



Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund Advance Invest

31 December 2016

advance invest 
KAROLL CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT

OF

MF ADVANCE INVEST

FOR 2016

1. DEVELOPMENT, OPERATING RESULTS AND STATUS OF THE MUTUAL FUND, DESCRIPTION OF MAIN RISKS

MF Advance Invest is an open-end collective investment scheme, which invests in securities, by raising money through public offering of its own units. MF Advance Invest is organized by Management Company Karoll Capital Management EAD

1.1. Registration and license of the Fund

MF Advance Invest ("The Fund") is an open-end collective investment scheme, which operates on the risk-sharing principle.

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

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

1.2. Investment activity in 2016

The two markets in the Fund's portfolio again performed differently during the year. The strong correlation that Romanian BET index used to have with leading indexes, completely disappeared in 2016. After disappointing start of the year and difficult recovery thereafter, BET managed to finish the year on positive grounds (+1.2%) at the last moment. Romanian stocks remained with mixed performance throughout the whole 12 months. Despite the sector mismatch, we observed mixed performance from shares within the same sector. Utility services companies again proved to be stable, as all three major "blue chips" achieved the same yields. Market ratios are tempting, with average P/B of 0.85x, considering also single-digit P/Es. Investment funds and companies in the Energy sector listed on the Romanian stock exchange, had unsatisfying performance. Nonetheless, Fondul Proprietatea (FP) managed to cut its losses in the course of the year to the minimal -1.85%.

Bulgarian SOFIX transfigured in the second half of 2016, after the boring start. The newly created ETF, on the main index, turned out to be the driving force of the appreciation. Apart from this, investors were relieved by the long-awaited banking sector stress-tests results, which created favourable environment for increased risk appetite for Bulgarian equities. Gradually, the market gained momentum, turnovers jumping significantly. Thus, SOFIX appreciated with 27.2% in 2016. In the beginning of the year investors rewarded companies sharing their profits with minority shareholders, even those paying small dividends. At the very start of the rally, in

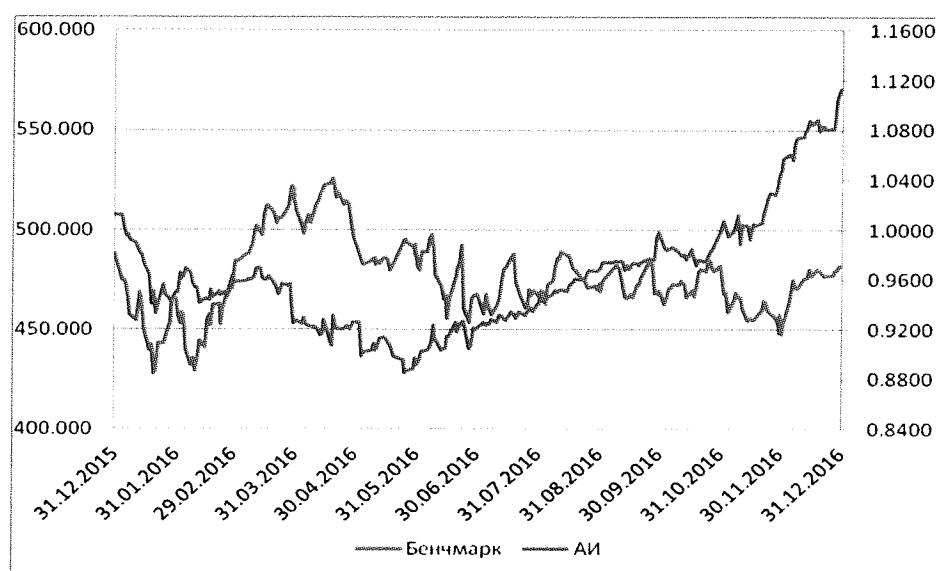
August, trading was concentrated in export companies with solid fundamentals and results. After the commencement of trading of the SOFIX-linked ETF, the attention has been drawn on SOFIX constituents. Among them the following shares stood out - Stara Planina Holding [5SR], gaining 64.3%, First Investment Bank [5F4], adding 55% to their value, and Central Cooperative Bank [4CF] with annual increase of 51.3%.

