of assets
	31.12.2016		31.12.2015	
Poland	935	37.40	1,008	34.63
Hungary	425	16.99	342	11.76
Czech Republic	359	14.33	395	13.58
Austria	252	10.06	337	11.59
Estonia	238	9.53	297	10.19
Lithuania	59	2.37	60	2.05
Bulgaria	44	1.77	45	1.53
Russia	-	-	70	2.42
Total	2,312	92.45	2,554	87.75

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Sector distribution of investments:

	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
Banks	341	13.60	324	11.13
IT services	223	8.91	70	2.41
Oil and gas	216	8.67	53	1.82
Healthcare	159	6.38	-	-
Furniture production	157	6.29	117	4.02
Commerce	147	5.91	97	3.33
Entertainment	132	5.26	178	6.12
Media	127	5.07	-	-
Metallurgy	109	4.36	94	3.23
Financial services and properties	105	4.20	216	7.42
Printing industry	86	3.44	-	-
Insurance	85	3.38	88	3.02
Marine transportation	80	3.21	101	3.47
Automobile industry	78	3.11	-	-
Aircraft transportation	78	3.11	92	3.16
Chemical industry	67	2.67	72	2.47
Consumer goods	66	2.64	137	4.71
Energy	56	2.24	74	2.54
Biotechnology	-	-	27	0.93
Packaging industry	-	-	79	2.71
Petrol	-	-	155	5.33
Telecommunications	-	-	291	10.00
Transportation	-	-	92	3.16
Pharmacy	-	-	152	5.22
Holdings	-	-	45	1.55
Total	2,312	92.45	2,554	87.75

6. Cash and cash equivalents

	As at 31.12.2016	As at 31.12.2015
Cash on hand and in current accounts in BGN	71	211
Cash on hand and in current accounts in foreign currency	117	145
Total	188	356

As at 31.12.2016 the Fund does not have blocked cash and cash equivalents.

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7. Current receivables

	As at 31.12.2016	As at 31.12.2015
Receivables from participations	1	-
Total	1	-

8. Net assets, belonging to unitholders

8.1 Number of units issued

Number and value of units issued

	Number of units in EUR	Nominal value	Share capital (BGN'000)
As at 01.01.2015	1,969,694.8273	1 EUR/share	3,852
Issued units 2015	769.6543	1 EUR/share	2
Repurchased own units 2015	(134,208.9138)	1 EUR/share	(263)
As at 31.12.2015	1,836,255.5678	1 EUR/share	3,591
Issued units 2016	6,488.1158	1 EUR/share	13
Repurchased own units 2016	(371,869.3002)	1 EUR/share	(727)
As at 31.12.2016	1,470,874.3834	1 EUR/share	2,877

8.2 Share premium reserve

	2016 BGN'000.	2015 BGN'000
Premium reserve as at 1 January	790	744
Decrease due to units emission	(3)	46
Increase due to units redemption	135	-
Share premium reserve	922	790

8.3 Net asset value per unit

Net asset value per share is the basis for determining the issue price and the repurchase price of units of MF Advance Emerging Europe Opportunities, calculated every work day. Net asset value of the Fund is presented in 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 2016 (30 December 2015). 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 2016.

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For the purposes of correct presentation of financial information, and due to the fact that the Fund announces net asset value in EUR, this note is presented in EUR.

	31.12.2016	30.12.2016	31.12.2015	30.12.2015
Net asset value	1,275,754.75	1,275,928.66	1,484,740.97	1,478,220.33
Number of units in circulation	1,470,874.3834	1,470,874.3834	1,836,255.5678	1,836,255.5678
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per share	0.8673	0.8675	0.8086	0.8050
Issue price				
orders up to EUR 50 000 after "issue fee" of 1.5% of the net asset value	0.8803	0.8805	0.8207	0.8171
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	0.8760	0.8762	0.8167	0.8131
orders from EUR 250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	0.8716	0.8718	0.8126	0.8090
for orders above EUR 500 000.01 as well as orders from institutional investors, and orders resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management – no issuance fee.	0.8673	0.8675	0.8086	0.8050
Redemption price	0.8673	0.8675	0.8086	0.8050

