



Annual Management Report
Independent Auditor's Report
Financial Statements

Mutual Fund Advance Invest

31 December 2018

advance invest 
KAROLL CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT OF MF ADVANCE INVEST FOR 2018

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

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

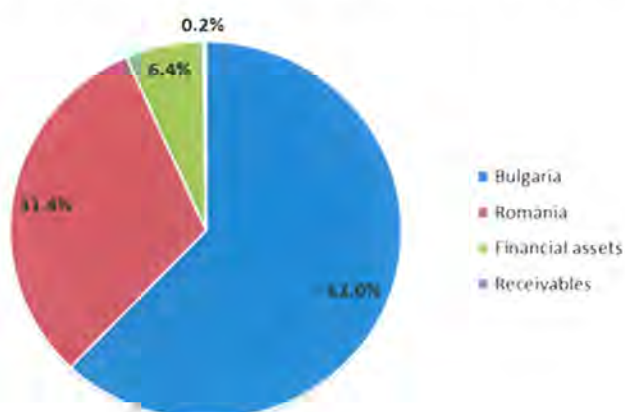
1.1. Registration and license of the Fund

MF Advance Invest ("The Fund") is an open-end collective investment scheme, which operates on the risk-sharing principle. The Fund was established as an open-ended investment company in October 2003, and was registered in Bulgaria by Decision № 1 dated 21 January 2004 of the Sofia City Court. The Fund was registered in the Commercial Register with 2,050,000 ordinary registered units with voting rights, with a par value of BGN 1. The Fund was re-registered in the Commercial Register during May 2008 and in September 2013. The Fund was authorized to exercise its activities with decision № 561 - ID dated 22 December 2003 of the FSC, namely investment in securities of funds raised through public offering of units. Public offering for the sale and repurchase of the Fund's units over the counter started on 10 May 2004. The trade of the units of the Fund on the Bulgarian Stock Exchange-Sofia AD commenced on 25 May 2004. The number of units outstanding as of 31 December 2013 and 2014 amounted to 4,839,149.2900 and 4,846,939.9821, respectively. According to the final decision of the FSC 479-ID/26.06.2013, the legal form of the Fund converted from an open-end investment company to a contractual mutual fund. These changes are reflected in the Commercial Register. Advance Invest Mutual Fund is registered with the FSC under Article 30, paragraph 1, item 4 of the FSCA by decision 736 - DF/03.10.2013. Units of the Fund are not traded on the Bulgarian Stock Exchange - Sofia AD.

1.2. Investment activity in 2018

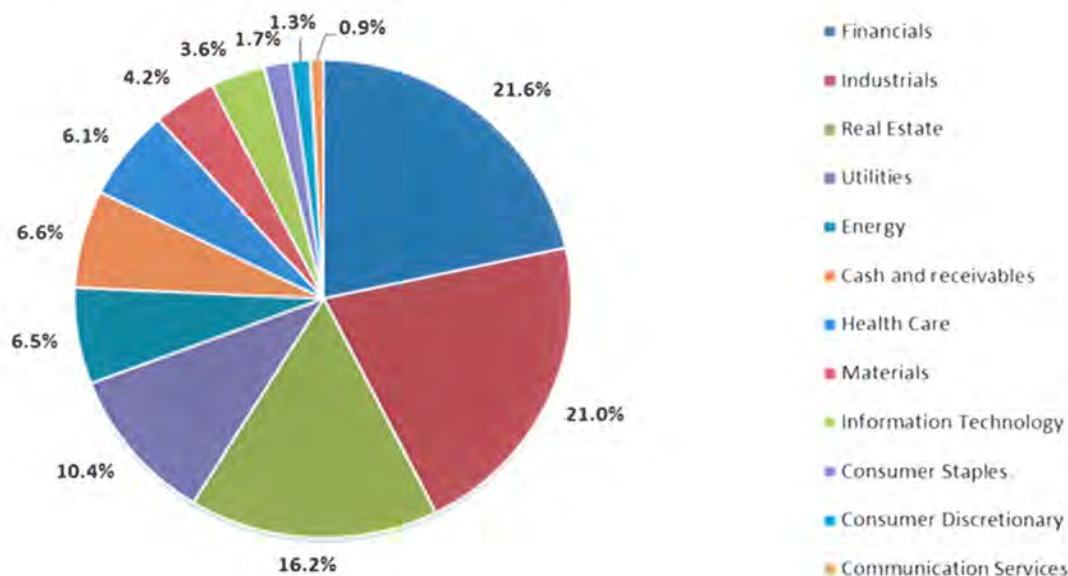
As at 31.12.2018, the distribution of funds between the two markets where the Fund operates is tilted towards Bulgarian shares (62.0%), compared to Romanian stocks (31.4%), receivables related to dividends and subscription of shares (0.2%) and cash - 6.4%.