Still Romania and Bulgaria were among the leaders in the region in terms of internal consumption, highlighting their bright macroeconomic perspectives.

Annual yield and yield since initial public offering up to 31.12.2016

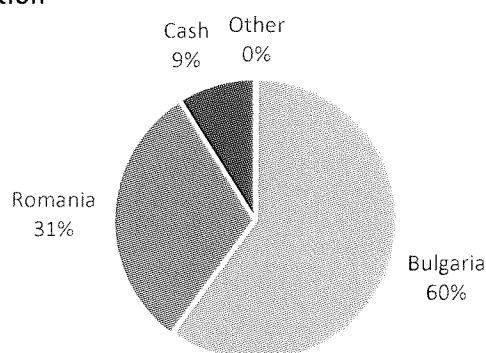
	MF Advance invest	Benchmark
Yeild in 2016	10.02 %	-1.29 %
Yield since incorporation (on an annual basis)	0.85 %	2.02 %

Chart 1. Performance of Advance Invest and the benchmark MSCI EFM Europe + CIS ex.RU in 2016



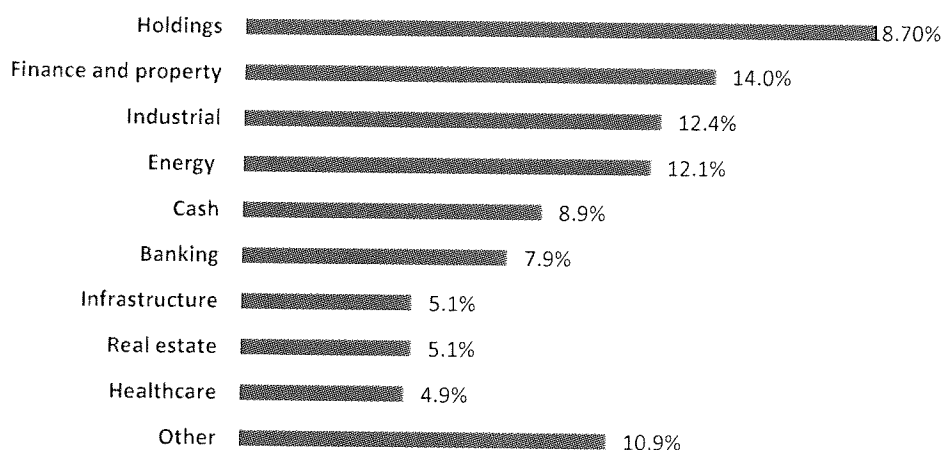
Asset allocation of the Fund as at year end

Market allocation



Sector allocation of the Fund's assets

Sector allocation



Top 5 exposures

Active Properties REIT (Bulgaria), Finance and real estate

Monbat AD (Bulgaria), Industrial

Chimimport AD (Bulgaria), Holdings

CEZ Distribution AD (Bulgaria), Energy

Trace Group Hold AD (Bulgaria), Infrastructure

Sector distribution of the Fund's assets is still dominated by holdings and finance companies. Following – industrial and energy sectors met the expectations for substantial value recovery in 2016 and their share in the Fund's portfolio has been increased.

1.3. Financial result and comprehensive income for 2016

The Fund's financial result as at 31 December 2016 is profit amounting to BGN 233 thousand. MF Advance Invest reports total comprehensive income for the year of BGN 465 thousand.

The Fund's revenues for 2016 are comprised of financial income, amounting to BGN 642 thousand, from which BGN 209 thousand is revenue from operations with financial assets, dividend income – BGN 171 thousand, interest income – BGN 1 000 and gains on exchange rate differences, amounting to BGN 261 thousand.

For 2016, the Fund's financial expenses amount to BGN 276 thousand, from which loss from operations with financial assets – BGN 15 thousand and loss on exchange rate differences, amounting to BGN 261 thousand. The sum of Fund's operating expenses for the period is BGN 133 thousand, and is equal to 3.10% of the average net assets value for 2016, as per the financial statements. From this amount, BGN 107 thousand is the remuneration of the Management Company.

1.4. Changes in unit price of Advance Invest Mutual Fund

Past year's performance of Advance Invest was divided into two parts – poor first half of 2016, when the Bulgarian and Romanian markets had suffered losses, and strong second half, that reflected Bulgarian stocks' high picks. Namely for a period of 5-6 months, the Fund managed

to realize growth of 20%, erasing the negative result from the first half of 2016, and ended the year with yield of 10%.

