Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund
Advance Emerging Europe Opportunities

31 December 2019

advance emerging europe
opportunities

KAROLL CAPITAL MANAGEMENT

Contents

ANNUAL MANAGEMENT REPORT OF MF ADVANCE EMERGING EUROPE OPPORTUNITIES FOR 2019

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

1.1. Registration and licensing

MF Advance Emerging Europe Opportunities is an open-end collective investment scheme, which invests in securities, by raising money through public offering of its own units. MF Advance Emerging Europe Opportunities (formerly MF Advance IPO Fund) is organized by Management Company Karoll Capital Management EAD in 2007. The overall activities of the Fund are administered by the Management Company Karoll Capital Management EAD, 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. MC Karoll Capital Management, on behalf of the Fund, signed a contract for depository services with UniCredit Bulbank AD. The public offering of units of the Fund, began on 23 November 2007. The units of the Fund are denominated in EUR, and the nominal value of one unit is EUR 1. 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.

1.2. Investment activity in 2019

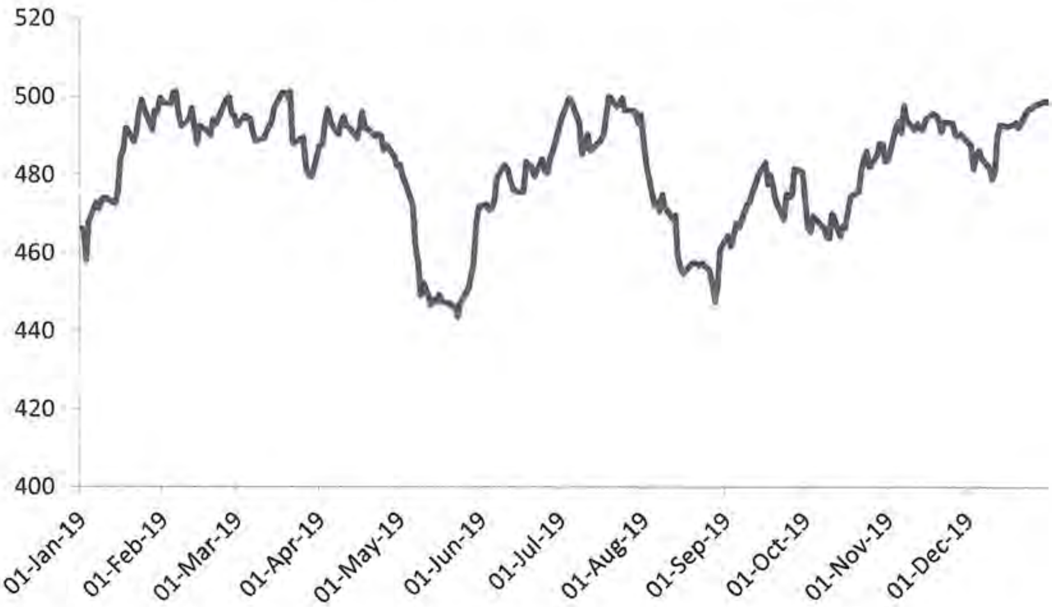
In the second half of 2019, we witnessed deterioration in global macroeconomic indicators, especially within the industrial sphere, a slowdown in global trade and intensification of the negative rhetoric between Washington and Beijing amid the escalating trade dispute between the two global superpowers. This led to some turbulence and downturns in global markets in the third quarter. However, this was followed by rapid relief and the announcement of the first phase of a US-China trade agreement, progress in Brexit negotiations, as well as the lowering of key interest rates, and a new round of de facto quantitative easing by the Fed and the ECB.

Against this backdrop, Emerging Europe has once again outpaced "old" Europe, recording 4 times higher economic growth, despite a slowdown in its main trading partners, driven by domestic consumption as a result of a strong labor market and wage growth. Hungary, Poland and Romania achieved annual growth of over 4%, which is particularly impressive given the slowdown in their main trading partners in the euro area. Even Turkey and Russia, which continue to face sanctions and other negative geopolitical factors, have managed to return to growth, albeit at a slower pace than in previous periods.

All this gave hope to the stock markets and helped them to record double-digit growth and in many cases to end the year at record highs. Optimism accompanied all major asset classes - both stocks and government securities, corporate bonds, real estate, etc. The global stock market rally continued unabated in the second half of 2019, aided by three consecutive cuts in interest rates by the Federal Reserve, the ECB's restarted quantitative easing program and the US-China truce on the trade front. The MSCI World Index ended the year up 27.5%, led by the US market, which grew by over 30%. European stocks also performed well, while MSCI Emerging Markets, although lagging behind developed markets, rose 17.5%. It is important to note, however, that especially in the last quarter of the year, emerging markets, including emerging Europe, have begun to catch up, suggesting that they are gradually returning to the field of view of international investors. Russia, Hungary, Romania finished 2019 at historic highs, significantly ahead of the broad emerging markets index. Greece and

Turkey had a similar performance, despite continuing geopolitical uncertainty as a result of Erdogan's policies. Poland was exactly at the opposite pole, as despite good economic growth, the main market index WIG20 ended the year with a loss of 5.6%. This was largely due to the poor performance of several large companies in the field of energy and utilities with a dominant state participation, as well as the weak banking sector. The Bulgarian market, on the other hand, was held captive by low liquidity and investor apathy and also disappointed once again.

MSCI EFM Europe+CIS (E+C) ex RU in 2019, measured in EUR



Overview of the markets included in the Fund's portfolio

Poland

WIG 20 in 2019

After unfavorable market performance in 2018, last year almost all asset classes realized positive returns. Contrary to the general mood, the Polish WIG20 stood out as one of the worst performing indices globally, ending the year with a decline of 5.6%. In the second half of 2019, the index lagged further relative to global markets, as domestic risks continued to have a serious negative impact. The banking sector, which also has the largest weight in the index, had a major contribution to this development, reporting a decline of 9.2% in 2019. The deterioration of sentiment towards companies in the sector was caused by growing risks associated with foreign currency mortgages. Both European Court of Justice's and the Polish Supreme Court's decisions have sparked new twists in the saga surrounding the problem, which has significantly increased volatility in the Polish market. This also affected the Polish zloty, which nevertheless appreciated by 0.9% against the euro in 2019. Given the uncertainties at the moment, it is impossible to calculate the probable costs for the sector, but according to the worst case scenario they could reach between 60 and 80 billion zlotys, which would threaten the financial stability of the country. In our opinion, the probability of its materialization remains low, but nevertheless our exposure to the sector remained underweight relative to the benchmark index. In the second half of the year we increased our position in Bank Pekao (PEO), which has minimal exposure to problematic mortgages and at the same time has good prospects for improving profits in 2020. Our lower weight in the banking sector was one of the reasons for the significantly better performance of our Polish positions during the year. The companies from the communication services sector realized serious growth and made a significant contribution. Our largest position in the sector and in the portfolio - CD Projekt (CDR) - realized a growth of 92% in 2019, which was driven by the growing expectations for sales of their new video game. The game is expected to be one of the most successful on the market in 2020, and according to our estimates, about 30 million copies will be sold in the first year. The share price is already approaching our target level and for this reason we intend to sell part of our position when it is reached.

Our higher exposure to companies with small and medium capitalization (compared to the broad WIG index) also paid off, as they performed stronger than large companies. Among them were our shares from the pharmaceutical sector, as well as the technology company Livechat Software (LVCP), which registered an annual growth of 71%. At the same time, the profitability of the portfolio was partly affected by our positions in the energy sector, which were affected by increased political risks, low gas prices and deteriorating refining margins.

In the second half of 2019, we slightly increased the weight of Poland in the portfolio to 39.2%. We maintain cautiously positive expectations for the coming months. After an unconvincing performance last year, we think Polish stocks now look relatively attractive. WIG20 is trading at a FWD P/E ratio of 10.6x, which is significantly lower than that of emerging markets (MSCI) at 13.0x, and below the average for the last 3 years (11.4x). At the same time, the sentiment of investors is quite negative, which in our opinion means that most of the risks are already reflected in the prices. As a result of the pension reform in 2020, the market will be supported by cash inflows from local pension funds, which will have an additional positive effect. For these reasons, we see potential to catch up with emerging markets.