9. Current payables

Payables to the custodian bank
Total

As at 31.12.2016	As at 31.12.2015
1	1
1	1

10. Revenue**10.1 Dividend income**

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Dividend income from Estonian issuers	24	10
Dividend income from Polish issuers	23	26
Dividend income from Czech issuers	9	10
Dividend income from Austrian issuers	9	7
Dividend income from Hungarian issuers	8	7
Dividend income from Lithuanian issuers	2	3
Dividend income from Ukrainian issuers	1	-
Dividend income from Serbian issuers	-	7
Dividend income from Russian issuers	-	5
Total	76	75

10.2 Gain/(loss) from operations with investments, net

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Loss from operations with financial assets at fair value through profit or loss, (net)	(5)	(32)
Profit / (loss) from change in fair value of financial assets, (net)	232	(45)
Gain/(loss) from operations with investments, net	227	(77)

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

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Gain on foreign currency revaluation of financial assets at fair value through profit or loss	637	825
Loss on foreign currency revaluation of financial assets at fair value through profit or loss	(671)	(711)
Foreign exchange operations – expense, net	(6)	(78)
Total	(40)	36

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10.4 Interest income

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Interest income from deposits and current accounts	-	2
Total	-	2

11. Hired services expenses

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Remuneration of the management company	(69)	(78)
Remuneration of the custodian bank	(13)	(19)
Audit	(4)	(3)
Advertisement	(2)	(2)
Annual fees	(1)	(1)
Other	-	(2)
Total	(89)	(105)

Costs related to the Fund's activity represent 3.25% (2015 : 3.36%) of the average annual net asset value, according to the statement of financial position of the Fund.

12. Related parties

The Fund's related parties consist of the Management Company and the other mutual funds, manage by it.

12.1 Transactions during the period

	For the year, ended 31.12.2016	For the year, ended 31.12.2015
Remuneration for the Management Company (incl. also in note 11)	69	78
Total	69	78

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

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12.2 Related party balances as at year end

	As at 31.12.2016	As at 31.12.2015
Payables to the Management Company	5	6
Total	5	6

Payables to the Management Company represent remuneration for the management activities for the month of December 2016 and as at the date of preparation of these financial statements are fully repaid.

13. 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.

14. Contingent assets and contingent liabilities

The Fund has no commitments or contingent assets as at 31.12.2016.

15. Categories of financial assets and liabilities

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

Financial assets	Note	As at 31.12.2016	As at 31.12.2015
Financial assets at fair value through profit or loss:			
Shares	5	2,312	2,554
		2,312	2,554
Loans and receivables:			
Cash and cash equivalents	6	188	356
Current receivables	7	1	-
		2,501	2,910
Financial liabilities	Note	2016 BGN'000	2015 BGN'000
Financial liabilities at amortized cost			
“Current liabilities			
Trade payables	9	1	1
Related party payables	12	5	6
		6	7

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 16.

16. 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 Management Company.

The managing company applies the appropriate procedures for risk management, as it is disclosed below.

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. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.

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

	<u>Until 1 month</u>
As at 31 December 2016	
Current payables	
Total financial liabilities	6
Own units in circulation, measured at net value of one share as at year end	2,495

As at 31 December 2015

Current payables	
Total financial liabilities	7
Own units in circulation measured at net value of one share as at year end	2,903

The Fund's own units 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:

	As at 31.12.2016		As at 31.12.2015	
	Fair value	% of net assets, valued using market price	Fair value	% of net assets, valued using market price
Financial assets at fair value through profit or loss	2,312	92.45	2,554	87.98
Total amount, exposed to market risk	2,312	92.45	2,554	87.98

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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 investment strategy, that the management company followed in 2015 with respect to foreign currency risk is that the cost of hedging the currency risk in long-term investment horizon (as is the investment horizon of the Fund) rarely compensate actually realized risk of exchange rate change. This conclusion is reinforced by the observed historically low correlation of the main currencies in which the MF Advance Emerging Europe Opportunities is exposed, suggesting that long-term exchange rate movements are not bound to each other and largely neutralized.

