

Annual Management Report  
Independent Auditor's Report  
Financial Statements

Mutual Fund Advance Invest

31 December 2023

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## **ANNUAL MANAGEMENT REPORT OF MUTUAL FUND ADVANCE INVEST FOR 2023**

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

#### **1.1. Registration and licensing**

MF Advance Invest (The Fund) with UIC 131187474 is an open-ended collective investment undertaking, operating on a risk-sharing basis.

The Fund invests in securities by raising money through public offering of its own units. The overall activities of the Fund are administered by the Management Company Karoll Capital Management EAD.

The Fund was established as an open-ended investment company in October 2003 and was registered in Bulgaria by Decision No. 1 of 21 January 2004 of the Sofia City Court. The Fund is registered in the Commercial Register with 2,050,000 ordinary registered shares with voting rights, with a nominal value of BGN 1. The Fund was re-registered in the Commercial Register in May 2008 and September 2013. The Fund was authorised to carry out its activities by decision No. 561-ID of 22 December 2003 of the FSC, namely: investing in securities with cash raised through public offerings of shares. The public offering for sale and redemption of the Fund's shares over the counter commenced on 10 May 2004.

By decision of the FSC 479 - ID /26.06.2013 the legal form of the Fund was transformed from an open-ended investment company into a mutual fund. The changes are reflected in the Commercial Register. Mutual fund Advance Invest was entered in the register of the FSC under Article 30, Paragraph 1, Item 4 of the FSC Act by Decision 736 - DF /03.10.2013. The Fund's shares are not traded on a regulated stock exchange.

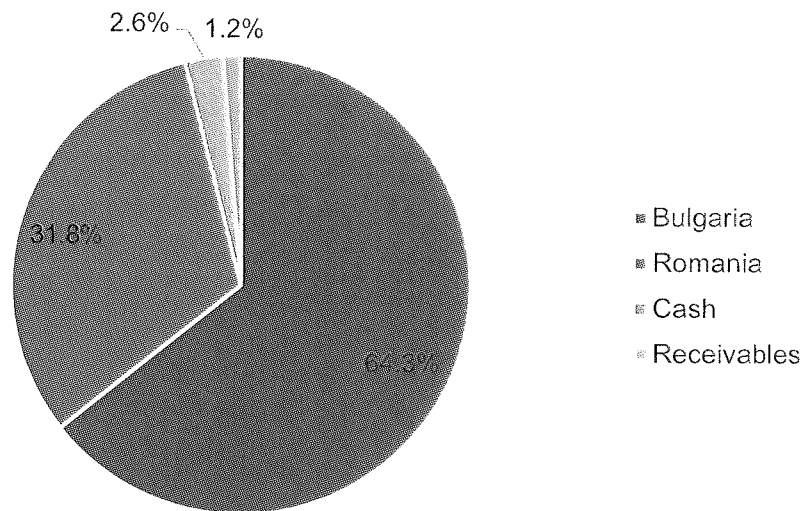
The number of units outstanding as of December 31, 2023 and 2022 amounted to 6,534,441.2027 and 6,106,239.3311, respectively.

The management company has a three-member Board of Directors. The company is represented jointly by the executive director and the procurator. As of 31.12.2023 the members of the Board of Directors are: Stanimir Karolev - Chairman of the Board of Directors, Konstantin Prodanov - Deputy Chairman of the Board of Directors and Daniel Ganev – Chief Executive Officer. The sole owner of the Management company's capital is Stanimir Karolev.

#### **1.2. Investment activity in 2023**

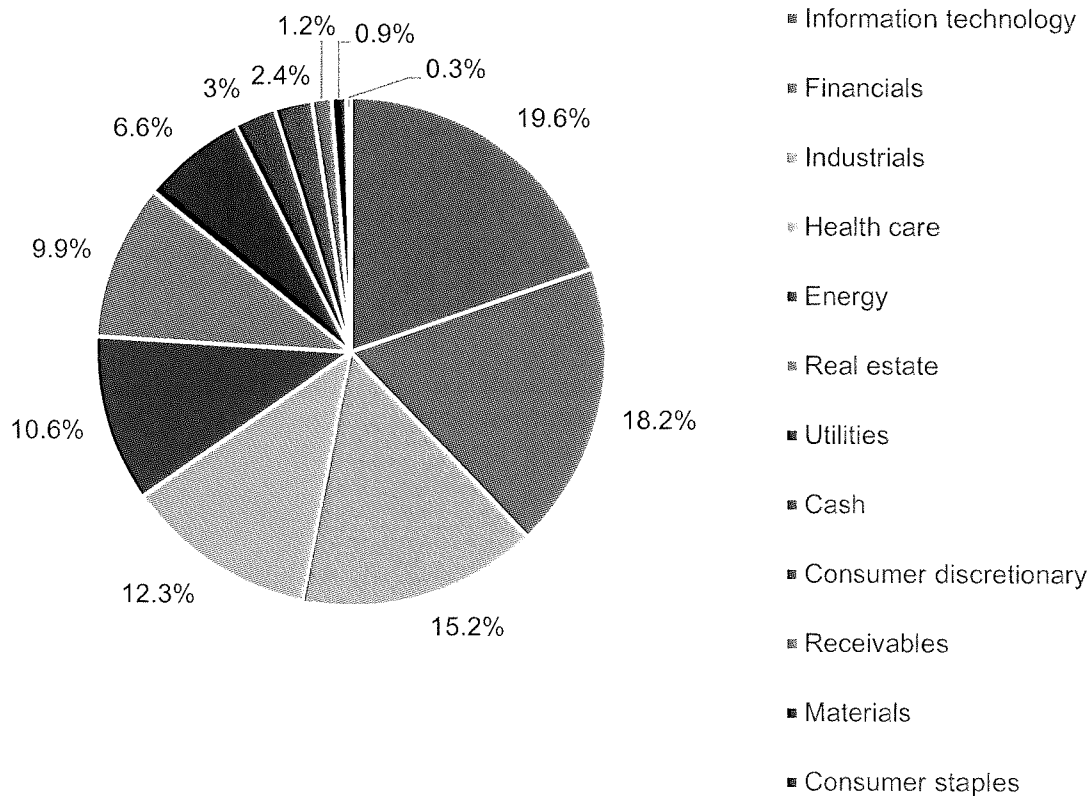
As of 31.12.2023, the distribution of funds between the two markets in which the Fund operates is characterized by a predominance of equities of Bulgarian companies (64.3%, including 0.94% warrants), followed by the share of equities of Romanian companies (31.8%), cash - 2.6% and receivables - 1.2%.

Portfolio of MF Advance Invest as of 31.12.2023.



**Portfolio allocation of MF Advance Invest by sectors as of 31.12.2023.**

As of December 31, 2023, the distribution of the portfolio by sector shows that the fund's three largest sector exposures account for 50% - information technology (19.6%), financial services (18.2%), and industrial manufacturing (15.2%).



Leading portfolio positions and share of assets as of 31.12.2023.