The Fund started 2016 with 51% investments in Bulgarian equities, and 43% in Romanian. After the increase in Bulgarian stock's prices and transformations made, with the aim of greater emphasis on them, in the end of 2016 the relative weights are 60% for Bulgaria and 31% for Romania.

The Fund's benchmark – MSCI EFM Europe + CIS ex RU ended 2016 near its starting levels.

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

Performance per annum		
	Fund	Benchmark
2016	10.02%	-1.29%
2015	-6.26%	-22.23%
2014	-4.01%	2.24%
2013	18.95%	-16.81%
2012	-5.02%	34.08%

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

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

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

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

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

- price risk associated with investment in shares or other equity securities - the risk of decrease in the value of an investment in a security due to adverse changes in market prices. The Management company measures the price risk associated with investing in stocks by tracking historical volatility measured by the standard deviation or calculating the 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.
- 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 Invest and external - related to macroeconomic, political and other factors that influence and / or may affect the business of the management company in relation to management of the fund. Internal operational risks include risks related to staff and technological risks, and external debt - risk environment and risk of physical interference. Assessment of the operational risks associated with the activities of Advance Invest is conducted by the Compliance department.

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

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

2. IMPORTANT EVENTS, THAT HAVE OCCURRED AFTER THE BALANCE SHEET DATE

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

3. EXPECTED FUTURE DEVELOPMENT OF THE FUND

The Bulgarian market has entered a positive trend phase and we expect it to continue in 2017. Factors leading to this trend are the increasing volume of assets of the ETF, investing in SOFIX constituents; the ambitious program for development of the local capital market; new IPOs; expectations for positive results from most of the major public companies; and low

interest rates, predetermining high demand on alternative savings mechanism. In Romania, the tax reforms, expected from the new government, some dropped off restrains on investments in SIF, as well as new IPOs, are among the major driving forces of the growth, measured in 2017. Management Company's current strategy is aggressive, with share in the portfolio of the cash approximating 10%, and pursuing lowering the level to the minimal requirement of 5%. After rotations made in the second half of 2016, risk positions' weight was increased, on the expense of defensive. The emphasis is again on Bulgaria,

The focus is again on Bulgaria, whose good performance is expected to continue in 2017. Its weight in the fund is again about 60%, with the expectation that a similar ratio will be maintained during the year.

4. RESEARCH AND DEVELOPMENT

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

5. INFORMATION PURSUANT TO ART. 187D AND ART. 247 OF THE COMMERCIAL LAW

During the period 320,871.9151 units were issued and 226,821.9068 units of Mutual Fund Advance Invest were redeemed. The net asset value of the Fund has increased from BGN 4,529 thousand at the beginning of 2016, to BGN 5,088 thousand in the end of the year.

The number of unitholders declined during the year, from 781 to 747, with 733 individuals and 14 legal entities.

Equity as at 31.12.2016 in the amount of BGN 5,088 thousand, consists of:

- Share capital: BGN 4,569 thousand;
- Discount from issue of units: BGN (857) thousand;
- Reserve from subsequent revaluation of securities: BGN (321) thousand;
- General reserves: BGN 10,793 thousand;
- Accumulated loss from previous years: BGN (9,826) thousand
- Retained earnings from previous years: BGN 497 thousand
- Profit for the current period : BGN 233 thousand.

The Fund has not distributed dividends. The Fund has no registered branches. As of 31 December 2016 there are no restrictions imposed on the rights of members of the Board of Directors of the Management Company to acquire units of the Fund.

During 2016 the Management Company selected the specialized auditing company Grant Thornton OOD with Reg No. 032 to audit the annual financial statements for 2016. The remuneration is at the amount of BGN 3,500.00 before VAT and represents entirely the remuneration for an independent financial audit.