Asset allocation of the Fund as at year-end



The division of the portfolio by sector shows that the three largest sector exposures pull a total weight of 58.8% as follows – banking (21.6%), industrial goods (21%) and real estate (16.22%).

Sector allocation of the Fund's assets as at year-end



Top positions in the portfolio and share of assets at year-end

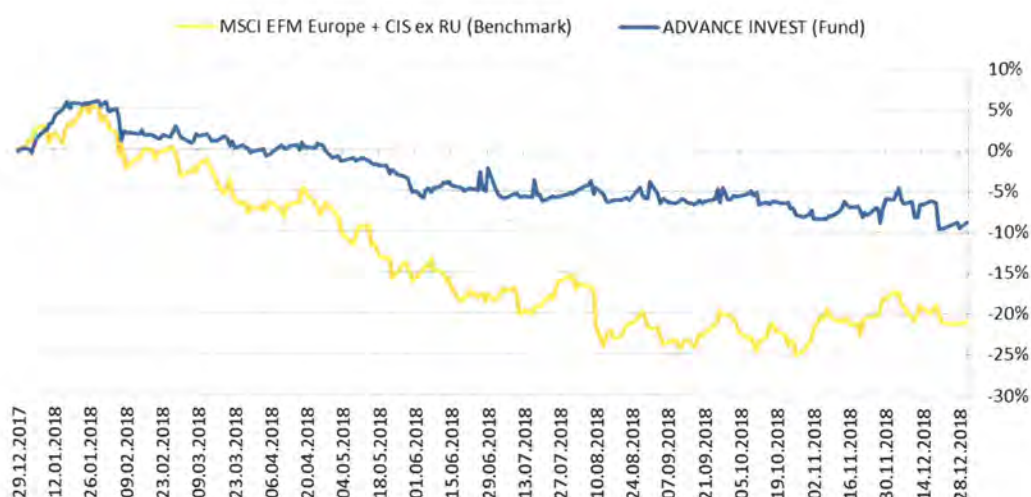
Company:	ISIN:	Currency:	% of assets
Chimimport AD	BG1100046066	BGN	5.5%
CEZ Distribution AD	BG1100025110	BGN	5.0%
Active Properties REIT	BG1100003059	BGN	4.5%
Sopharma AD	BG11SOSOBT18	BGN	4.3%
MONBAT AD	BG1100075065	BGN	4.3%
Advance Terrafund REIT	BG1100025052	BGN	4.0%
REAL ESTATE FUND BULGARIA REIT	BG1100001053	BGN	3.9%
Agria Group Holding AD	BG1100085072	BGN	3.2%
TRANSILVANIA BANK	ROTLVAACNOR1	RON	2.7%
SIF OLTENIA S.A.	ROSIFEACNOR4	RON	2.6%

1.3. Financial result and comprehensive income for 2018

The financial result of MF Advance Invest as at 31 December 2018 is a loss at the amount of BGN 760 thousand. It comprises of net loss from investment operations amounting to BGN 769 thousand, dividend income at the amount of BGN 249 thousand, interest income amounting to BGN 2 thousand and loss from currency exchange differences of BGN 10 thousand.

Total expenses related to the Fund's activity as at 31 December 2018 amount to BGN 232 thousand and represent 2.95% of the average annual net asset value of the statement of financial position. The remuneration payable to the management company, according to the Rules of the Fund is BGN 196 thousand.

1.4. Changes in unit price of Mutual Fund Advance Invest



The net asset value of MF Advance Invest declined by 8.7% for the period. At the same time, the Fund retains its outstanding performance against its benchmark (MSCI EFM Europe + CIS ex RU), which reported a decrease of 20.9% for 2018. Measuring the annualized return of the Fund for the past 3 and 5 years, it is clear that it is significantly better, compared to the negative benchmark returns.