Company:	ISIN:	Currency:	% of assets:
SOPHARMA AD	BG11SOSOBT18	BGN	7.7%
SHELLY GROUP AD	BG1100003166	BGN	7.4%
SIRMA GROUP HOLDING AD	BG1100032140	BGN	5.9%
OMV PETROM	ROSNPPACNOR9	RON	5.2%
S.P.E.E.H. HIDROELECTRICA S.A.	RO4Q0Z5RO1B6	RON	5.0%
ADVANCE TERRAFUND REIT	BG1100025052	BGN	5.0%
AGRIA GROUP HOLDING AD	BG1100085072	BGN	4.9%
ELEVEN CAPITAL AD	BG1100011193	BGN	4.4%
ROMGAZ S.A.	ROSNGNACNOR3	RON	3.3%
BANKA TRANSILVANIA	ROTLVAACNOR1	RON	3.1%

### 1.3. Financial result and comprehensive income for 2023.

The financial result of MF Advance Invest as of 31 December 2023 is profit BGN 2,046 thousand (2022: profit BGN 295 thousand), formed by:

- Profit from operations with investments BGN 1,581 thousand (2022: profit BGN 161 thousand),
- Dividend income BGN 837 thousand (2022: BGN 459 thousand),
- Foreign exchange losses BGN 29 thousand (2022: loss BGN 5 thousand)
- Expenses related to the Fund's activities BGN 343 thousand (2022: BGN 320 thousand) representing 2.87% of the average annual net asset value of the statement of financial position. Of these, BGN 299 thousand represent the management fee of the Management Company.

### 1.4. Changes in the unit price of Advance Invest



The Fund's return over the trailing 12 months to 31 December 2023 is 18.2%. Despite their twice lower weight, Romanian positions in the portfolio had a higher positive contribution than Bulgarian. At an industry level, stocks in the Healthcare, Information Technology and Energy sectors were relatively equal contributors to annual returns, accounting for around 70% of

returns. At the same time, issues from the Industrials and Materials sectors made a small negative contribution to the Fund's performance over the past 12 months.

The Fund's returns over longer historical periods remain positive and are presented in annualized form in the following table.

Performance as of 31.12.2023	MF Advance Invest
Since the beginning of the year	+18.25%
3 years (annualized)	+18.28%
5 years (annualized)	+10.97%
Since launch (annualized)	+3.87%

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

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

Risk management procedures include:

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

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

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

The risk factors that have effect on the investments of MF Advance Invest are:

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

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

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

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

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

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

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

## 2. Important post-reporting date events

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

## 3. Expected future development of the Fund

The outlook for stock indices in the CEE region, including Bulgaria and Romania, is positive given the low valuation ratios of the region's public companies and stronger macroeconomic data relative to Western Europe. In view of the significant gains in Romanian equities in 2023, we expect a relatively more moderate performance in the current year 2024, but also - continued high dividend yield in the 7%-8% range for our core positions in Romania. We are more positive on the performance of the Bulgarian stocks in the portfolio. The large and proven stocks on the Bulgarian exchange, the so-called blue chips, as well as those with high dividend yields should maintain a strong performance. At the same time, we see catch-up potential in smaller and growing technology-oriented companies while maintaining the current positive global risk sentiment. We plan to increase our exposure to this segment as attractive investment opportunities arise, both in current positions in the Fund's portfolio and in upcoming initial public offerings.

## 4. Research and development activities

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

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

During the reporting period the Fund issued 653,000.5248 units and repurchased 224,798,6532 units of MF Advance Invest with a par value of BGN 1. The net asset value of the Fund increased from BGN 10,730 thousand at the beginning of 2023 to BGN 13,579 thousand at the end of the year. The number of unit holders during the year changed to 762 as of the end of 2023, of which 749 individuals and 13 legal entities.

The equity in the amount of BGN 13,579 thousand consist of:

- Share capital: BGN 6,534 thousand;
- Premium reserve on units issued: BGN 85 thousand;
- General reserves: BGN 1,856 thousand;
- Retained earnings: BGN 3,058 thousand.
- Profit for 2023: BGN 2,046 thousand.

The fund does not distribute dividends. The fund has no registered branches. There are no restrictions on the rights of the members of the Board of Directors of the Management Company with respect to the acquisition of units of the Fund. As of 31.12.2023 Bistra Kotseva owns 8,204.9215 units of the Fund.

In 2023, the Management company elects the audit firm Grant Thornton OOD with registration number 032 to audit the annual financial statements for 2023. The agreed remuneration amounts to BGN 5,500 thousand without VAT.

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

	31.12.2023	31.12.2022	31.12.2021
	BGN	BGN	BGN
Net assets	13,578,531.14	10,730,281.22	10,428,212.64
Net asset value per share	2.0780	1.7573	1.7087

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

In 2023, the Management Company identifies and measures all risk factors associated with the individual instruments in the Fund's portfolio, then measures the total exposure of the portfolio to these factors and takes decisions on limits, tolerance and risk management at portfolio level. The Fund's total risk exposure is calculated daily. The risk management department calculates the measurement and market risk assessment indicators.

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

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

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

As at 31.12.2023 the total risk of the Fund's portfolio, measured by the standard deviation is 6.93%. The total portfolio risk of MF Advance Invest is measured by the historical volatility of a unit price, measured by the standard deviation.

The Risk Management Department performed a back-test of the validity of the risk assessment and forecasting model, measured by the NAV Standard Deviation approach, in order to verify the sustainability of the Fund's price risk assessment model, as of 10.01.2024 has compiled a report covering the period 01.01.2023 – 31.12.2023. The report, adopted by the Board of Directors on 10.01.2024, states that under standard market conditions the model is sufficiently precise in forecasting the maximum allowable monthly loss with a 99% confidence interval. During the back testing period, one excess over the estimated maximum loss was found, which was the result of geopolitical factors related to the military conflict in



Ukraine. During the back-testing period, no exceedances of the estimated maximum loss were found. In conclusion to the analysis, the Management Company has decided that there is no need to review the used model for maximum value at risk and the parameters used for its application.

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

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

Karoll Capital Management EAD has adopted a policy to integrate sustainability risks into its investment decision-making process in order to invest responsibly on behalf of and at the expense of managed collective investment schemes. The Management Company takes into account the risks to sustainability in the investment decision-making process, as these risks affect the risk of investments and, accordingly, their return. The Management Company applies the principles of responsible investment and sustainability in asset management, using assessments and indicators of sustainable finance from external suppliers in examining and determining the main adverse impacts on sustainability as part of the investment process. In the absence of such external assessments, the Management Company applies an internal factor assessment based on its own model, which takes into account both the criteria and the specifics of the sectors in which companies operate and their ability to collect and disclose information about their actions towards sustainability and social responsibility.

In accordance with the requirements of Delegated Regulation (EU) 2022/1288 of the Commission of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council, with regard to regulatory technical standards detailing the content and presentation of information in relation to the principle of non-material detriment and specifying the content, the methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, as well as the content and presentation of information in relation to the promotion of environmental or social performance and sustainable investment objectives in pre-contractual documents, websites and periodic reports, Karoll Capital Management EAD has published on its website information on the reported main adverse impacts of investment decisions on sustainability factors for the period 01.01.2022 - 31.12.2022, and such for the period 01.01.2023 - 31.12.2023 is to be published by 30.06.2024.

Although a significant part of the investments made by the Fund could meet the principles of sustainable investment, the Fund does not have environmental and/or social characteristics within the meaning in Art. 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council from 29 November 2019 on the disclosure of sustainability information in the financial services sector.