09 March 2017

Daniel Ganev: _____
Executive Director



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mutual Fund Advance Invest** (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 INVEST
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 available for sale	5	4,644	4,302
Current receivables	7	2	-
Cash and cash equivalents	6	455	237
Total assets		5,101	4,539
Net assets, belonging to unitholders			
Share capital	8.1	4,569	4,475
Premium reserve	8.2	(857)	(857)
Revaluation reserve	10	(321)	(553)
General reserve	9	10,793	10,793
Accumulated loss		(9,096)	(9,329)
Total net assets, belonging to unitholders		5,088	4,529
Liabilities			
Current liabilities			
Related party payables	13	10	9
Current payables		3	1
Total liabilities		13	10
Total net assets, belonging to unitholders and liabilities		5,101	4,539

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 the auditor's report dated 21.03.2017

Milena Mladenova

Registered auditor, responsible for the audit

Mariy Apostolov

Managing partner – Grant Thornton Ltd.

Auditing Company



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

MF ADVANCE INVEST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER

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

	Note	For the year ended 31.12.2016	For the year ended 31.12.2015
Dividend income	11.1	171	143
Gain / (Loss) from the operations with investments, net	11.2	194	(6)
Loss from exchange differences, net	11.3	-	(10)
Interest income	11.4	1	2
Net profit from financial assets		366	129
Hired services expenses	12	(133)	(150)
Total operating expenses		(133)	(150)
Profit /Loss for the year		233	(21)
Other comprehensive income/ (loss):			
Financial assets available for sale:			
- Profit / Loss for the year	10	424	(302)
- Reclassification to profit or loss	10	(192)	10
Other comprehensive income/ (loss):		232	(292)
Total other comprehensive income/ (loss) for the year		465	(313)

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 the auditor's report dated 21.03.2017

Milena Mladenova

Registered auditor, responsible for the audit

Mariy Apostolov

Managing partner – Grant Thornton Ltd.

Auditing Company




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MF ADVANCE INVEST
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	(365)	(165)
Proceeds from sale of financial assets	453	455
Interest received	1	2
Dividends received	167	157
Net cash and cash equivalents, used in investing activities	256	449
Cash flows from non-specialized investment activities		
Cash payments related to trade contractors	(26)	(26)
Cash payments related to managing company	(107)	(125)
Net cash and cash equivalents used for non-specialized investment activities	(133)	(151)
Cash flows from financing activities		
Proceeds from units issue	312	2
Payment for units redemption	(217)	(394)
Net cash and cash equivalents from financing activities	95	(392)
Net increase/decrease in cash and cash equivalents	218	(94)
Cash and cash equivalents at the beginning of the year (note 6)	237	331
Cash and cash equivalents at the end of the year (note 6)	455	237

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 the auditors's report dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

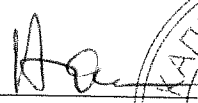
Mariy Apostolov
Managing partner – Grant Thornton Ltd.
Auditing company




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MF ADVANCE INVEST
STATEMENT OF CHANGES IN NET ASSETS, BELONGING TO UNITHOLDERS
31 December 2016
All amounts are presented in thousand Bulgarian leva (BGN'000), unless otherwise stated

	Share capital	Premium reserve	Revaluation reserve	General reserves	(Accumulated loss)/ Retained earnings	Total
Balance as at 1 January 2015	4,847	(838)	(261)	10,793	(9,308)	5,233
Issue of share capital	2	-	-	-	-	2
Unit redemption	(374)	(19)	-	-	-	(393)
Transactions with unitholders	(372)	(19)	-	-	-	(391)
Loss for the year	-	-	-	-	(21)	(21)
Other comprehensive income	-	-	(292)	-	-	(292)
Total comprehensive income for the year	-	-	(292)	-	(21)	(313)
Balance as at 31 December 2015	4,475	(857)	(553)	10,793	(9,329)	4,529
Issue of share capital	321	(9)	-	-	-	312
Unit redemption	(227)	9	-	-	-	(218)
Transactions with unitholders	94	-	-	-	-	94
Profit for the year	-	-	-	-	233	233
Other comprehensive income	-	-	232	-	-	232
Total comprehensive income for the year	-	-	232	-	233	465
Balance as at 31 December 2016	4,569	(857)	(321)	10,793	(9,096)	5,088

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 the auditor's report dated 21.03.2017

Milena Mladenova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing partner – Grant Thornton Ltd.
Auditing Company



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

Notes to the financial statements

1. General information

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

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

The public offering for sale and repurchase of units of Advance Invest Open-End Mutual Fund started on May 10, 2004. As of 31 December 2016 and 2015 the number of units in circulation is 4,568,670.2858 and 4,474,620.2775 respectively.