After strong economic growth of 4.7% in the first quarter of the year, the Polish economy began to lose momentum. In the third quarter, growth slowed to 4.1% annualized, which was due to weaker domestic demand. Despite strong fiscal stimulus launched before the October parliamentary elections and low unemployment (3.2% in November), consumer spending growth weakened to 3.9% from 4.1% in the second quarter. Investment activity was affected by global trade uncertainty and was also disappointing. We expect this uncertainty to continue to have a negative impact in 2020, which we believe will further slow down investment growth. Supported by growing household incomes, consumer spending will remain a key driver of the economy. However, due to the weakening growth rate of wages, we expect weaker dynamics in consumption. At the same time, we believe that net exports will make a positive contribution. Based on these factors, we believe that economic growth in 2020 will slow down slightly compared to 2019, but will nevertheless remain stable.

Czech Republic

PX in 2019

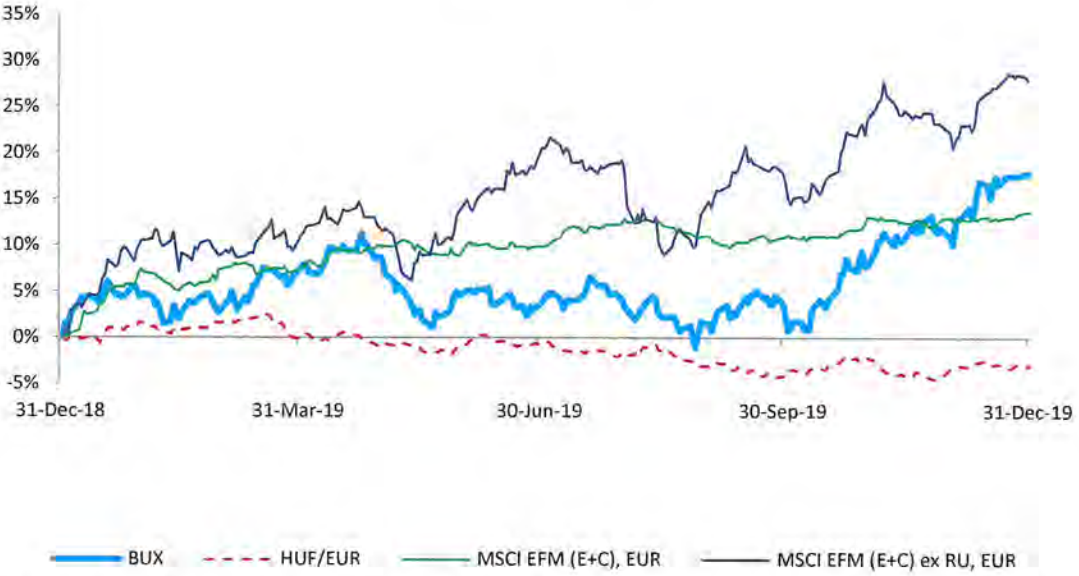
Growing by 13.1% in 2019, the PX index performed better than the regional index MSCI EFM Europe + CIS ex RU (6.9% YTD in euro), but lagged behind MSCI Emerging Markets (17.5% YTD). Taking into account the dividends paid, the shares of the index realized a return of 19.1%. At the same time, higher interest rates compared to those in the Euro area supported the Czech koruna and it rose by 1.2% against the euro in 2019. Unlike most global markets, where the growth was due to an increase in valuation ratios, the rise in the index in the Czech Republic was driven by growth in profits. At the end of 2019, the P/E ratio based on expected profits remained at the same level as the beginning of the year (11.5x). This is below the average level for the last 3 years of 12.5x, which in our opinion creates an opportunity for additional growth in 2020.

Despite their lower weight in the portfolio, Czech positions had the largest contribution to the fund's profitability in 2019. This is mainly due to our good selection of shares, which overall performed significantly better than the market. Our positions in the technology company Avast (AVST) and the media company Central European Media Enterprises Ltd (CETV) recorded particularly high growth, increasing their value by over 60% during the year. Their lower weight in the local PX index, was the main reason for our outperformance.

Shares of the companies in the banking sector, which have the highest weight in the index, in our opinion remain with good prospects for 2020. The macroeconomic environment continues to be favorable, which leads to the expansion of lending. In addition, Czech banks have a high return on capital and remain very well capitalized. At the same time, their interest margins began to stabilize as a result of the increase in the key interest rate in 2018 and 2019. We are most positive about Moneta Money Bank (MONET). In April 2020, it is expected to finalize a deal to acquire Wüstenrot's Czech assets. This will increase their market share in mortgage loans from 3.2% to 6.0% and will lead to significant synergies by reducing operating costs. We also see good potential for the rise in the share price of CEZ, which was one of the underperformers in 2019. The main reason for this will be the stronger growth in profits and dividends paid.

Hungary

BUX in 2019

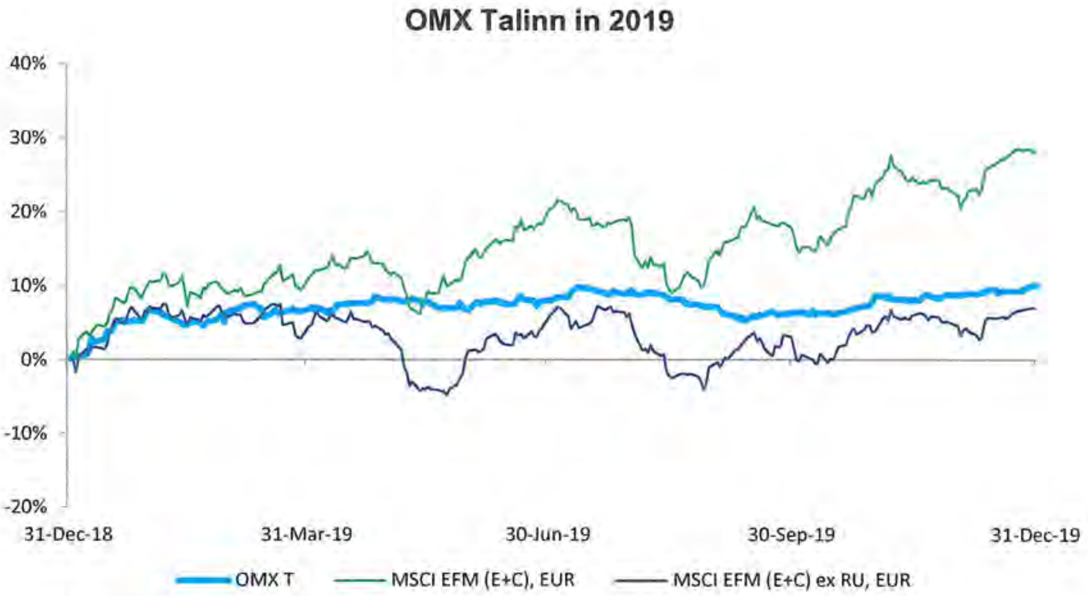


Facing increasing "headwinds" from the global economy in 2019, Hungarian GDP continued to grow at a very fast pace. In the third quarter of the year, the economy grew by 4.8% on an annual basis, which is the highest growth rate of the EU countries. Strong domestic demand continued to play a leading role in growth, but the external sector also made a significant contribution despite global trade uncertainty. Due to the tight labor market, wages continued to grow at a fast pace, which provided strong support for consumer spending. Investment growth slowed slightly, but remained very high (16.6% on a yearly basis). In 2020, we expect a slowdown in economic growth due to a weakening contribution from net exports and a weaker increase in investment.

In 2019, the Hungarian BUX index had the highest yield compared to other indices in the Central European region, growing by 17.7%. The growth was led by OTP Bank, which has the largest weight in the index. Its shares rose by more than 36%, due to the good dynamics of profits and the positive effects of acquisitions in recent years. The prospects for the region of Central and Eastern Europe remain favorable, and we therefore believe that lending growth will remain in double digits in 2020, which will continue to support operational results. The fund also benefited from the rise in shares of the pharmaceutical company Gedeon Richter (GDRB), which lived up to our expectations. Investor sentiment toward the company has improved significantly in recent months due to strong sales of the drug Vraylar. Thus, the shares made up for the lag in the first 6 months, ending the year with an yield of 18%. Taking into account the attractive market valuation of the company, in October we decided to increase our position therein. We also have a positive view on the oil company MOL, which is expected to benefit from the new international regulation IMO 2020.