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

## 9. Remuneration policy of the Management company

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

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

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

**Sofia**  
**18.03.2024**

**Daniel Ganev:**   
**Chief Executive Officer**  
**MC Karoll Capital Management EAD**

**Bistra Kotseva:**   
**Procurator**  
**MC Karoll Capital Management EAD**



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## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of  
Mutual Fund Advance Invest  
57 Hristo Botev str., Sofia**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **Mutual Fund Advance Invest** (the Fund), which comprise the statement of financial position as of 31 December 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Fund in accordance with the International 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 and other applicable regulatory requirements, but does not include the financial statements and our auditor's report thereon.

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

#### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

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

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

**Mariy Apostolov**  
Managing partner

**Grant Thornton Ltd.**  
Audit firm

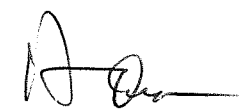
22 March 2024  
Bulgaria, Sofia, 26, Cherni Vrah Blvd.



**Silvia Dinova**  
Registered auditor responsible for the audit

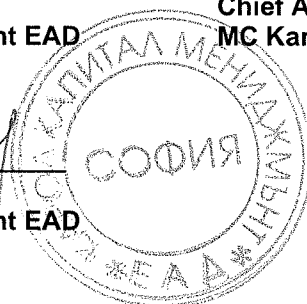
MF ADVANCE INVEST  
 STATEMENT OF FINANCIAL POSITION  
 31 DECEMBER 2023  
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	31.12.2023	31.12.2022
<b>Assets</b>			
Cash and cash equivalents	6	361	456
Financial assets at fair value through profit or loss	5	13,083	10,306
Current receivables	7	169	1
<b>Total assets</b>		<b>13,613</b>	<b>10,763</b>
<b>Net assets, belonging to the shareholders</b>			
Share capital	8.1	6,534	6,106
Premium reserve	8.2	85	(290)
General reserves		1,856	1,856
Retained earnings		5,104	3,058
<b>Total net assets, belonging to the shareholders</b>		<b>13,579</b>	<b>10,730</b>
<b>Liabilities</b>			
Related party payables	11.2	31	24
Trade payables		3	9
<b>Total liabilities</b>		<b>34</b>	<b>33</b>
<b>Total liabilities and net assets, belonging to the shareholders</b>		<b>13,613</b>	<b>10,763</b>

Daniel Ganev:   
 Chief Executive Officer  
 MC Karoll Capital Management EAD

Stoyka Koritarova:   
 Chief Accountant  
 MC Karoll Capital Management EAD

Bistra Kotseva:   
 Procurator  
 MC Karoll Capital Management EAD

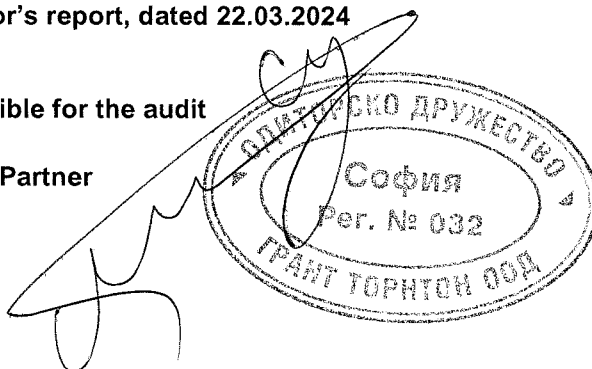


Date: 18.03.2024

Audited, according to auditor's report, dated 22.03.2024

Silvia Dinova  
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner  
 Grant Thornton Ltd.  
 Audit company



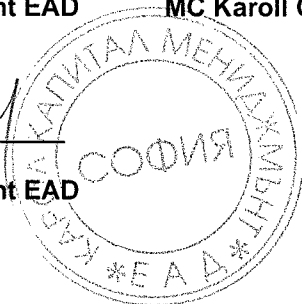
MF ADVANCE INVEST  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 31 DECEMBER 2023  
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Note	For the year ending 31.12.2023	For the year ending 31.12.2022
Dividend income	9.1	837	459
Gain from operations with financial assets measured at fair value through profit or loss, net	9.2	1,581	161
Loss from foreign currency exchange differences, net	9.3	(29)	(5)
<b>Net gain from financial assets</b>		<b>2,389</b>	<b>615</b>
Hired services expenses	10	(343)	(320)
<b>Total operating expenses</b>		<b>(343)</b>	<b>(320)</b>
Profit for the year		<b>2,046</b>	<b>295</b>
<b>Total comprehensive income</b>		<b>2,046</b>	<b>295</b>

Daniel Ganev:   
 Chief Executive Officer  
 MC Karoll Capital Management EAD

Stoyka Koritarova:   
 Chief Accountant  
 MC Karoll Capital Management EAD

Bistra Kotseva:   
 Procurator  
 MC Karoll Capital Management EAD

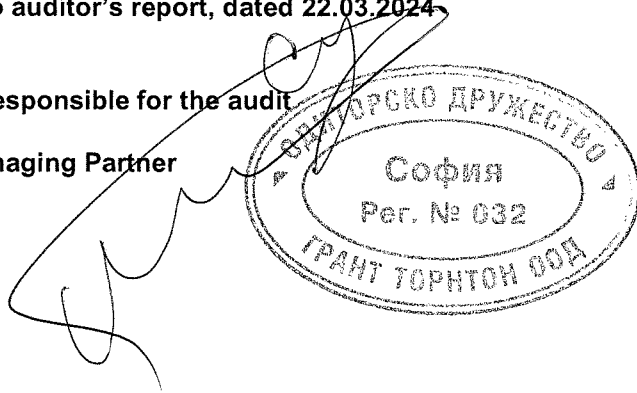


Date: 18.03.2024

Audited, according to auditor's report, dated 22.03.2024

Silvia Dinova  
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner  
 Grant Thornton Ltd.  
 Audit company



The accompanying notes on pages from 5 to 25 form an integral part of the financial statements.

MF ADVANCE INVEST  
 STATEMENT OF CASH FLOWS  
 31 DECEMBER 2023  
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

Note	For the year ending 31.12.2023	For the year ending 31.12.2022
<b>Cash flows from operating activities</b>		
Cash payments for financial assets' acquisition	(2,372)	(1,901)
Proceeds from sale of financial assets	1,151	1,283
Cash payments, related to foreign currency operations, net	(1)	(5)
Dividend received	667	458
Cash payments to the Management Company	(314)	(280)
Cash payments related to trade counterparties	(30)	(40)
<b>Net cash flows from operating activities</b>	<b>(899)</b>	<b>(485)</b>
<b>Cash flows from financial activities</b>		
Proceeds from units' issue	8.1 1,322	517
Payments for units repurchase	8.1 (518)	(509)
<b>Net cash flow from financing activities</b>	<b>804</b>	<b>8</b>
<b>Net changes in cash and cash equivalents</b>	<b>(95)</b>	<b>(477)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	6 <b>456</b>	<b>933</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>361</b>	<b>456</b>