Given these arguments, in 2016 all currency exposures of the Fund were not hedged against unfavourable change in foreign exchange rates. Despite, the Management Company acknowledges the influence that short term deviations of exchange rates have on the net asset value per share, and with the objective to protect better the shareholders, it will consider the possibility of hedging certain currency positions, but only if hedging costs are not too high.

Concentration of assets and liabilities in foreign currency, different from euro, and recalculated in BGN as at year end:

Short term currency risk exposure

	Polish zloty	Czech krona	Hungarian forint	British pound	US dollar
31 December 2016					
Financial assets	935	359	347	78	-
Total currency risk exposure	935	359	347	78	-
31 December 2015					
Financial assets	1,008	395	251	92	70
Total currency risk exposure	1,008	395	251	92	70

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

- Polish zloty (+/- 1.2%)
- Hungarian forint (+/- 0.8%)
- British pound (+/- 5.2%)

All other parameters are assumed constant.

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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 2016	Increase in Bulgarian lev's exchange rate		Decrease in Bulgarian lev's exchange rate	
	Change in financial result BGN'000	Change in net assets BGN'000	Change in financial result BGN'000	Change in net assets BGN'000
Polish zloty (+/- 1.2%)	(10)	(10)	10	10
Hungarian forint (+/- 0.8%)	(3)	(3)	3	3
British pound (+/- 5.2%)	(4)	(4)	4	4

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

Interest 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.

As at 31 December 2016	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Cash and cash equivalents	187	1	188
Financial assets at fair value through profit or loss	-	2,312	2,312
	-	1	1
Total assets	187	2,314	2,501
LIABILITIES			
Current payables	-	6	6
Total liabilities	-	6	6
Own units in circulation, measured using net value per share as at year end	-	2,495	2,495
Total amount, exposed to interest rate risk	187	(187)	-

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As at 31 December 2015	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Cash and cash equivalents	355	1	356
Financial assets at fair value through profit or loss	-	2,554	2,554
Total assets	355	2,555	2,910
LIABILITIES			
Current payables	-	7	7
Total liabilities	-	7	7
Own units in circulation, measured using net value per share as at year end	-	2,903	2,903
Total amount, exposed to interest rate risk	355	(355)	-

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. As at 31 December 2016 and 31.12.2015 price risk indicators are calculated as follows:

Name	Currency	2016		2015	
		Average return (annual)	Standard deviation	Average return (annual)	Standard deviation
MF Advance Emerging Europe Opportunities	EUR	7.92%	11.14%	-2.36%	8.93%

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

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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 31.12.2016	As at 31.12.2015
Financial assets at fair value through profit or loss		
Shares:	2,312	2,554
	2,312	2,554
Loans and receivables:		
Cash and cash equivalents	188	356
Current receivables	1	-
	2,501	2,910

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

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

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

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

The Management Company of the Fund measures and assesses the counterparty risk and the credit settlement risk by the value of all 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.

During the period no investments have been made in debt securities that could expose it to investment credit risk.

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17. 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.

The following table provides information on financial instruments at fair value as at 31 December 2016 and 2015, presented in levels 1 to 3 of the fair value hierarchy:

As at 31.12.2016	Level 1	Total
Financial assets at fair value through profit or loss		
- Shares	2,312	2,312
Total	2,312	2,312
<hr/>		
As at 31.12.2015	Level 1	Total
Financial assets at fair value through profit or loss		
- Shares	2,554	2,554
Total	2,554	2,554

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

	2016 BGN'000	2015 BGN'000
Net assets, belonging to the shareholders	2,495	2,903
Debt	6	7
- Cash and cash equivalents	(188)	(356)
Net debt	(182)	(349)
Net assets to net debt ratio	1:(0.07)	1:(0.12)

19. Post reporting date events


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

20. Approval of the financial statements

The financial statements for the year ended 31 December 2016 (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 Eastern Europe, on 10 March 2017.


Daniel Ganey
 Executive Director
 MC Karoll Capital Management EAD




Stoyka Koritarova
 Chief Accountant
 MC Karoll Capital Management EAD