The yield on our Hungarian positions suffered from the depreciation of the forint, which lost 3.1% of its value against the euro in 2019. The main factor behind this performance was the loose monetary policy of the central bank. In 2020, we do not expect significant changes in the policy of the central bank, which we believe will continue to put pressure on the currency.

Estonia



Growing by 10% in 2019, the Estonian market remained in the shadow of most global markets. Due to the weak liquidity that characterizes the local stock market, we remain focused mainly on companies with a larger market capitalization. With this regard, we have the most positive expectations for the shipping company Tallink Grupp (TAL1T).

In 2019, the company achieved solid operating results, managing to successfully implement various cost reduction measures. This stock also has a high dividend yield, which is expected to exceed 7% this year.

After strong growth in the first quarter of 2019, the Estonian economy began to slow down, but still continued to grow at a high rate (4.1% on an annual basis in the third quarter). Weak external demand and the slowdown in the growth of household consumption had a negative impact, which was surprising, considering the high optimism among consumers. We believe that these trends will continue in the coming quarters. External uncertainty will continue to stifle exports, and consumption growth will slow due to more moderate wage increases.

Lithuania

OMX Vilnius in 2019.

After a relatively strong performance in the last 6 months of the year, the Lithuanian market managed to realize a yield of 15.4% in 2019, thus outpacing the other Baltic countries. Some of the larger positions in the index, such as Telia Lietuva AB (TEL1T) and Šiaulių Bankas (SAB1L), were the main reason behind the rise. Shares of Šiaulių Bankas rose 26.2% in 2019, which also had a positive impact on the Fund's profitability, as the position was added to the portfolio at the beginning of the third quarter. The bank continued to publish solid operating results during the year, characterized by strong growth in lending and high profitability. Proposals to impose a tax on the assets of financial institutions was one of the central topics at the end of 2019. The lack of transparency and in-depth analysis of the effects led to an increase in the feeling of uncertainty among investors. In the end, however, the government's initial ideas did not materialize, and instead the corporate tax for banks was increased from 15% to 20%. This will also have negative consequences for the sector, but the effect will not be substantial.

Our other position in Lithuania - Apranga (APG1L) also rose significantly in the second half of the year and grew by total of 31.9% in 2019. Due to lack of liquidity, however, it remained with low share in the portfolio after the increase in the Fund's assets. This is the reason for our relatively limited exposure to Lithuanian stocks.

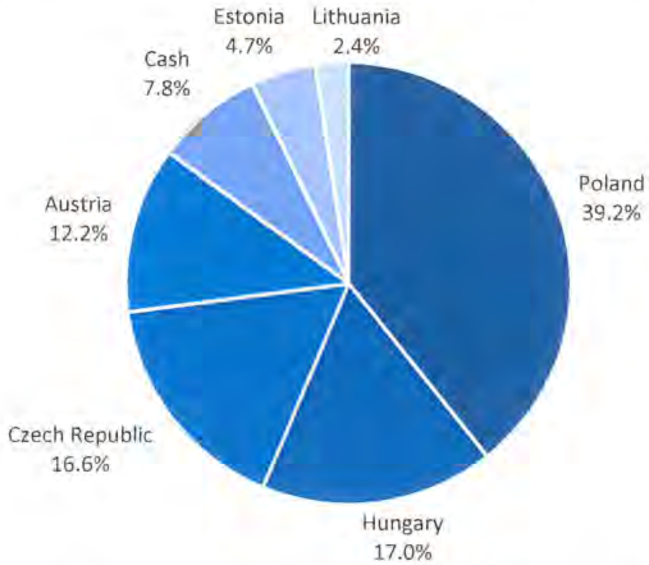
Changes in the portfolio of MF Advance Emerging Europe Opportunities, and operating results in 2019

In the second half of 2019, the net asset value of the Fund increased materially and reached BGN 21.2 million, mainly due to subscriptions by local institutional investors. Poland continued to be the leading market in the portfolio with a weight of 39.2% of assets, despite declines in the domestic market. This is partly due to the stronger performance of our positions in Poland. In the second 6 months of 2019, we increased the weights of Bank Pekao (PEO), PZU and PKN Orlen (PKN) and at the same time partially reduced our exposure to companies with lower capitalization such as Alumetal (AMT), Celon Pharma (CLNP) and Famur (FMF).

The weight of the Czech Republic remained almost unchanged despite the changes we made there. We reduced our positions in Avast (AVST) and Central European Media Enterprises Ltd (CETV) after the serious rise in their shares. On the other hand, we increased our exposure to the financial sector.

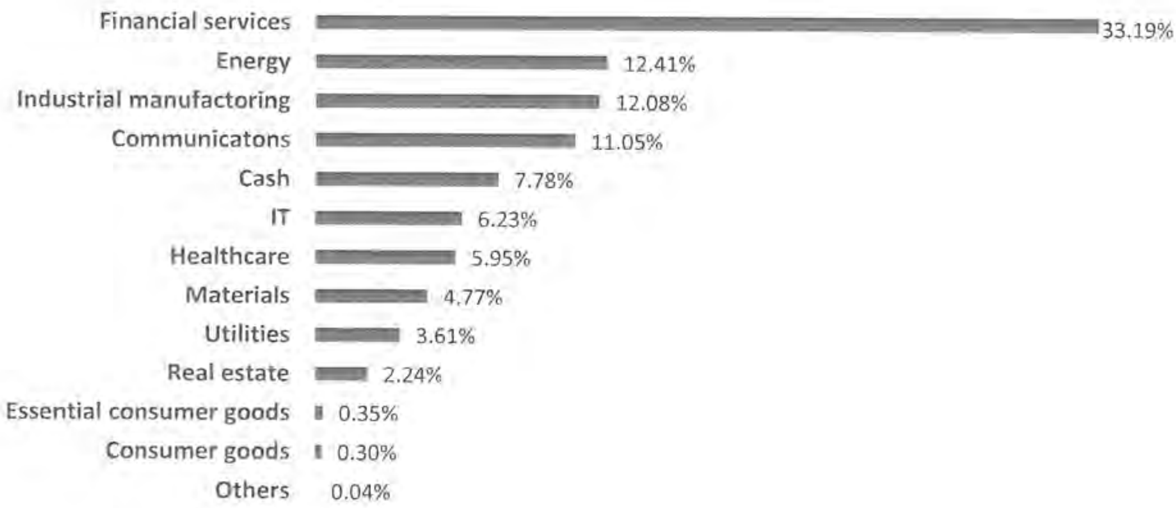
In Hungary, we increased our positions in the pharmaceutical company Gedeon Richter (GDRB) and the oil company MOL and reduced the weight of OTP Bank as its share price approached our target level. The inclusion of Šiaulių Bankas (SAB1L) in the portfolio led to a slightly higher weight of the Baltic States compared to the middle of the year.

Portfolio of MF Advance Emerging Europe Opportunities as at 31.12.2019



Sector distribution of the assets in the portfolio of MF Advance Emerging Europe Opportunities as at 31.12.2019

The financial sector continued to be the leading industry in the portfolio. In the second half of 2019, we increased our exposure to banks in the portfolio, which is mainly due to the favorable macroeconomic situation in the region and the attractive valuation ratios at which they are traded. We are most optimistic for the Czech banks and therefore their weight in the portfolio is the largest. They are characterized by high return on capital, solid dividend yield and at the same time are very well capitalized, which in our opinion is not fully reflected in current share prices. We also took advantage of the fall in the prices of energy companies from Poland and Hungary and increased they weight in the Fund's assets. Thus, the energy sector became the second largest in the portfolio. The closure of our position in Pfleiderer (PFLP) and the weight reduction of Alumetal (AMT) have led to a smaller share of companies in the materials sector. Our positions in the IT and communication services sectors performed the strongest during the year. As a result of the appreciation, we decided to reduce some of our positions, which led to a minimal increase in our exposure to both sectors compared to the middle of the year. We maintained a low proportion of the consumer goods and utilities sectors, due to the unconvincing operating results of some of the companies and the high market expectations for others.