Daniel Ganev:   
 Chief Executive Officer  
 MC Karoll Capital Management EAD

Stoyka Koritarova:   
 Chief Accountant  
 MC Karoll Capital Management EAD

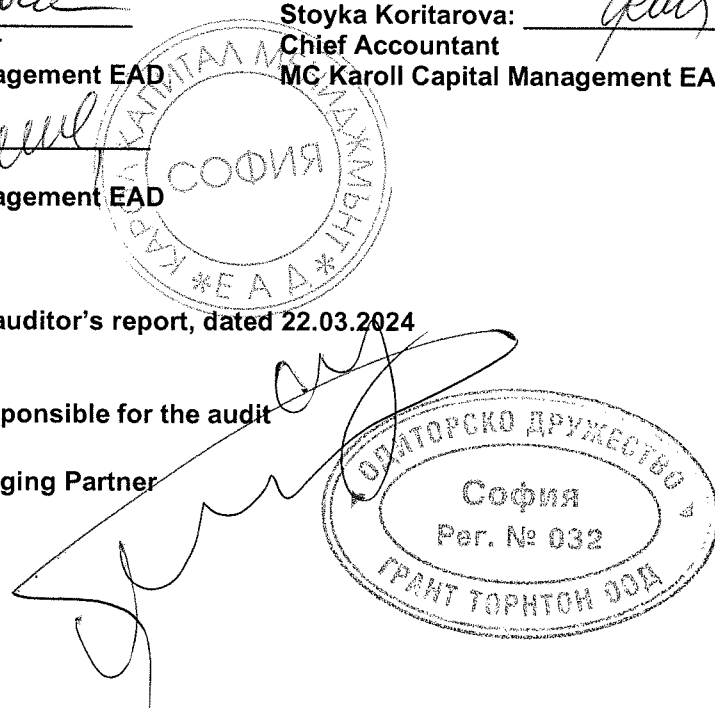
Bistra Kotseva:   
 Procurator  
 MC Karoll Capital Management EAD

Date: 18.03.2024

Audited, according to auditor's report, dated 22.03.2024

Silvia Dinova  
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner  
 Grant Thornton Ltd.  
 Audit company



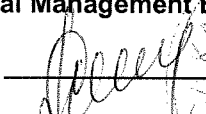
The accompanying notes on pages from 5 to 25 form an integral part of the financial statements.

MF ADVANCE INVEST  
 STATEMENT OF CHANGES IN NET ASSETS,  
 ATTRIBUTABLE TO SHAREHOLDERS  
 31 DECEMBER 2023  
 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

	Share capital	Premium reserve	General reserves	Retained earnings	Total
<b>Balance as of 1 January 2022</b>	<b>6,103</b>	<b>(294)</b>	<b>1,856</b>	<b>2,763</b>	<b>10,428</b>
Issue of units	288	225	-	-	513
Repurchase of units	(285)	(221)	-	-	(506)
Transactions with shareholders	3	4	-	-	7
Profit for the year	-	-	-	295	295
Total comprehensive income for the year	-	-	-	295	295
<b>Balance as of 31 December 2022</b>	<b>6,106</b>	<b>(290)</b>	<b>1,856</b>	<b>3,058</b>	<b>10,730</b>
Issue of units	653	568	-	-	1,221
Repurchase of units	(225)	(193)	-	-	(418)
Transactions with shareholders	428	375	-	-	803
Profit for the years	-	-	-	2,046	2,046
Total comprehensive income for the year	-	-	-	2,046	2,046
<b>Balance as of 31 December 2023</b>	<b>6,534</b>	<b>85</b>	<b>1,856</b>	<b>5,104</b>	<b>13,579</b>

Daniel Ganev:   
 Chief Executive Officer  
 MC Karoll Capital Management EAD

Stoyka Koritarova:   
 Chief Accountant  
 MC Karoll Capital Management EAD

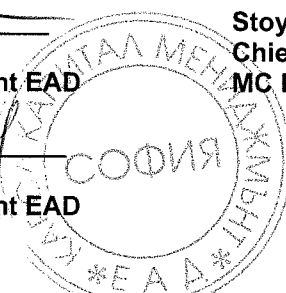
Bistra Kotseva:   
 Procurator  
 MC Karoll Capital Management EAD

Date: 18.03.2024

Audited, according to auditor's report, dated 22.03.2024

Silvia Dinova  
 Registered auditor, responsible for the audit

Mariy Apostolov, Managing Partner  
 Grant Thornton Ltd.  
 Audit company



The accompanying notes on pages from 5 to 25 form an integral part of the financial statements.



## Notes to the financial statements

### 1. General information

MF Advance Invest (The Fund) with UIC 131187474 is an open-ended collective investment undertaking, operating on a risk-sharing basis. The Fund was established as an open-ended investment company in October 2003 and was registered in Bulgaria by Decision No. 1 of 21 January 2004 of the Sofia City Court. The Fund is registered in the Commercial Register with 2,050,000 ordinary registered shares with voting rights, with a nominal value of BGN 1. The Fund was re-registered in the Commercial Register in May 2008 and September 2013.

The Fund was authorised to carry out its activities by decision No. 561-ID of 22 December 2003 of the FSC, namely: investing in securities with cash raised through public offerings of shares.

The public offering for sale and redemption of the Fund's shares over the counter commenced on 10 May 2004. The Fund's shares are not listed for trading on a regulated market. The number of units outstanding as of December 31, 2023 and 2022 amounted to 6,534,441.2027 and 6,106,239.3311, respectively.

By an effective decision of the FSC 479 - ID /26.06.2013 the legal form of the Fund was transformed from an open-ended investment company into a mutual fund. The changes are reflected in the Commercial Register. Mutual fund Advance Invest was entered in the register of the FSC under Article 30, Paragraph 1, Item 4 of the FSC Act by Decision 736 - DF /03.10.2013. With the said decision an issue of shares was cancelled, and an issue of units was entered in the public register kept by the FSC. The Fund's units are not listed for trading on a regulated market.

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

Mutual Fund Advance Invest is managed by Karoll Capital Management EAD, a management company based in Sofia, Bulgaria – Vazrazhdane district, 57 Hristo Botev str., and management address in Sofia, Bulgaria – Lozenets district, 1 Zlatovrah str. MC Karoll Capital Management EAD, acting on behalf of the Fund, has elected Eurobank Bulgaria AD as a custodian bank that will hold dematerialised securities and cash of the Fund.

The fund capital is a variable and may vary depending on the number of units issued and offered for redemption but is always equal to the net asset value of the Fund.

#### 1.1. Investment strategy of the Fund

The main goal is to increase the value of investments of the units of the Fund by realizing capital gains by assuming moderate to high level of risk. Active management of the Fund's investment portfolio is at the core of the strategy to achieve the expected returns.

In order to achieve the Fund's investment objectives, the model of active management of the portfolio of financial instruments is applied depending on the market conditions by selecting financial instruments with price growth potential determined by fundamental and technical parameters. Investments will be focused in shares of Bulgarian, Romanian and other Eastern European companies.

One of the criteria by which assets are selected is that they have growth potential as determined by fundamentals and technical parameters. Another criterion is the requirement that the assets have relatively high liquidity, namely that they can be realised at any point in time without significant losses.