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

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

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

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

1.1. Investment strategy of the Fund

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

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

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

2. Basis of preparation of the financial statements

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

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Fund. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2015) unless otherwise stated.

The financial statements are prepared under the going concern principle.

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

3. Changes in accounting policies

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

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.

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.

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 unitholders, 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 / unitholder.

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

- 1.5% of the net asset value per unit for orders up to EUR 50,000.0 euro;
- 1.0% of the net asset value per unit for orders from EUR 50,000.01 to EUR 250,000;
- 0.5% 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

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 Invest, 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.karollcapital.bg>.

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 unitholders

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 unit of MF Advance Invest, calculated every business day. The net assets value of the Fund is obtained by reducing the value of all assets from the value of liabilities. The net assets value of the Fund shall be declared in euro.

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:

- 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 events) has an effect on the estimated future cash flows from an asset or group of financial assets that can be measured reliably.

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

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

5. Financial assets available for sale

Financial assets available for sale can be represented as follows:

	Note	Fair value As at 31.12.2016	Fair value As at 31.12.2015
Shares in BGN	5.1	3,061	2,335
Shares in Foreign currency	5.2	1,583	1,967
TOTAL		4,644	4,302

5.1. Shares in bgn

	ISIN	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
Active Properties REIT	BG1100003059	363	7.11	257	5.66
Monbat AD	BG1100075065	321	6.29	197	4.33
Chimimport AD	BG1100046066	298	5.85	163	3.85
CEZ Razpredelenie Bulgaria AD	BG1100025110	269	5.27	195	4.30
Trace Group Hold AD	BG1100049078	260	5.10	272	5.99
Sopharma AD	BG11SOSOB18	188	3.68	173	3.80
Advance Terrafund REIT	BG1100025052	185	3.62	135	2.98
Alterko AD-Blocked	BG1100003166	172	3.38	-	-
Bulgarian real estate fund REIT	BG1100001053	140	2.74	96	2.12
Advance Equity Holding AD	BG1100033064	136	2.67	183	4.03
First Investment Bank AD	BG1100106050	136	2.67	88	1.93
Eurohold Bulgaria AD	BG1100114062	92	1.81	115	2.53
Central Cooperative Bank AD	BG1100014973	76	1.49	50	1.11
Svilosa AD - Svishtov	BG11SVSVAT11	73	1.44	56	1.24
Sopharma Trading AD	BG1100086070	63	1.24	54	1.18
CEZ Elektrorazpredelenie AD	BG1100024113	51	1.00	20	0.44
Plovdiv – Jury Gagarin BT AD	BG11PLPLVT16	51	1.00	65	1.43
Sirma Group Holding AD	BG1100032140	45	0.87	45	0.99
Stara Planina Hold AD	BG1100005971	42	0.83	10	0.23
Bulgartabac-Holding AD	BG11BUSOGT1	31	0.61	32	0.70
Neochim AD	BG11NEDIAT1	28	0.53	-	-
Energetics and Energy Savings Fund REIT	BG1100026068	22	0.43	20	0.44
Severcoop-Gumza Holding AD	BG1100026985	13	0.26	15	0.34
SAF Magelan AD	BG1100020053	6	0.12	4	0.10
Chimimport AD	BG1200001094	-	-	90	1.98
TOTAL		3,061	60.01	2,335	51.44

5.2. Shares in foreign currency

	ISIN	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
Fondul Proprietatea SA	ROFPTAACNOR5	251	4.91	324	7.13
IAR SA Brasov	ROIARVACNOR1	221	4.32	249	5.48
Banka Transilvania	ROTLVAACNOR1	201	3.95	164	3.61
BRD - Societe Generale SA	ROBRDBACNOR2	200	3.91	204	4.49
Romgaz SA	ROSNGNACNOR3	161	3.17	176	3.88
SNP Petrom SA	ROSNPPACNOR9	135	2.65	150	3.31
Sif Oltenia SA	ROSIFEACNOR4	105	2.07	109	2.41
Transelectrica	ROTSELACNOR9	102	1.99	126	2.77
S.N.T.G.N. Transgaz	ROTGNTACNOR8	89	1.74	210	4.64
Bursa de Valori Bucuresti SA	ROBVBAACNOR0	62	1.22	58	1.28
Sif Moldova SA	ROSIFBACNOR0	56	1.09	95	2.1
Antibiotic	ROATBIACNOR9	-	-	102	2.24
TOTAL		1,583	31.03	1,967	43.34