Main exposures in the portfolio as proportion of total assets as at 31.12.2019

Company	% of total assets
CD PROJEKT SA (Poland), Communication services	5.81%
WIZZ AIR HOLDINGS PLC (Hungary), Industrial production	4.08%
MOL HUNGARIAN OIL AND GAS PL (Hungary), Energy	4.04%
MONETA MONEY BANK (Czech Republic), Financial services	3.91%
KOMERCNI BANKA (Czech Republic), Financial services	3.64%

1.3. Financial result for 2019

The financial result of MF Advance Emerging Europe Opportunities as at 31 December 2019 is a profit of BGN 1 618 thousand. The result for the period is formed by net profit from operations with financial assets in the amount of BGN 1 836 thousand and non-financial expenses in the amount of BGN 218 thousand.

The net profit from operations with financial assets consists of dividend income in the amount of BGN 252 thousand, net profit from investment operations in the amount of BGN 1 558 thousand and currency revaluation gain in the amount of BGN 26 thousand.

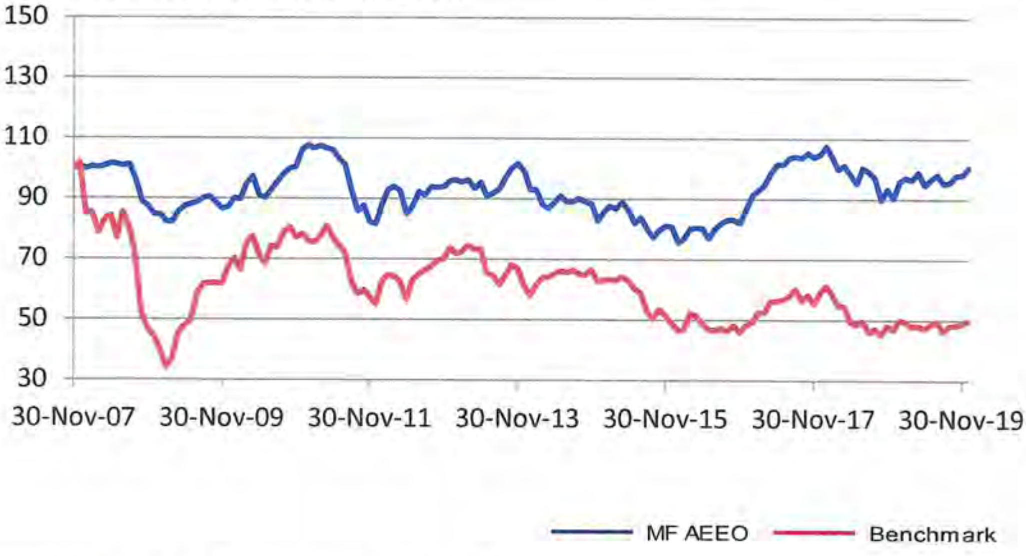
The non-financial expenses of the Fund consist of expenses related to the Fund's operations, and as of 31 December 2019 they amount to 2.07% of the average annual net asset value. The remuneration for management payable to the Management Company according to the rules of the Fund is BGN 159 thousand.

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

The principle indicator of the effectiveness of the management of MF Advance Emerging Europe Opportunities is the change in the price of the Fund's units, calculated on the basis of the NAV. The NAV per share increased to EUR 1.0056 as at 31.12.2019 compared to EUR 0.9034 a year earlier.

The performance of the Fund remains significantly better than that of the benchmark.

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



Benchmark: MSCI EFM Europe + CIS ex RU

Performance as at 31.12.2019	Fund	Benchmark
Since the beginning of the year	11.3%	6.9%
3 years, annualized	5.1%	1.2%
5 years, annualized	4.0%	-4.5%
Since the Fund's inception (annualized)	0.1%	-5.6%

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

The risk factors affecting the investments of MF Advance Emerging Europe Opportunities are:

Market risk
The possibility of incurring losses due to adverse changes in securities prices, market interest rates, exchange rates and others. The components of market risk are interest rate risk related to investments in shares, currency risk and price risk related to investments in shares or other equity securities.

Interest rate risk associated with investments in shares
Interest rate risk has two manifestations in terms of equity investments. On the one hand, interest rate risk is related to changes in the cost of company financing if the companies in which the Fund has invested use external financing. On the other hand, interest rates affect the discount rate used when using the discounted net cash flow method.

Currency risk
The risk of a decrease in the value of an investment in a security or deposit denominated in a currency other than lev and euro due to a change in the exchange rate between that currency and the lev or the euro. Currency risk is measured by using the historical volatility of the exchange rate of the respective currency against the lev or the euro according to the net currency exposure.

Price risk associated with investment in shares or other equity securities
The risk of a decrease in the value of an investment in a security in the event of adverse changes in market price levels. The Management Company measures the price risk associated with equity investments by tracking historical volatility, measured by standard deviation or calculating the β-coefficient to the indices of the respective markets.

Credit risk
The possibility of reducing the value of the position in a financial instrument due to unexpected events of credit nature related to the issuers of financial instruments, the counterparty to exchange and over-the-counter transactions, as well as the countries in which they operate. There are two types of credit risk: over-the-counter counterparty default risk and settlement risk arising from the possibility that mutual funds may not receive cash or financial instruments from a counterparty on the settlement date after they have fulfilled their obligations on given transactions to this counterparty.

Operational risk
The possibility of realizing losses related to errors or imperfections in the organization's system, insufficiently qualified staff, adverse external events of a non-financial nature, including legal risk. Operational risks are internal - related to the organization of the Management Company's work in connection with the management of the Fund and external - related to macroeconomic, political and other factors that have and/or may affect the Management Company's activities in connection with the management of the Fund. Internal risks include personnel and technological risks, while external risks include environmental risk and the risk of physical interference. The Management Company adopts a two-tier approach in the management of operational risk, namely - a strategy for operational risk management in the long and short term. The Management Company adopts clear and precise rules and procedures for managing the activities of MF Advance Emerging Europe Opportunities.

The rules and procedures regulate the organizational structure of the Fund in accordance with the adopted rules for the internal organization of the Management Company and its management activities regarding MF Advance Emerging Europe Opportunities, the responsibilities and powers of the persons involved in its management and control mechanisms of the individual units in the organizational structure. The rules and procedures are formed in accordance with the objectives of the Fund, the regulations governing the activities of management companies and collective investment schemes and take into account the specifics of the environment as a whole. Thus written and implemented, these rules and procedures form the long-term policy of the Fund, which guarantees the expediency, safety and resource security of the individual processes of the operational activity of the Fund - both in terms of human and technological factors.

Liquidity risk

Risk arising from possible losses due to sales of assets in adverse market conditions to meet unexpected short-term obligations. The liquidity risk of the Fund is managed in accordance with the adopted "Rules for maintenance and management of liquidity of MF Advance Emerging Europe Opportunities".

Concentration risk

The possibility of loss due to improper diversification of exposures to customers, groups of related customers, customers from the same industry, geographical area or arising from the same activity, which may cause significant losses, as well as the risk associated with large indirect credit exposures . The Management Company monitors for the strict adherence to the restrictions on the investments of the mutual funds.

2. Important post balance sheet events

No adjusting or significant non-adjusting events have occurred between the date of the financial statements and the date of authorization, except for the non-adjusting event described below.

At the beginning of 2020, due to the spread of a novel coronavirus (Covid-19) worldwide, difficulties in the business and economic activity of a number of enterprises and entire economic sectors appeared. On March 11th, 2020, the World Health Organization also announced the presence of a worldwide coronavirus pandemic. As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Fund's Management Company is not able to assess the impact of the coronavirus pandemic on the future financial condition and results of its activities, but believes that the impact will lead to market volatility and price risk associated with the financial assets of the Fund and may have a negative effect on its operations and results. The benchmark index used by the Fund MSCI EFM EUROPE + CIS (E+C) ex RU realized a decrease of - 33.63% from the beginning of the year up to 12.03.2020.

3. Expected future development

It should be noted that the good economic performance in the second half of the year, and especially in the last quarter, was partly a momentum from previous periods. Recent research by the European Commission indicates a slowdown in intentions to hire new employees from the business, which in the long run will cool down the disposable income growth, and hence individual consumption. There is also an increase in the savings rate. Domestic-driven expansion is also expected to slow due to rising house prices as well as certain imported goods, which will also erode the purchasing power of the population. Exogenous shocks, such as the sharp escalation of tensions between the United States and Iran earlier this year, could also have significant negative effects on rising oil prices, which could affect both consumers and businesses. On the other hand, the arsenal of fiscal incentives available to Central and Eastern European governments, as well as favorable monetary policies, have the potential to significantly mitigate these negative developments and help the region move through a possible period of global slowdown with significantly less damage compared to developed economies. In a number of countries in the region, such as Russia, Poland and Hungary, public investment programs have already been launched to boost the economy. Also, the easing of global inflation trends, which is also reflected locally, gives flexibility to local central banks to cut interest rates, which, unlike those in the Euro area, are still positive and have not reached their minimum possible levels.