Last but not least, the instruments are selected so that the investment portfolio is optimally diversified in terms of number of instruments, size and sector of issuers so as to reduce as far as possible the risk of adverse price movements of individual positions. In terms of sector structure, the specific allocation of investments depends on our analysis and expectations of the current state of the relevant sector and its companies. Consequently, greater weightings in the Fund's investment portfolio are given to stocks in companies and sectors for which the outlook is most favourable and hence the expected return in the form of market price growth for these stocks is highest. Despite the Fund's focus on equities, active portfolio management requires that in periods of anticipated market downturn, a greater than normal proportion of the funds raised are allocated to cash.

## **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 2022) unless stated otherwise.

### *Going concern principle assumption*

The financial statements have been prepared under the going concern principle. The management of the Fund's Management Company has made an analysis and assessment of the Fund's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Fund has sufficient financial resources to continue as a going concern in the foreseeable future and continues to apply the going concern basis in preparing the financial statements.

## **3. Changes in accounting policies**

### **3.1. New standards adopted as of 1 January 2023**

The Fund has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's separate financial statements for the annual period beginning 1 January 2023, but do not have a significant effect on their application on the financial result and the financial condition of the Fund:

- Amendments to IAS 1 „Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies“ effective from 1 January 2023, adopted by the EU
- Amendments to IAS 8 „Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates“ effective from 1 January 2023, adopted by the EU
- IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU
- Amendments to IFRS 17 “Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information” effective from 1 January 2023, adopted by the EU.
- Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”, effective from 1 January 2023, adopted by the EU
- Amendments to IAS 12 “Income taxes: International Tax Reform – Pillar Two Model Rules”, effective from 1 January 2023, adopted by the EU

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Fund.

All standards and amendments are expected to be adopted in the Fund's accounting policies in the first period beginning after their effective date.

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective not earlier than 1 January 2024 not yet adopted by the EU
- Amendments to IAS 1 "Presentation of financial statements: Non-current liabilities with covenants", effective from 1 January 2024, adopted by the EU
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU.
- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures: Supplier Finance Arrangements", effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 21 "The effects of changes in foreign exchange rates: Lack of exchangeability", effective from 1 January 2025, not yet adopted by the EU

#### **4. Significant accounting policies**

##### **4.1. General provisions**

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

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

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

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

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". 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.

##### **4.3. Foreign currency transactions**

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

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

#### **4.4. Revenues**

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

##### **4.4.1. Interest income**

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

Interest received from bank deposits is shown in the cash flow statement as interest income.

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

##### **4.4.2. Net income from investment operations**

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

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

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

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

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

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

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

#### **4.5. Expenses**

Expenses related to the Fund's activities are recognized in profit or loss in the statement of profit or loss and other comprehensive income, following the accrual basis. The annual operating expenses of the Fund shall not exceed 4.50% of the annual average net asset value of the Fund. The percentage is determined by the management of the Management Company, as it is set in the Prospectus of the Fund and is approved by the Financial Supervision Commission. Operating expenses, which are indirectly borne by all its unitholders, including Management and remuneration fees of the Custodian Bank shall be charged daily, in accordance with the concluded agreements with the Management Company and the Custodian Bank.

The costs of issuing units are included in the issue value per unit. The costs of issuing units shall depend on the size of the accepted order as follows:

- 1.5% (1.5 percent) of the net asset value per unit for orders up to BGN 100,000.
- 1% (1.0 per cent) of the net asset value per unit for orders above BGN 100,000.00.

- no expenses 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.

By a resolution of the Board of Directors of Karoll Capital Management EAD, MF Advance Invest announced the issue values of the units in the promotional period from 26 June 2023 to 14 July 2023, applying the following reduced issue costs:

- 0.75 percent of the net asset value per unit when investing an amount up to and including BGN 100,000 and
- 0.5 percent of the net asset value per unit when investing an amount exceeding BGN 100,000,

Unitholders do not pay expenses for redemption of units of the Fund. These expenses are payable by the Fund to the Management Company and are due by the 5th of following month.

#### **4.6. Financial instruments**

##### **4.6.1. Recognition and derecognition**

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

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

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

##### **4.6.2. Classification and initial meas of financial assets**

Financial assets are initially recorded at fair value adjusted for transaction costs, except for financial assets at fair value through profit or loss that do not have a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs, which are recorded as current expenses.

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.

The Fund classifies its investments based on both:

- the business model for their management.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented on the line "Gain/(loss) on transactions with investments, net" in the Statement of profit or loss and other comprehensive income.

##### **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 date, which are only principal payments and interest on the outstanding amount of the principal.

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

### **Receivables**

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

### **Financial assets measured 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. Financial instruments covered include debt instruments at amortised cost.

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. None of the Fund's financial assets fall into this category.

"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 expected to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

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

As at the reporting date, the leadership of the Management Company has made an approximate assessment of the impairment of receivables based on the expected credit losses and has

concluded that it is insignificant, respectively it is not accounted for and presented in the financial statements.

#### **4.6.5. Classification and measurement of the financial liabilities**

The Fund's financial liabilities include trade payables.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs, unless the Fund has designated a financial liability as at fair value through profit or loss.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for derivatives and financial liabilities that are designated at fair value through profit or loss (except for derivative financial instruments that are designated and effective as hedging instruments).

Any interest expense and, if applicable, changes in the fair value of the instrument that are recognised in profit or loss are included in finance costs or finance income.

#### **4.7. Cash and cash equivalents**

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

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

#### **4.8. Income taxes**

According to the Corporate Income Tax, collective investment schemes that are admitted for public offering in Bulgaria are not subject to corporate tax.

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

The Fund is an open-type collective investment scheme that issued its "capital" instruments and then has the responsibility for their repurchase. The funds raised - face value and reserves and issuing financial result which determines net asset value, belongs 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 15.

The estimation of the net asset value of the Fund shall be under the rules for determining the net asset value of MF Advance Invest, 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 Invest, calculated every business day. The net assets value of the Fund is obtained by reducing the value of all assets from the value of liabilities. The net assets value of the Fund shall be declared in Bulgarian Lev.

As of 01.01.2023, the Fund determines the NAV, the issue value and the redemption price of the units each business day for the previous business day.

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

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

- the rules and prospectus of the Fund.

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

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

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

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

The amount recognised as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties associated with the present obligation.

Where there are several similar obligations, the likelihood that an outflow to settle the obligation is determined by considering the class of obligations as a whole. Provisions are discounted when the effect of the time value of money is significant.

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

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

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

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

#### **4.11. Significant management judgments 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 Art. 38 of 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, management companies, national investment funds, alternative investment funds and alternative investment fund managers.
- According to agreement with the Management Company and the Custodian, fees are collected daily.
- The management of the Fund is carried out by the Management Company. Management fees and expenses for marketing services provided by the Management Company are charged daily.



- The Fund does not have the right, and has no tangible or intangible assets, investment property. The Fund is not entitled to be a party to lease agreements and thus no accounting policy has been adopted regarding this type of assets.
- The Fund does not have its own staff and thus no accounting policy has been adopted for pension and other employee obligations, as well as for staff remuneration based on shares.

#### 4.12. Uncertainty of the accounting estimates

In preparing the financial statements, management makes a number of assumptions, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and assumptions and, in rare cases, are fully consistent with previously estimated results.

Information about the significant assumptions, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is presented below.