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

Sector distribution of investments:

	As at 31.12.2016	% of assets	As at 31.12.2015	% of assets
Holdings	952	18.66	1,139	25.09
Financial services and properties	715	14.01	994	21.90
Industrial	635	12.44	520	11.46
Energy	616	12.08	542	11.94
Banking	401	7.86	-	-
Infrastructure	260	5.10	272	5.99
Real estate	258	5.06	56	1.25
Healthcare	251	4.92	274	6.04
Informational services	217	4.25	-	-
Utilities	190	3.73	337	7.41
Financial services	85	1.66	78	1.72
Tobacco	31	0.61	32	0.70
Chemical industry	28	0.54	-	-
Consumer products	5	0.13	58	1.28
Total	4,644	91.04	4,302	94.78

As at 31 December 2016, the Management Company reviewed and analyzed evidence of impairment of financial assets available for sale and, as a result of the analysis, considers that no impairment is required.

31 December 2016

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

Investments are distributed by state as follows:

Country	As at 31.12.2016	% of total assets	As at 31.12.2015	% of total assets
Bulgaria	3,061	60.01	2,335	51.44
Romania	1,583	31.03	1,967	43.34
Total	4,644	91.04	4,302	94.78

6. Cash and cash equivalents

	As at 31.12.2016	As at 31.12.2015
Cash on hand and in current accounts in BGN	217	195
Cash on hand and in current accounts in foreign currency	238	42
Total	455	237

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

7. Current receivables

	As at 31.12.2016	As at 31.12.2015
Receivables from orders for purchase of Fund's units	2	-
Total	2	-

8. Net assets, belonging to unitholders

8.1. Number of units issued

During the presented period, the number of units in circulation is as follows:

Number of units issued and total value

	Number of units	Par value	Share capital (BGN)
As at 01.01.2015	4,846,939.9821	BGN 1 / unit	4,847
Issued units 2015	1,466.8090	BGN 1 / unit	2
Redeemed units 2015	(373,786.5136)	BGN 1 / unit	(374)
As at 31.12.2015	4,474,620.2775	BGN 1 / unit	4,475
Issued units 2016	320,871.9151	BGN 1 / unit	321
Redeemed units 2016	(226,821.9068)	BGN 1 / unit	(227)
As at 31.12.2016	4,568,670.2858	BGN 1 / unit	4,569

31 December 2016

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

8.2. Premium reserve

	2016 BGN'000	2015 BGN'000
Premium reserve as at 1 January	(857)	(838)
Change due to emission	(9)	-
Change due to redemption	9	(19)
Premium reserve	(857)	(857)

8.3. Net asset value per unit

Net asset value per unit is the basis for determining the issue price and the repurchase price of units of MF Advance Invest and is 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 unit, 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 unit, issue price and repurchase price is calculated and presented as of 31 December 2016.

	31.12.2016	30.12.2016	31.12.2015	30.12.2015
Net asset value	5,087,389.17	5,071,825.94	4,528,953.50	4,492,841.29
Number of units in circulation	4,568,670.2858	4,568,670.2858	4,474,620.2775	4,474,620.2775
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per unit	1.1135	1.1101	1.0121	1.0041
Issue price				
orders up to EUR 50 000 after “issue fee” of 1.5% of the net asset value	1.1302	1.1268	1.0273	1.0192
orders from EUR 50 000.01 to EUR 250 000 after “issue fee” of 1.0% of net asset value	1.1246	1.1212	1.0222	1.0141
orders from EUR 250 000.01 to EUR 500 000.00 after “issue fee” of 0.5% of the net asset value	1.1191	1.1157	1.0172	1.0091
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.	1.1135	1.1101	1.0121	1.0041
Redemption price	1.1135	1.1101	1.0121	1.0041

9. General reserves

General reserves, amounting to BGN 10 793 thousand (2015: BGN 10 793 thousand), are formed due to distribution of retained earnings from prior periods.