Our expectations for the markets in 2020 could be defined as "selective optimism". As already mentioned, below the surface there are several developments that are worrying - they are related to the price levels of indices in developed countries, especially in the US, which are significantly above their historical averages, despite stagnant corporate profits, threateningly growing corporate and public indebtedness, blind confidence in the ability of large central banks to prevent market failures, the ongoing geopolitical and geoeconomic confrontation between the United States and China, tensions in the Middle East, etc. All this makes us cautious and selective, bringing to the forefront in individual positioning the ability of companies to generate free cash flow, the sustainability of their profits, and their dominant position in the segment in which they operate.

It should be noted that the expected growth in profits in emerging markets in 2020 is about 15%, which is significantly higher than the 10% expected for developed markets. Developing Europe continues to grow four times faster than "old" Europe, but continues to trade at the lowest valuation ratios - an average P/E of 7 compared to 12.9 for global emerging markets, and levels between 15 and 20 for developed markets. Despite good performance in 2019, developing Europe remains 45% below the 2007 levels, indicating that there is serious potential for catching up. Amid zero and even negative interest rates, the average dividend yield in the region is around 6%, which is also very attractive.

We are most positive for the banks in the portfolio, especially the ones in the Czech Republic, due to the favorable macroeconomic situation in the region, their good capitalization and the attractive valuation ratios at which they are traded. After the fall in the prices of energy companies from Poland and Hungary, we believe that they also have an attractive potential for recovery. In the case of high-tech companies, which were the main contributors to the performance in 2019, we believe that the long-term potential remains, but due to their rapid rise in recent months we have slightly reduced positions, with the prospect of increasing them again in case any market correction happens.

4. Research and development

The specificity of the subject of activity of the mutual fund does not presuppose research and development activity.

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

The Fund's equity as at 31 December 2019 consists of 10,774,577.0158 units with a par value of EUR 1 per unit. In 2019, the Fund issued 7,948,925.1489 units and repurchased 1,260,108.0276 units. The number of unit holders during the year changed to 255 as at the end of 2019, of which 230 individuals and 25 legal entities.

The equity in the amount of BGN 21,191 thousand consists of:
- Share capital: BGN 21,076 thousand;
- Share premium: BGN 315 thousand;
- Accumulated loss from prior periods: BGN 4,387 thousand;
- Retained earnings from prior periods: BGN 2,572 thousand;
- Current period result: profit of BGN 1,618 thousand.

The fund did not distribute dividends. The fund has no registered branches. There are no restrictions on the rights of the members of the Board of Directors of the Management Company with respect to the acquisition of units of the Fund. As of 31 December 2019, Daniel Ganev owns 11,539.2626 units of the Fund and Bistra Kotseva owns 684.9617 units. UD Karoll Capital Management EAD owns 348,636.2601 units.

In 2019, the Management Company elects the audit firm Grant Thornton OOD with registration number 032 to audit the annual financial statements for 2019. The agreed remuneration amounts to BGN 5,250 without VAT.

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

	31.12.2019 EUR	31.12.2018 EUR	31.12.2017 EUR
Net assets	10,834,804.85	3,691,264.82	1,841,100.82
Net asset value per share	1.0056	0.9034	1.0491

7. Remuneration policy of the Management company

The Management Company discloses to all interested parties details regarding the applied remuneration policy and any subsequent changes in it, without disclosing information that is legally protected.

The remuneration policy covers all forms of remuneration paid by the Management Company, as well as all amounts paid directly by the managed collective investment schemes, including:
- wages;
- any financial incentives, incl. performance bonuses;
- other material incentives, incl. any transfer of units or shares in collective investment schemes to the employees subject to this policy and to the benefit of any other employee whose total remuneration is comparable to the remuneration of those employees and whose professional activities have an impact on the risk profile of the collective investment schemes, managed by the Management Company;
- remunerations related to pension or health insurance.

The remuneration policy applies to the remuneration of the following categories of staff:
- management;
- employees whose duties are associated with taking risks;
- employees whose duties are associated with internal control activities;
- all other employees whose total remuneration is comparable to the remuneration of management and those employees whose professional activities have an impact on the risk profile of the collective investment schemes, managed by the Management Company.

Where the remuneration is tied to performance, its overall amount is based on a combination of the performance appraisal of the individual and of the organizational unit in which he works or the relevant collective investment scheme or other investment product, taking into account their risk profile , as well as the overall performance of the Management Company.

For the purposes of determining the variable remuneration of its employees, the Management Company has performed an assessment of the results of the company's activities as a whole and a thorough analysis of the results of the management of collective investment schemes, the results of management of individual portfolios as a trustee, the activity of providing investment advice and the activity of distribution of collective investment schemes managed by other management companies.

There are no remunerations paid directly by the collective investment scheme itself, including a performance fee. The Management Company has paid annual variable remuneration to employees on managerial positions, with a total amount per person not exceeding 30 percent of his total permanent remuneration and not exceeding BGN 30 000. The Management Company has made changes to the remuneration policy adopted on February, 4th 2020.
Total gross remuneration for the financial year paid by the Management Company to its employees:

Staff category	Average staff	Fixed remuneration BGN'000	Variable remuneration BGN'000	Pension and health insurance
Management	9	480	116	4
Employees involved in risk taking	5	99	-	3
Employees exercising control functions	2	32	-	1
Employees whose remuneration is commensurate with the remuneration of managerial employees and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the Fund	2	47	-	2
Other	4	44	-	3

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

In 2019, the Management Company identifies and measures all risk factors associated with the individual instruments in the Fund's portfolio, then measures the total exposure of the portfolio to these factors and takes decisions on limits, tolerance and risk management at the portfolio level. The Fund's total risk exposure is calculated once a day. The risk management department calculates the measurement and market risk assessment indicators.

The Management Company measures the market risk associated with a decrease in the value of the investments through one of the quantitative methods applicable to the relevant securities market:
- historical volatility measured by standard deviation;
- if applying the standard deviation approach is not possible, the management company uses the standard deviation of the selected index on the regulated market in which the shares are traded as a substitute for the overall portfolio analysis;
- β-coefficient to indices of the respective markets (the relationship between the price of the individual share and the price of the market as a whole).

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

The total risk exposure is equal to the sum of:
a) the absolute value of the exposure for each individual derivative instrument not participating in netting or hedging agreements;
b) the absolute value of the net exposure obtained after accounting for netting and hedging agreements.

In 2019, the Management Company amended the Risk Management Rules of MF Advance Emerging Europe Opportunities by developing a Value-at-Risk model (VaR). The changes were approved by decision 202 - DF dated, March 11th, 2020 of the FSC and are applied thereon.

March 12, 2020

Daniel Ganev: ______________
Executive Director

Bistra Kotseva: ______________
Member of the Board of Directors
of UD "Karoll Capital Management" EAD

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

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INDEPENDENT AUDITOR'S REPORT

To the shareholders 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 2019 and the statement of profit or loss and other comprehensive income, statement of changes in net assets belonging to shareholders and 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 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

(a) the information in the management report is consistent with the financial statements for the same reporting period;

(b) the management report is prepared in accordance with the applicable legal requirements; and

(c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

Silvia Dinova
Registered auditor responsible for the audit

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

March 23, 2020
Bulgaria, Sofia, 26 Cherni Vrah Blvd.