##### 4.12.1. Fair value of financial instruments

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

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

##### 4.12.2. Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows due to the Fund and all cash flows that the Fund expects to receive. Expected credit losses are probability weighted assessment of credit losses, that require judgment from the Management's company officers. Expected credit losses are discounted with the initial effective interest rate (or with adjustments to the loan effective interest rate for purchased or initially created financial assets with credit impairment).

## 5. Financial assets at fair value through profit or loss

	Note	Fair value As of 31.12.2023	Fair value As of 31.12.2022
Shares in Bulgarian Lev	5.1	8,626	7,127
Shares in foreign currency	5.2	4,329	3,117
Warrants in Bulgarian Lev	5.3	128	62
<b>TOTAL</b>		<b>13,083</b>	<b>10,306</b>

Investments are allocated by countries as follows:

Country	As of 31.12.2023	% of total assets	As of 31.12.2022	% of total assets
Bulgaria	8,754	64.30	7,189	66.80
Romania	4,329	31.80	3,117	28.96
<b>TOTAL</b>	<b>13,083</b>	<b>96.10</b>	<b>10,306</b>	<b>95.76</b>

Investments are allocated by sectors are follows:

	<b>As of 31.12.2023</b>	<b>% of total assets</b>	<b>As of 31.12.2022</b>	<b>% of total assets</b>
IT	2,674	19.64	1,396	12.97
Financial services	2,482	18.23	2,323	21.59
Industrial manufacturing	2,069	15.20	2,230	20.72
Healthcare	1,670	12.26	1,128	10.48
Energy	1,445	10.62	1,047	9.73
Real estate	1,349	9.91	1,242	11.54
Utilities	898	6.60	162	1.5
Consumer goods	328	2.41	341	3.17
Materials	128	0.94	186	1.73
Consumer staples	40	0.29	251	2.33
<b>TOTAL</b>	<b>13,083</b>	<b>96.10</b>	<b>10,306</b>	<b>95.76</b>

Investments are allocated by currency as follows:

		<b>As of 31.12.2023</b>	<b>% of total assets</b>	<b>As of 31.12.2022</b>	<b>% of total assets</b>
Bulgarian Lev	BGN	8,754	64.30	7,189	66.80
Romanian Lei	RON	4,329	31.80	3,117	28.96
<b>TOTAL</b>		<b>13,083</b>	<b>96.10</b>	<b>10,306</b>	<b>95.76</b>

Allocation of investments by trading market:

<b>Market</b>	<b>As of 31.12.2023</b>	<b>% of total assets</b>	<b>As of 31.12.2022</b>	<b>% of total assets</b>
Bulgarian Stock Exchange	8,754	64.30	7,189	66.80
Bucharest Stock Exchange	4,329	31.80	3,117	28.96
<b>TOTAL</b>	<b>13,083</b>	<b>96.10</b>	<b>10,306</b>	<b>95.76</b>

#### 5.1. Shares in Bulgarian Lev

	<b>ISIN</b>	<b>As of 31.12.2023</b>	<b>% of total assets</b>	<b>As of 31.12.2022</b>	<b>% of total assets</b>
Sopharma AD	BG11SOSOBT18	1,052	7.73	513	4.77
Shelly Group AD	BG1100003166	1,008	7.41	364	3.38
Sirma Group Holding AD	BG1100032140	797	5.85	299	2.77
Advance Terrafund REIT	BG1100025052	677	4.98	702	6.52
Agria Group Holding AD	BG1100085072	663	4.87	851	7.9
Elevan Capital AD	BG1100011193	595	4.37	663	6.16
Real Estate Fund Bulgaria REIT	BG1100001053	382	2.80	315	2.93
Central Cooperative Bank AD	BG1100014973	310	2.28	329	3.05
Doverie United Holding AD	BG1100038980	297	2.18	164	1.53
Sopharma Trading AD	BG1100086070	279	2.05	255	2.37
First Investment Bank AD	BG1100106050	271	1.99	167	1.55
Fairplay Properties REIT	BG1100042057	265	1.95	221	2.05
Trace Group Hold AD	BG1100049078	207	1.52	198	1.84
Monbat AD	BG1100075065	202	1.48	244	2.27
Stara Planina Hold AD	BG1100046066	177	1.30	211	1.96
Bianor Holding AD	BG1100005971	155	1.14	140	1.3
Eurohold Bulgaria AD	BG1100007076	147	1.08	-	-
Smart Organic AD	BG1100114062	144	1.06	172	1.6

	ISIN	As of 31.12.2023	% of total assets	As of 31.12.2022	% of total assets
Telematik Interactive Bulgaria EAD	BG1100005153	135	0.99	28	0.26
Industrial Holding Bulgaria AD	BG1100014213	131	0.97	143	1.33
Bulgarian River Shipping AD	BG1100019980	109	0.80	118	1.1
Webit Investment Network ADe	BG1100100038	109	0.80	124	1.15
Neohim AD	BG1100004222	102	0.75	101	0.94
BSE AD – Sofia	BG1100016978	79	0.58	-	-
ELANA – Agrocredit AD	BG1100040101	68	0.50	148	1.37
Biodit AD	BG1100003190	53	0.39	70	0.65
Impuls Growth AD	BG1100005211	48	0.35	5	0.04
BG Agro AD	BG1100151072	40	0.29	55	0.51
Fazerless AD	BG11FASIAT18	11	0.08	12	0.12
Yuri Gagarin PLC	BG11PLPLVT16	10	0.07	9	0.09
Energetics and Energy Savings Fund – FEEI SPV	BG1100026068	9	0.06	7	0.07
Bilboard AD	BG1100088076	7	0.05	7	0.07
Gradus AD	BG1100002184	-	-	196	1.82
Albena AD	BG11ALBAAT17	-	-	133	1.23
EMKA AD	BG11EMSEAT19	-	-	19	0.18
<b>TOTAL</b>		<b>8,626</b>	<b>63.36</b>	<b>7,127</b>	<b>66.22</b>