10. Revaluation reserve

Changes in the revaluation reserve could be summarized as follows:

	As at 31.12.2016	As at 31.12.2015
Revaluation reserve from subsequent measurement of available-for-sale financial assets in the beginning of the period	(553)	(261)
Profit from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	424	114
Loss from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	-	(416)
Profit from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	11	67
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	(203)	(57)
Total	(321)	(553)

11. Revenue

11.1 Dividend income

	Year, ended 31.12.2016	Year, ended 31.12.2015
Dividend income from Bulgarian issuers	53	51
Dividend income from Romanian issuers	118	92
Total	171	143

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

	Year, ended 31.12.2016	Year, ended 31.12.2015
Profit from available-for-sale financial assets, reclassified from equity to profit/loss for the period	203	57
Loss from available-for-sale financial assets, reclassified from equity to profit/loss for the period	(11)	(67)
Profit from sale of available-for-sale financial assets	6	8
Loss from sale of assets available-for-sale financial assets	(4)	(4)
(Loss)/gain from operations with investments, net	194	(6)

11.3 Exchange rate differences

	Year, ended 31.12.2016	Year, ended 31.12.2015
Loss on foreign currency revaluation of financial assets	(252)	(377)
Gain on foreign currency revaluation of financial assets	259	368
Foreign exchange operations – expense	(9)	(1)
Foreign exchange operations – income	2	-
Total	-	(10)

11.4 Interest income, net

	Year, ended 31.12.2016	Year, ended 31.12.2015
Interest income from deposits and current accounts	1	2
Total	1	2

12. Hired services expenses

	Year, ended 31.12.2016	Year, ended 31.12.2015
Remuneration of the management company	(107)	(123)
Remuneration of the custodian bank	(16)	(14)
Advertisement	(3)	(3)
Audit	(5)	(4)
Annual fees	(1)	(1)
Other	(1)	(5)
Total	(133)	(150)

Costs related to the Fund's activity represent 3.10% (2015 : 3.05%) of the average annual net asset value according to the statement of financial position of the Fund.

13. Related parties

The Fund's related parties comprise of the Management Company and the other mutual funds that it manages.

13.1. Transactions during the year

	Year, ended 31.12.2016	Year, ended 31.12.2015
Remuneration of the Management Company	(107)	(123)
Total	(107)	(123)

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

For issuance of units – the Fund accrues fee, which is a revenue for the Management Company, and originally is payable to the Fund from investors, and then proceeds to the Managing Company, with no effect on the Fund's comprehensive income. For 2016 and the comparative period, these amounts are below BGN 1000, and therefor are not shown in the note.

13.2. Related party balances as at year end

	As at 31.12.2016	As at 31.12.2015
Payables to the Management Company	10	9
Total	10	9

14. Non-monetary transactions

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

15. Contingent assets and contingent liabilities

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

16. Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities could be summarized as follows:

Financial assets	Note	2016 BGN'000	2015 BGN'000
Financial assets available-for-sale:			
Shares	5.1, 5.2	4,644	4,302
Loans and receivables:			
Current receivables	7	2	-
Cash and cash equivalents	6	455	237
		5,101	4,539
Financial liabilities	Note	2016 BGN'000	2015 BGN'000
Current liabilities:			
Current payables		3	1
Related party payables	13.2	10	9
		13	10

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

17. Financial instrument risk

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 Management Company applies 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 units.

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 units 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 units 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.

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

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.

As at 31 December 2016

	<u>Under 1 month</u>
Current payables	13
Own units issued, measured at net value of one unit as at year end	5,088

As at 31 December 2015

	<u>Under 1 month</u>
Current payables	10
Own units issued, measured at net value of one unit as at year end	4,529

Own units are subject to redemption upon decision of their holders.

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 assets measured at market price	Fair value	% of assets measured at market price
Financial assets available for sale	4,644	91.04	4,302	94.99
Interest receivables and other assets	2	-	-	-
Total amount, exposed to market risk	4,646	91.04	4,302	94.99

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.