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	31.12.2019	31.12.2018
Assets			
Current assets			
Financial assets at fair value through profit or loss	5	19,562	6,745
Cash and cash equivalents	6	1,650	434
Current receivables	7	7	51
Total assets		**21,219**	**7,230**
Net assets, belonging to the shareholders			
Share capital	8.1	21,073	7,991
Premium reserve	8.2	315	1,044
Accumulated loss		(197)	(1,815)
Total net assets, belonging to the shareholders		**21,191**	**7,220**
Liabilities			
Current liabilities			
Related party payables	12.2	24	8
Current payables	9	4	2
Total liabilities		**28**	**10**
Total net assets, belonging to shareholders and liabilities		**21,219**	**7,230**

Daniel Ganev: ____________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ____________
Chief Accountant
MC Karoll Capital Management EAD

Bistra Kotseva: ____________
Member of the Board of Directors

Date: 12.03.2020

Audited, according to auditor's report, dated 23.03.2020

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ ЕАД
СОФИЯ

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

All amounts are in BGN thousand, unless otherwise stated

	Note	For the year ending 31.12.2019	For the year ending 31.12.2018
Dividend income	10.1	252	231
Gain / (loss) from operations with investments, net	10.2	1,559	(990)
Gain / (loss) from foreign currency exchange differences, net	10.3	26	(183)
Other finance costs		(1)	(1)
Net (loss) / profit from financial assets		**1,836**	**(944)**
Hired services expenses	11	(218)	(154)
Total operating expenses		**(218)**	**(154)**
Profit / (loss) for the year		**1,618**	**(1,098)**
Total comprehensive income / (loss)		**1,618**	**(1,098)**

Daniel Ganev:
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova:
Chief Accountant
MC Karoll Capital Management EAD

Bistra Kotseva:
Member of the Board of Directors

Date: 12.03.2020

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Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

The accompanying notes on pages from 5 to 26 form an integral part of the financial statements.

All amounts are in BGN thousand, unless otherwise stated

	Note	For the year ending 31.12.2019	For the year ending 31.12.2018
Cash flows from operating activities			
Cash payments for financial assets acquisition		(12,287)	(5,467)
Proceeds from sale of financial assets		1,116	801
Dividends received		242	221
Cash payments related to foreign currency operations		(7)	(4)
Cash payments related to trade counterparties		(58)	(42)
Cash payments related to the management company		(146)	(113)
Net cash flow from operating activities		**(11,140)**	**(4,604)**
Cash flows from financing activities			
Proceeds from units issue		14,743	4,867
Payment for units repurchase		(2,387)	(148)
Net cash flow from financing activities		**12,356**	**4,719**
Net increase in cash and cash equivalents		**1,216**	**115**
Cash and cash equivalents at the beginning of the year	6	**434**	**319**
Cash and cash equivalents at the end of the year	6	**1,650**	**434**

Daniel Ganev: ____________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ____________
Chief Accountant
MC Karoll Capital Management EAD

Bistra Kotseva: ____________
Member of the Board of Directors

Date: 12.03.2020

Audited, according to auditor's report, dated 23.03.2020

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

All amounts are in BGN thousand, unless otherwise stated

	Share capital	Premium reserve	Accumulated loss	Total
Balance as at 1 January 2018	**3,433**	**885**	**(717)**	**3,601**
Issue of units	4,721	154	-	4,875
Repurchase of units	(163)	5	-	(158)
Transactions with shareholders	4,558	159	-	4,717
Loss for the year	-	-	(1,098)	(1,098)
Total comprehensive loss for the year	-	-	(1,098)	(1,098)
Balance as at 31 December 2018	**7,991**	**1,044**	**(1,815)**	**7,220**
Issue of units	15,547	(807)	-	14,740
Repurchase of units	(2,465)	78	-	(2,387)
Transactions with shareholders	13,082	(729)	-	12,353
Profit for the period	-	-	1,618	1,618
Total comprehensive loss for the year	-	-	1,618	1,618
Balance as at 31 December 2019	**21,073**	**315**	**(197)**	**21,191**

Daniel Ganev: ____________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: ____________
Chief Accountant
MC Karoll Capital Management EAD

Bistra Kotseva: ____________
Member of the Board of Directors

Date: 12.03.2020

Audited, according to auditor's report, dated 23.03.2020

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Manager – Grant Thornton
Audit company

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 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. In conjunction with the above, the Fund is subject to regulation by the Financial Supervision Commission. According to the requirements of ZDKISDPKI, the Management Company (MC Karoll Management EAD) chooses UniCredit Bulbank AD as a custodian bank that will hold dematerialised securities and cash of the Fund.

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

The fund capital is a variable and may vary depending on the number of 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 2019 and 2018 is respectively 10,774,577.0158 and 4,085,759.8945.

1.1. Investing 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.

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

The Fund will pursue an aggressive strategy 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 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 2018) 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, effective from 1 January 2019.

The Fund has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the financial statements for the annual period beginning 1 January 2019, but do not have a significant impact of their implementation to the financial result and the financial condition of the Fund:

- IFRS 16 "Leases"
- IFRS 9 "Financial instruments" (amended) – Prepayment features with negative compensation
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement
- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures
- IFRIC 23 "Uncertainty over income tax treatments"
- Annual Improvements to IFRSs 2015-2017.

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

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:

- IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, adopted by the EU
- Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU

- IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet adopted by the EU
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) , effective from 1 January 2020, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU
- IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU

4. Accounting policy

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised 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". The Fund has elected to present the statement of profit or loss and other comprehensive income as a single statement.
Two comparative periods are presented for the statement of financial position when the Fund applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements and this has a material impact on the statement of financial position at the beginning of the preceding period.

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

4.3. Foreign currency transactions

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

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

4.4. 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.

4.4.1. Interest income

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

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

4.4.2. Net income from 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.

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

4.4.3. Net income from foreign exchange operations

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

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

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

4.5. Expenses

Expenses associated with the operations of the Fund are recognized in profit or loss in the statement of profit or loss following the accrual basis.

By a decision of the Board of Directors dated 02.02.2018 the Management Company accepts a reduction of the total amount of the remuneration expenses of the Custodian Bank, the registered auditors, the current supervisory and membership fees and other necessary expenses due in connection with the activity of Mutual Fund Advance Emerging Europe Opportunities up to 1% of the Fund's average annual net asset value. The amendments were approved by the FSC with Decision No 197 - MF / 26.02.2018 and are set out in the Fund Rules.

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

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

- 1.5% (1.5 percent) of the net asset value per unit for orders up to EUR 50,000.

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

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

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

4.6. Financial instruments

4.6.1. Recognition and derecognition

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

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

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

4.6.2. Classification, initial reporting and subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Receivables

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

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

4.6.3. Subsequent measurement of financial assets

Debt instruments at amortized cost

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

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

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

Receivables

Receivables, which are initially occured in the Fund are non-derivative financial instruments with fixed payments that are not traded on an active market. Usually they are due for short-term settlement and are therefore classified as current. Receivables are initially recognised in the amount of unconditional remuneration, unless they contain significant components of financing. The Fund holds receivables for the purpose of collecting contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is not performed when the effect is insignificant.

Financial assets at fair value through profit or loss

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

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

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

4.6.4. Impairment of financial assets

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

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

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

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

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

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

The Fund uses its experience, external indicators and long-term information to calculate the expected credit losses on financial assets measured at amortized cost.

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

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

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

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

4.7. Cash and cash equivalents

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

4.8. Income taxes

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

4.9. Net assets, belonging to 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 18.

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

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

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

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

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

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

4.10. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4.11. Significant management judgements in applying accounting policies

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

- The issue and redemption price of Fund units are based on the net asset value of the Fund at the date of determination. The Management Company is assessing the portfolio, determine the net asset value of the Fund, net asset value per unit and calculate the issue price and the redemption price under the control of the Custodian bank in accordance with regulatory requirements;

- The Management Company invests the Fund's assets in securities and in proportions determined in accordance with the Activity of Collective Investment Schemes and Other Collective Investment Entities Act (ZDKISDPKI) and the Fund Rules;

- The subsequent valuation of the Fund's assets shall be made in accordance with the Fund's Rules and Ordinance № 44 on the requirements to the activities of collective investment schemes, investment companies and management companies;

- According to agreement with the Management Company and the Custodian, fees are collected daily;

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

4.12. . Uncertainty of the accounting estimates

4.12.1 Fair value of financial instruments

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

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

4.12.2 Measurement of expected credit losses

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

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

All amounts are in BGN thousand, unless otherwise stated

5. Financial assets at fair value through profit or loss

	Note	Fair value as at 31.12.2019	Fair value as at 31.12.2018
Shares in BGN	5.1	-	137
Shares in foreign currency	5.2	19,562	6,608
Total		**19,562**	**6,745**

5.1. Shares in BGN

Type of security	ISIN	As at 31.12.2019	% of total assets	As at 31.12.2018	% of total assets
GRADUS AD	BG1100002184	-	-	137	1.88