## 5.2. Shares in foreign currency

	ISIN	As of 31.12.2023	% of total assets	As of 31.12.2022	% of total assets
OMV PETROM	ROSNPPACNOR9	759	5.58	558	5.19
S.P.E.E.H. HIDROELECTRICA S.A.	RO4Q0Z5RO1B6	679	4.99	-	-
ROMGAZ S.A.	ROSNGNACNOR3	451	3.31	282	2.62
BANKA TRANSILVANIA	ROTLVAACNOR1	417	3.06	305	2.83
BANCA ROMANA PENTRU SOCIETATEA ENERGETICA ELECTR	ROBRDBACNOR2	216	1.59	158	1.46
TRANSPORT TRADE SERVICES S.A.	ROELECACNOR5	181	1.33	128	1.19
SIF MUNTENIA S.A.	ROYCRRK66RD8	179	1.32	77	0.71
IAR BRASOV	ROSIFDACNOR6	179	1.31	142	1.32
INFINITY CAPITAL INVESTMENTS S.A.	ROIARVACNOR1	172	1.26	116	1.08
BIOFARM S.A.	ROSIFEACNOR4	160	1.17	146	1.35
SNTGN TRANSGAZ S.A.	ROBIOFACNOR9	159	1.17	120	1.11
TRANSILVANIA INVESTMENTS ALLIANCE S.A.	ROTGNTACNOR8	130	0.96	120	1.11
CONPET PLOIESTI	ROSIFCACNOR8	115	0.85	98	0.91
MEDLIFE S.A.	ROCOTEACNOR7	105	0.77	87	0.81
AROBS TRANSILVANIA SOFTWARE	ROMEDLACNOR6	76	0.56	81	0.76
FONDUL PROPRIETATEA SA	ROWMR49B0RG5	74	0.55	-	-
PURCARI WINERIES PLC	ROFPTAACNOR5	67	0.49	382	3.55
TURBOMECANICA S.A.	CY0107600716	62	0.46	37	0.34
S.N. NUCLEARELECTRICA S.A.	ROTBMBACNOR9	47	0.34	29	0.27
VRANCART SA	ROSNNEACNOR8	39	0.28	34	0.32
TERAPLAST S.A.	ROVRJUACNOR7	32	0.24	21	0.2
ANTIBIOTICE	ROTRPLACNOR7	30	0.22	32	0.3
COMPA S.A.	ROATBIACNOR9	-	-	102	0.95
ALRO S.A.	ROCMPSACNOR9	-	-	31	0.29
	ROALROACNOR0	-	-	31	0.29
<b>TOTAL</b>		<b>4,329</b>	<b>31.80</b>	<b>3,117</b>	<b>28.96</b>

### 5.3. Warrants in Bulgarian Lev

	ISIN	As of 31.12.2023	% of total assets	As of 31.12.2022	% of total assets
SOPHARMA AD	BG9200001212	103	0.76	58	0.54
FAIRPLAY PROPERTIES REIT	BG9200002228	25	0.18	4	0.04
<b>TOTAL</b>		<b>128</b>	<b>0.94</b>	<b>62</b>	<b>0.58</b>

By 31.12.2023 Mutual Fund Advance Invest owns 65,180 exchange traded warrants of the issuer SOPHARMA AD (BG9200001212), obtained in the public offering of the issuer. The warrants entitle their holders to exercise within a 3-year period their right to subscribe for the respective number of shares - the underlying asset of the warrants at an issue value of BGN 4.13 per share, with a warrant/share conversion ratio of 1/1.

In 2022. Advance Invest Fund acquires 125,180 warrants in a public offering of the issuer SOFARMA AD and purchases 20,000 warrants on the stock exchange in 2023. In 2023 it successfully exercised its right to subscribe for 80,000 shares of the issuer SOFARMA AD at an issue value of BGN 4.13.

By 31.12.2023 Mutual Fund Advance Invest owns 629,814 Exchange Traded Warrants of the issuer FairPlay Properties REIT - Sofia (BG9200002228), obtained in the public offering of the issuer. The warrants entitle their holders to exercise within 5 years their right to subscribe for the respective number of shares - the underlying asset of the warrants at an issue value of BGN 1.00 per share, with a warrant/share conversion ratio of 1/1.

During the two periods presented, the Fund had no blocked investments or investments pledged as collateral for the Fund's obligations.

### 6. Cash and cash equivalents

	As of 31.12.2023	As of 31.12.2022
Cash in current accounts in BGN	7	130
Cash in current account in foreign currency	354	326
<b>TOTAL</b>	<b>361</b>	<b>456</b>

The Fund has no blocked cash and cash equivalents.

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.

### 7. Current receivables

	As of 31.12.2023	As of 31.12.2022
Securities receivables	169	1
<b>TOTAL</b>	<b>169</b>	<b>1</b>

As of 31.12.2023 the Fund has receivables on dividends voted for distribution from SOFARMA AD (BG11SOSOB18) in the amount of BGN 165 thousand and Telematic Interactive Bulgaria EAD (BG1100014213) Poland in the amount of BGN 4 thousand. The same were received in January 2024.

## 8. Net assets, belonging to shareholders

### 8.1. Number of units issued

During the periods presented, the number of units outstanding was as follows:

Capital changes	Number of units	Nominal value	Share capital BGN'000
<b>As of 01.01.2022</b>	<b>6,103,135.4422</b>	<b>1 BGN/unit</b>	<b>6,103</b>
Units issued	288,036.7346	1 BGN/unit	288
Units repurchased	(284,932.8457)	1 BGN/unit	(285)
<b>As of 31.12.2022</b>	<b>6,106,239.3311</b>	<b>1 BGN/unit</b>	<b>6,106</b>
Units issued	653,000.5248	1 BGN/unit	653
Units repurchased	(224,798.6532)	1 BGN/unit	(225)
<b>As of 31.12.2023</b>	<b>6,534,441.2027</b>	<b>1 BGN/unit</b>	<b>6,534</b>

### 8.2. Share premium

	As of 31.12.2023	As of 31.12.2022
Share premium as of 1 January	(290)	(294)
Change due to units issued	568	225
Change due to units repurchased	(193)	(221)
<b>Share premium as of 31 December</b>	<b>85</b>	<b>(290)</b>

### 8.3. Net asset value per share

Net asset value per share is the basis for determining the issue price and the repurchase price of units of MF Advance Invest, calculated every workday. Net asset value of the Fund is presented in Bulgarian Lev. For the purposes of these annual financial statements and compliance with the principles of IFRS, the net asset value per unit, issue price and redemption price have been calculated and presented as of 31.12.2023 and 31.12.2022.

	31.12.2023 NAV (IFRS)	22.12.2023 NAV (disclosed)	31.12.2022 NAV (IFRS)	30.12.2022 NAV (disclosed)
Net asset value	13,578,531.14	13,475,346.37	10,730,281.22	10,731,055.77
Total number of units issued	6,534,441.2027	6,538,388.6189	6,106,239.3311	6,106,239.3311
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per share	2.0780	2.0610	1.7573	1.7574
<b>Issue price</b>				
For orders up to BGN 100 000 after issue fee of 1.5% of the net asset value	2.1092	2.0919	1.7837	1.7838
For orders above BGN 100 000.00 after issue fee of 1.0% of the net asset value	2.0988	2.0816	1.7749	1.7750
For orders from institutional investors and orders resulting from and empowered by a contract for portfolio management with MC Karoll Capital Management – no issuance fee	2.0780	2.0610	1.7573	1.7574
Redemption price	2.0780	2.0610	1.7573	1.7574

By decision of the Board of Directors of the Management Company, the Fund have not accepted orders for and have not executed transactions with its own units on 28.12.2023 and 29.12.2023.