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The Fund's exposure to assets, denominated in currency, different from BGN or EUR, has decreased during the period. Hence specific actions for currency risk management are still considered unnecessary.

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

	Short term currency risk exposure Romanian lea
31 December 2016	
Financial assets	1,583
Financial liabilities	-
Total currency risk exposure	1,583
31 December 2015	
Financial assets	1,967
Financial liabilities	-
Total currency risk exposure	1,967

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

- Romanian lea +/- 0.6%

All other parameters are assumed to be constant.

This percentage is 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	Change in net assets	Change in financial result	Change in net assets
Romanian lea (+/- 0.6 %)	(8)	(8)	8	8
31 December 2015				
	Change in financial result	Change in net assets	Change in financial result	Change in net assets
Romanian lea (+/- 1.4%)	-25	-25	25	25

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.

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

Interest rate risk

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

As at 31 December 2016

	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Financial assets available for sale	-	4,644	4,644
Current receivables	-	2	2
Cash and cash equivalents	455	-	455
Total assets	455	4,646	5,101
LIABILITIES			
Current payables	-	13	13
Total liabilities	-	13	13
Own units in circulation, measured at net value per unit as at year end	-	5,088	5,088
Total amount, exposed to interest rate risk	455	(455)	-

As at 31 December 2015

	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Financial assets available for sale	-	4,302	4,302
Cash and cash equivalents	236	1	237
Total assets	236	4,303	4,539
LIABILITIES			
Current payables	-	10	10
Total liabilities	-	10	10
Own units in circulation, measured at net value per unit as at year end	-	4,529	4,529
Total amount, exposed to interest rate risk	236	(236)	-

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

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 unit, which is measured by the standard deviation. As at 31 December 2016 and 31.12.2015 price risk indicators are calculated as follows:

2016

Name	Currency	Average return (annual)	Standard deviation
MF ADVANCE INTEST	BGN	8.11%	8.79%

2015

Name	Currency	Average return (annual)	Standard deviation
MF ADVANCE INTEST	BGN	-5.74%	9.59%

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
Available-for-sale financial assets		
Shares	4,644	4,302
	4,644	4,302
Loans and receivables:		
Current receivables	2	-
Cash and cash equivalents	455	237
	5,101	4,539

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;

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

The Management Company of the Fund measures and assesses the counterparty risk and the credit settlement risk by the value of all unconcluded transactions with certain counterparty as a percentage from the value of the investment portfolio. It manages these types of risk by setting limits regarding the value of the unconcluded transactions with certain counterparty and strictly observes them. Counterparty credit risk and the settlement risk are relatively low with respect to the transactions of the Company as most of the transactions are concluded under DVP terms of settlement.

The Fund measures and assesses investment credit risk by conducting credit analysis of companies and issuers, monitoring and evaluation of events and trends in the economic and political conditions. The Fund manages investment credit risk through diversification of investments and limiting the concentration of risk exposures according to the established limits. In view of this, the Fund assesses the investment credit risk related to the Fund's activity as low.

18. Fair value measurement of financial assets

Financial instruments are initially measured at fair value in the statement of financial position. IFRS 7 requires disclosure of the techniques for measurement of the fair value of financial instruments, measured at fair value in the statement of the financial position, after their initial recognition. This Standard introduces a hierarchy of fair values, defined according to the degree of observation of the data used for the measurement. Observable data can be defined as market data obtained from independent sources, while data reflecting market assumptions of the company is defined as unobservable. Both data sets the three levels of the fair value hierarchy.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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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	4,644	4,644
Total	4,644	4,644

As at 31.12.2015

	Level 1	Total
Financial assets at fair value through profit or loss		
- Shares	4,302	4,302
Total	4,302	4,302

19. Policies and procedures for management of the net assets, belonging to unitholders

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 units;
- 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 unitholders	5,088	4,529
Debt	13	10
- Cash and cash equivalents	(455)	(237)
Net debt	(442)	(227)
Net assets to net debt ratio	1:(0.09)	1:(0.05)

31 December 2016

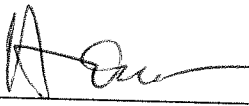

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20. Post-reporting date events

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

21. 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 Invest, on 10 March 2017.

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