5.2. Shares in foreign currency

Type of security	ISIN	As at 31.12.2019	% of total assets	As at 31.12.2018	% of total assets
CD PROJEKT SA	PLOPTTC00011	1,234	5.81	314	4.35
Wizz Air Holdings PLC	JE00BN574F90	867	4.09	239	3.31
Mol Hungarian Oil And Gas PL	HU0000153937	857	4.04	285	3.94
Moneta Money Bank	CZ0008040318	830	3.91	248	3.43
Komercni Banka	CZ0008019106	772	3.64	258	3.56
CEZ AS	CZ0005112300	766	3.61	203	2.81
Erste Group Bank AG	AT0000652011	749	3.53	170	2.36
OTP Bank	HU0000061726	707	3.33	303	4.19
AVAST PLC ORD	GB00BDD85M81	696	3.28	304	4.21
Powszechny Zaklad Ubezpieczen Spolka Akcyjna	PLPZU0000011	695	3.27	228	3.15
OMV AG	AT0000743059	689	3.25	180	2.48
Richter Gedeon Nyrt	HU0000123096	687	3.24	232	3.20
Bank PEKAO SA	PLPEKAO00016	679	3.20	-	-
Cyfrowy Polsat	PLCFRPT00013	642	3.03	226	3.12
LIVECHAT SOFTWARE SA	PLLVTSF00010	627	2.95	150	2.07
Uniqa Insurance Group AG	AT0000821103	625	2.94	184	2.55
Kruk S.A.	PLKRK0000010	613	2.89	185	2.56
Polskie Gornictwo Naftowe I Gazownictwo Spolka AKC	PLPGNIG00014	548	2.58	207	2.87
Polski Koncern Naftowy Orlen	PLPKN0000018	539	2.54	157	2.18
RAIFFEISEN BANK INTERNAT. AG	AT0000606306	526	2.48	204	2.82
Any Security Printing Go	HU0000093257	496	2.34	213	2.95
Ciech Spolka Akcyjna	PLCIECH00018	491	2.31	177	2.45
Globe Trade Centre Spolka Akcyjna	PLGTC0000037	475	2.24	130	1.80
Central European Media Enterprises ltd.	BMG200452024	470	2.21	142	1.97
Tallink GRP	EE3100004466	469	2.21	179	2.47
AS Tallinna Sadam	EE3100021635	453	2.14	160	2.21
SIAULIU Bankas	LT0000102253	443	2.09	-	-
Alior Bank S.A.	PLALIOR00045	404	1.91	198	2.74

All amounts are in BGN thousand, unless otherwise stated

5.2. Shares in foreign currency (continued)

Type of security	ISIN	As at 31.12.2019	% of total assets	As at 31.12.2018	% of total assets
KGHM POLSKA MIEDZ SA	PLKGHM000017	401	1.89	194	2.68
Celon Pharma SA	PLCLNPH00015	312	1.47	157	2.17
FAMUR SPOLK Akcyjna	PLFAMUR00012	278	1.31	-	-
Neuca	PLTRFRM00018	262	1.24	62	0.86
Alumetal S.A.	PLALMTL00023	122	0.57	175	2.41
Tallinna Kaubamaja Gruoo As	EE0000001105	75	0.35	71	0.98
Apranga PVA	LT0000102337	63	0.30	48	0.67
PKOBP	PLPKO0000016	-	-	224	3.10
Pfleiderer Grajewo SA	PLZPW0000017	-	-	201	2.78
Getback S.A.	PLGTBCK00297	-	-	-	-
TOTAL		**19,562**	**92.19**	**6,608**	**91.40**

For all shares as of December 31, 2019 the method of valuation of their fair value was based on directly observable quotations from active markets, except for GETBACK SA (PLGTBCK00297), which by decision of the Board of Directors of the Management Company in 2018 are valued at BGN 0

Investments are allocated by countries are follows:

Country	As at 31.12.2019	% of total assets	As at 31.12.2018	% of total assets
Poland	8,322	39.21	2,986	41.3
Hungary	3,614	17.04	1,271	17.59
Czech Republic	3,534	16.65	1,155	15.98
Austria	2,589	12.2	739	10.21
Estonia	997	4.70	409	5.66
Lithuania	506	2.39	48	0.66
Bulgaria	-	-	137	1.88
TOTAL	**19,562**	**92.19**	**6,745**	**93.28**

Investments are allocated by sectors are follows:

Sector	As at 31.12.2019	% of total assets	As at 31.12.2018	% of total assets
Financial services	7,043	33.19	2,202	30.46
Energy	2,633	12.41	829	11.47
Industrial manufacturing	2,563	12.09	791	10.94
Communication services	2,346	11.05	682	9.44
IT	1,323	6.23	454	6.28
Healthcare	1,261	5.95	451	6.23
Materials	1,014	4.77	747	10.32
Utilities	766	3.61	203	2.81
Real estate	475	2.24	130	1.80
Essential consumer goods	75	0.35	208	2.86
Consumer goods	63	0.30	48	0.67
TOTAL	**19,562**	**92.19**	**6,745**	**93.28**

6. Cash and cash equivalents

	As at 31.12.2019	As at 31.12.2018
Cash on hand and in current accounts in BGN	844	91
Cash on hand and in current accounts in foreign currency	806	343
Total	**1,650**	**434**

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

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

The Fund has no blocked cash and cash equivalents.

7. Current receivables

	As at 31.12.2019	As at 31.12.2018
Dividend receivables	7	3
Receivables from sales of financial assets	-	48
Total	**7**	**51**

As at 31.12.2019 г. the Fund has dividend receivables from LIVECHAT SOFTWARE SA (Poland)). The management of the Fund's Management Company does not consider the probability of default as significant enough to merit impairment accrual associated to these receivables (see Note 4.6.3) and no impairment has been accrued. As at the date of approval of the financial statements the dividend is fully paid.

8. Net assets belonging to unitholders

8.1 Number of units issued

Number and values of units issued

	Number of units EUR	Nominal value per share	Share capital BGN'000
As at 01.01.2018	**1,754,997.2367**	**1 EUR**	**3,433**
Units issued 2018	2,413,924.0319	1 EUR	4,721
Units repurchased 2018	(83,161.3741)	1 EUR	(163)
As at 31.12.2018	**4,085,759.8945**	**1 EUR**	**7,991**
Units issued 2019	7,948,925.1489	1 EUR	15,547
Units repurchased 2019	(1,260,108.0276)	1 EUR	(2,465)
As at 31.12.2019	10,774,577.0158	**1 EUR**	**21,073**

8.2 Share premium

	2019 BGN'000	2018 BGN'000
Share premium as at 1 January	1,044	885
Change due to units issued	(807)	154
Change due to units repurchased	78	5
Share premium as at 31 December	**315**	**1,044**

8.3 Net asset value per share

Net asset value per share is the basis for determining the issue price and the repurchase price of units of MF Advance Emerging Europe Opportunities, calculated every work day. Net asset value of the Fund is presented in Euro. 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 31.12.2019. For the accurate use of financial information and given that the Fund declares the net asset value in euro, this note is presented in EUR:

All amounts are in EUR	**31.12.2019**	**31.12.2018**
Net asset value	10,834,804.85	3,691,264.81
Total umber of units issued	10,774,577.0158	4,085,759.8945
Nominal value	1.0000	1.0000
Net asset value per share	1.0056	0.9034
Issue price		
orders up to EUR 50 000 after "issue fee" of 1.5% of the net asset value	1.0207	0.9170
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	1.0157	0.9124
orders from EUR 250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	1.0106	0.9079
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	1.0056	0.9034
Redemption price	1.0056	0.9034

9. Current payables

	As at 31.12.2019	As at 31.12.2018
Payables to the custodian bank	4	2
Total	**4**	**2**

All amounts are in BGN thousand, unless otherwise stated

10. Revenue

10.1 Dividend income

	For the year ended 31.12.2019	For the year ended 31.12.2018
Dividend income from Polish companies	87	128
Dividend income from Czech companies	52	34
Dividend income from Estonian companies	37	11
Dividend income from Hungarian companies	32	29
Dividend income from Austrian companies	24	25
Dividend income from British companies	12	-
Dividend income from Lithuanian companies	9	4
TOTAL	**252**	**231**

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

	For the year ended 31.12.2019	For the year ended 31.12.2018
Loss from operations with financial assets at fair value through profit or loss, (net)	(27)	(17)
Gain / (loss) from change in fair value of financial assets, (net)	1,586	(974)
TOTAL	**1,559**	**(991)**

10.3 Gain / (loss) from exchange rate differences, net

	For the year ended 31.12.2019	For the year ended 31.12.2018
Gain on foreign currency revaluation of financial assets at fair value through profit or loss	1,720	1,278
Loss on foreign currency revaluation of financial assets at fair value through profit or loss	(1,588)	(1,403)
Foreign exchange operations – expense, net	(106)	(58)
TOTAL	**26**	**(183)**

11. Hired services expenses

	For the year ended 31.12.2019	For the year ended 31.12.2018
Remuneration of the Management company	(159)	(112)
Remuneration of the custodian bank	(40)	(25)
Advertisement	(14)	(7)
Audit	(3)	(3)
Annual fees	(1)	(2)
Others	(1)	(5)
TOTAL	**(218)**	**(154)**

Costs related to the Fund's activity for 2019 represent 2.07% (2018: 2.19%) of the average annual net asset value, according to the statement of financial position of the Fund.