## 9. Operating results

### 9.1. Dividend income

	For the year ended 31.12.2023	For the year ended 31.12.2022
Dividend income from Romanian companies	437	226
Dividend income from Bulgarian companies	398	231
Dividend income from Cypriot companies	2	2
<b>TOTAL</b>	<b>837</b>	<b>459</b>

### 9.2. Gain from operations with financial assets at fair value through profit and loss

	For the year ended 31.12.2023	For the year ended 31.12.2022
Gains on revaluation of financial assets at fair value through profit or loss	18,171	19,844
Losses on revaluation of financial assets at fair value through profit or loss	(16,586)	(19,687)
Gains on transactions with financial assets at fair value through profit or loss	11	27
Losses on transactions with financial assets at fair value through profit or loss	(7)	(15)
Costs related to transactions with financial assets	(8)	(8)
<b>TOTAL</b>	<b>1,581</b>	<b>161</b>

### 9.3. Loss from exchange rate differences, net

	For the year ended 31.12.2023	For the year ended 31.12.2022
Loss from currency revaluations of financial assets	(345)	(298)
Profit from currency revaluations of financial assets	318	298
Losses from foreign exchange transactions, net	(2)	(5)
<b>TOTAL</b>	<b>(29)</b>	<b>(5)</b>

## 10. Hired services expenses

	For the year ended 31.12.2023	For the year ended 31.12.2022
Remuneration of the Management company	(299)	(267)
Remuneration of the custodian bank	(22)	(32)
Advertisement	(14)	(13)
Audit	(6)	(5)
Annual fees	(2)	(3)
<b>TOTAL</b>	<b>(343)</b>	<b>(320)</b>

Expenditures related to the Funds' operations in 2023 represent 2.87% (2022: 2.99%) from the average annual net asset value of the Fund's financial statements.

## 11. 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.

### 11.1. Transactions for the period

	For the year ended 31.12.2023	For the year ended 31.12.2022
<b><i>Transactions with the Management Company:</i></b>		
Remuneration to the Management Company	(299)	(267)
Fees for own shares issued	(8)	(2)
Remuneration for marketing services	(14)	(13)

The Management Company receives remuneration in the amount of 2.5% of the average annual net asset value of the Fund for the performed management actions.

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

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.

### 11.2. Related parties balances at year end

	As of 31.12.2023	As of 31.12.2022
Payables to the Management Company	31	24
<b>TOTAL PAYABLES</b>	<b>31</b>	<b>24</b>

The liabilities of the Fund to the Management Company as of 31.12.2023 represent due remuneration for the month of December 2023 and were fully repaid in January 2024

## 12. 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:

<b>Financial assets</b>	<b>Note</b>	As of 31.12.2023	As of 31.12.2022
Debt instruments at amortized cost:			
Current trade receivables	7	169	1
Cash and cash equivalents	6	361	456
		<b>530</b>	<b>457</b>
Financial assets at fair value through profit or loss:			
Shares	5	13,083	10,306
		<b>13,083</b>	<b>10,306</b>

<b>Financial liabilities</b>	<b>Note</b>	<b>As of 31.12.2023</b>	<b>As of 31.12.2022</b>
Financial liabilities at amortized cost:			
Trade and other payables		3	9
Related party payables	11.2	31	24
		<b>34</b>	<b>33</b>

See note 4.6 for information on the accounting policy for each category of financial instruments and the methods used to measure fair values. The Fund's risk management policy and objectives for financial instruments are presented in note 13.

### 13. Financial risk management

#### Risk management objectives and policy

In order to adequately manage the financial risks, Karoll Capital Management EAD has adopted the Risk Assessment and Risk Management Rules of Advance Invest. The implementation of the methods and procedures set out in the Rules is carried out on a daily basis by the Risk Management Department in the Management Company. In 2022, the Management Company amends the Fund's Risk Assessment and Risk Management Rules. The amendments have been approved by the FSC and will come into force on 01.01.2023.

#### Liquidity risk

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

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

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

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

According to the rules for maintenance and management of the liquid funds the Fund holds cash on deposits and in current accounts, in order to meet liquidity needs. The portfolio manager monitors on a daily basis cash as a percentage of the assets. On a quarterly basis, a risk management report shall be prepared for the Fund containing an assessment of the liquidity risk indicators calculated 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.

<b>As of 31 December 2023</b>	<b><u>Up to 1 month</u></b>
Current payables	34
<b>As of 31 December 2022</b>	<b><u>Up to 1 month</u></b>
Current payables	33



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

### **Market risk**

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

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

Market risk is concentrated in the following positions:

	As of 31.12.2023		As of 31.12.2022	
	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	13,083	96.10	10,306	96.05
<b>Total amount, exposed to market risk</b>	<b>13,083</b>	<b>96.10</b>	<b>10,306</b>	<b>96.05</b>

### **Currency risk**

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

During the reporting period the Fund did not carry out transactions with derivative instruments. The Management Company does not plan to hedge the currency exposures in the Fund's portfolio in 2024.

Concentration of foreign currency assets and liabilities on 31 December is as follows:

	Exposure to short-term risk
	Romanian Lei
<b>31 December 2023</b>	
Financial assets	4,329
<b>31 December 2022</b>	
Financial assets	3,117

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

- Romanian Lei +/- 1.72%

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

31 December 2023	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
Romanian Lei (+/-1.7%)	(67)	(67)	67	67
31 December 2022	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
Romanian Lei (+/-2.2%)	(69)	69	(69)	69

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

#### **Interest rate risk**

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

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

#### **Other price risk**

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

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

The Management Company measured general price risk of the investment portfolio through the historic volatility of the net asset value per share, which is measured by the standard deviation.

2023

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	17.53%	6.93%

2022

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	3.47%	12.78%

**Credit risk**

Exposure of the Fund to credit risk is limited to the carrying amount of financial assets, recognised at the reporting date, as indicated in note 12.

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

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

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

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

The Fund measures and assesses investment credit risk by performing credit analysis on issuing companies, monitoring and evaluating events and trends in economic and political conditions. The Fund manages investment credit risk by diversifying investments and limiting the concentration of risk exposures, in accordance with established limits.

In view of the above, the Fund assesses the investment credit risk associated with the Fund's activities as low.

**14. Fair value measurement of financial instruments**

Financial assets and liabilities carried at fair value in the statement of financial position are grouped into three levels according to the fair value hierarchy. This hierarchy is determined based on the significance of the input information used in determining the fair value of financial assets and liabilities as follows:

- *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).

A financial asset or liability is classified at the lowest level of significant information used to determine its fair value.

The following table provides information on financial instruments at fair value as of 31 December 2023 and 2022, presented in levels 1 to 3:

<b>As of 31.12.2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial assets at fair value through profit or loss			
- Equity instruments	12,765	318	13,083
<b>TOTAL</b>	<b>12,765</b>	<b>318</b>	<b>13,083</b>

<b>As of 31.12.2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial assets at fair value through profit or loss			
- Equity instruments	10,089	217	10,306
<b>TOTAL</b>	<b>10,089</b>	<b>217</b>	<b>10,306</b>

The valuation methods and techniques used in determining fair value have not changed from the previous reporting period (see note 4.6.2).

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

The objectives of the Management company regarding capital management are:

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

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

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

	<b>As of 31.12.2023</b>	<b>As of 31.12.2022</b>
Net assets, belonging to shareholders	13,579	10,730
Total assets	13,613	10,763
<b>Net assets to net debt ratio</b>	<b>99.75%</b>	<b>99.69%</b>

## 16. Post-reporting date events

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

## 17. Authorization of the financial statements

The financial statements for the year ended 31 December 2023 (including comparative information) were approved by the Board of Directors of the Management Company Karoll Capital Management EAD, on behalf of, and at the expense of MF Advance Invest, on 19.03.2024.

Daniel Ganev   
Chief Executive Officer  
Karoll Capital Management EAD

Stoyka Koritarova   
Chief Accountant  
Karoll Capital Management EAD

Bistra Kotseva   
Procurator  
Karoll Capital Management EAD