All amounts are in BGN thousand, unless otherwise stated

12. Related parties

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

12.1 Transactions from the period

	For the year ended 31.12.2019	For the year ended 31.12.2018
Remuneration to the Management company (incl. also in note 11)	(159)	(112)
Transactions related to units issued	(4)	(2)

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

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

12.2 Related party balances as at year end

	As at 31.12.2019	As at 31.12.2018
Payables to the Management Company	24	8
TOTAL	**24**	**8**

Payables to the Management Company represent remuneration for the management activities for the month of December 2019 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 31.12.2019.

All amounts are in BGN thousand, unless otherwise stated

15. Categories of financial assets and liabilities

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

Financial assets	Note	As at 31.12.2019	As at 31.12.2018
Debt instruments at amortized cost:			
Current receivables	7	7	51
Cash and cash equivalents	6	1,650	434
		1,657	**485**
Financial assets carried at fair value through profit or loss:			
Shares	5	19,562	6,745
		21,219	**7,230**

Financial liabilities	Note	As at 31.12.2019	As at 31.12.2018
Financial liabilities measured at amortized cost:			
Current liabilities:			
Trade payables	9	4	2
Related party payables	12.2	24	8
		28	**10**

See note 4.6 about information related to the accounting policy for each category financial instruments and the methods which are used for assessment of fair value of financial assets and liabilities measured at fair value. Description of the risk management objectives and policies of the Fund related to the financial instruments is presented in note 16.

16. Financial instrument risk

Risk management objectives and policies

To adequately manage financial risk 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 must be conducted on a daily basis from the Risk Management Department of the Management Company.
The Fund's Management 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 issueing units.

Liquidity risk can arise as a consequence from the low liquidity on the capital market as well as when there are unusualy large orders for repurchase of shares which can lead to insufficiency of 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 to repurchase own units within the statutory imposed 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 deposits and in current accounts, in order to meet liquidity needs. The portfolio manager monitors on a daily basis cash as a percentage of the assets while there are controlled by the Board of Directors on a monthly basis. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.
The table below shows financial liabilities of the Fund, summarised in groups by maturity from the reporting date to the date they are due.

	Until 1 month
As at 31 December 2019	
Current payables	
Total financial liabilities	28
As at 31 December 2018	
Current payables	
Total financial liabilities	10

Market risk

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

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

All amounts are in BGN thousand, unless otherwise stated

Market risk is concentrated in the following positions:

	As at 31.12.2019		As at 31.12.2018	
	Fair value	**% of net assets, valued using market price**	**Fair value**	**% of net assets, valued using market price**
Financial assets at fair value through profit or loss	19,562	92.31	6,745	91.53
Total amount, exposed to market risk	**19,562**	**92.31**	**6,745**	**91.53**

Currency risk

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

The investment strategy, that the management company followed in 2019 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 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 neutralised.

Given these arguments, in 2019 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 in 2020, but only if hedging costs are not excessive.

During the reporting period the Fund did not carry out transactions with derivative instruments.

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

	Polish zloty	**Czech koruna**	**Hungarian forint**	**British pound**
31 December 2019				
Financial assets	8,323	2,837	2,747	1,563
Total currency risk exposure	**8,323**	**2,837**	**2,747**	**1,563**
31 December 2018				
Financial assets	2,986	851	1,032	543
Total currency risk exposure	**2,986**	**851**	**1,032**	**543**

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

- Polish zloty (+/- 2.9%);
- Czech koruna (+/- 3.2%);
- Hungarian forint (+/- 10.5%);
- British pound (+/- 4.8%).

All other parameters are assumed to be constant.

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

	Increased exchange rate of BGN		Decreased exchange rate of BGN	
	Net financial result BGN'000	Net assets BGN'000	Net financial result BGN'000	Net assets BGN'000
Polish zloty (+/- 2.9%)	(221)	(221)	221	221
Czech koruna (+/- 3.2%)	(81)	(81)	81	81
Hungarian forint (+/- 10.5%)	(260)	(260)	260	260
British pound (+/- 4.8%)	(68)	(68)	68	68

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

Interest rate risk

Asset value of the Fund depends on the dynamics of interest rates in the economy. The activity of the Fund is subject to the risk of fluctuations in interest rates, as the cost of interest-bearing assets with fixed-rate changes as a result of change in market interest rates. On the other hand, the Fund is exposed on assets with floating interest rates, to interest rate risk, as a result of a change in the interest rate index, that is 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.

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

Other price risk

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

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

The Management Company measured general price risk of the investment portfolio through the historic volatility of the net asset value per share, which is measured by the standard deviation. As at 31.12.2019 and 31.12.2018 price risk indicators are calculated as follows:

		2019		2018	
Name	**Currency**	**Average return (annual.)**	**Standard deviation**	**Average return (annual.)**	**Standard deviation**
MF Advance Emerging Europe Opportunities	EUR	12.56%	10.12%	-13.81%	11.89%

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

Credit risk

Exposure of the Fund to credit risk is limited to the carrying amount of financial assets, recognized at the reporting date, as indicated in Note 15.

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 Fund as most of the transactions are concluded under DVP terms of settlement. During the period no investments have been made in debt securities that could expose it to investment credit risk.

17. Fair value measurement of financial instruments

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

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

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

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

The following table provides information on financial instruments at fair value as at 31 December 2019 and 2018, presented in levels 1 to 3:

As at 31.12.2019	**Level 1**
Financial assets at fair value through profit or loss	
- Equity instruments	19,562

As at 31.12.2018	**Level 1**
Financial assets at fair value through profit or loss	
- Equity instruments	6,745

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 for timely repayment of obligations to investors that could arise when repurchasing shares;
- adequate ratio between cash invested in securities and cash instruments.

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

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

	2019 BGN'000	2018 BGN'000
Net assets, belonging to unitholders	21,191	7,220
Total assets	21,219	7,230
Net assets to total assets ratio	**99.86%**	**99.86%**

19. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization, except the following:

In early 2020, due to the spread of the novel coronavirus (COVID-19), difficulties appeared worldwide in the business and economic activity of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus (COVID-19) pandemic. As the situation and the measures taken by the state authorities are extremely dynamic, the Management company of the Fund is not able to assess the impact of the coronavirus pandemic on the future financial status and the results of its activity, but believes that the impact will lead to volatility of the market and price risk related to the financial assets of the Fund and may have a negative effect on its activities and results. The benchmark index used by the Fund MSCI EFM EUROPE + CIS (E + C) ex RU realised a decrease of -33.63% from the beginning of the year to 12.03.2020.

20. Authorization of the financial statements

The financial statements for the year ended 31 December 2019 (including comparative information) were approved by the Board of directors of the Management Company "Karoll Capital Management" EAD, on behalf of, and at the expense of MF Advance Emerging Europe Opportunities, on March, 16th, 2020.

КАРОЛ КАПИТАЛ МЕНИДЖМЪНТ
СОФИЯ
ЕАД

Daniel Ganev __________
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova __________
Chief Accountant
MC Karoll Capital Management EAD

Bistra Kotseva __________
Member of the Board of Directors
MC Karoll Capital Management EAD