	MF Advance Invest	EFM EUROPE + CIS (E+C) ex RU (in EUR)
Return for the last 12 months (YTD)	-8.7%	-20.9%
Return for the last 12 months (YoY)	-8.7%	-20.9%
Return for previous calendar year (2017)	+21.5%	+22.4%
Return for the last 3 years (annualized)	6.9%	-1.5%
Return for the last 5 years (annualized)	3.2%	-5.3%
Return since the beginning of the public offering (annualized value)	+1.1% (10 May 2004)	+1.7% (31 May 2004)

The biggest positive contribution to the Fund's portfolio in 2018 was the share price increase of the following companies: Aktiv Properties REIT (+33.33%), Chimimport AD (+14.74%), Severcoop Gamza Holding AD (+174.51%), Svilosa AD (+35.30%), OMV Petrom SA (+11.27%), Banca Transilvania SA (+10.84%), Fondul Proprietatea SA (+10.11%), Societatea Nationala De Gaze (+9.50%), PBRP AD (+27.20%) and Societatea Nationala Nuclear (+33.31%).

The biggest negative contributors for 2018 were: CEZ Razpredelenie Bulgaria AD (-26.20%), First Investment Bank AD (-40.42%), Trace Group Hold AD (-36.54%), Monbat AD (-20.58%), Sopharma AD (-14.60%), Agria Group Holding AD (-16.67%), IAR Brasov (-18.02%), Central Cooperative Bank AD (-15.11%), Neochim AD (-40.83%) and Sirma Group Holding AD (-16.91%).

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

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

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

The components of market risk are:

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

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

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

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

There are three types of credit risk:

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

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

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

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

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

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

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

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

2. Important events, that have occurred after the balance sheet date

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

3. Expected future development of the Fund

The main driving force for the financial markets in 2019 will be the economic situation of the world's leading economies, the resulting political turbulence and changes, as well as the central banks' monetary policy decisions. Geopolitics will steadily drive the economic development of the world this year. Unresolved problems between the world's leaders will bring uncertainty in the actions of market participants. Difficulties in international trade due to large tariffs hinder domestic production and reduce demand for raw materials. That is why the forecast for global GDP growth for 2019 is already low and is 3.4%. By comparison, 3.6% global GDP growth is expected for last year. This is also the main reason not to expect a substantial change in raw material prices this year.

The stock market trend will be predetermined by the US Federal Reserve and the European Central Bank's policy of "tightening" key interest rates. We expect the coming year to be difficult and accompanied by strong uncertainty that will be generated by the global market situation. This implies an interesting year for the stock exchange in which we can see a new momentum in the direction of rising share prices on the regional capital markets and BSE-Sofia. It will be a positive sign if we see at least a few new companies to enter the stock exchange via the voucher program, introduced by the Government, or due to raised awareness of the role of the capital market as a financing tool for growth.

A key moment for the development of market sentiment will be the results of the forthcoming comprehensive assessment of the European Central Bank (ECB) of the Bulgarian banking sector. Audits on the asset quality status of the six Bulgarian banks were assigned by the European institution to Ernst & Young and Price Waterhouse Coopers. The selection of ECB banks accounts for nearly 60% of the assets in the system, making it sufficiently representative. The results of the audits should be announced in July. Possible good news related to bank assessments and eventual entry of the country into the Banking Union and ERM II will lead to a positive effect on the capital market in Bulgaria.

In view of the situation of uncertainty and the political risk in Romania, the Fund's strategy will be to maintain a lower share of Romanian equities in its' portfolio (between 30% and 35%) and a higher share of Bulgarian stocks (between 60% and 65%). At the same time, we will monitor the course of the Romanian lei and, if necessary, we will undertake hedging of exchange rate operations. The stock selection will be focused on looking for shares with the potential to ensure a good dividend yield and medium-term capital gains.

4. Research and development

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

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

During the period 1,372,149.435 units were issued and 386,086.269 units of MF Advance Invest were redeemed with nominal value of BGN 1. The net asset value of the Fund has increased from BGN 6,745 thousand at the beginning of 2018 to BGN 7,375 thousand in the end of the year. The number of unitholders changed during the period. As at 31 December 2018 there are a total of 780 unitholders: 766 individuals and 14 legal entities.

Equity as at 31 December 2018 at the amount of BGN 7,375 thousand, consists of:

- Share capital: BGN 5,969 thousand;
- Discount from issue of units: BGN 327 thousand;
- General reserves: BGN 10,793 thousand;
- Accumulated loss from previous years: BGN (9,826) thousand;
- Retained earnings from previous years: BGN 1,526 thousand;
- Loss for the current period: BGN (760) thousand.

The Fund has not distributed dividends. The Fund has no registered branches. As of 31 December 2018 there are no restrictions imposed on the rights of members of the Board of Directors of the Management Company to acquire units of the Fund. As of 31 December 2018 Bistra Koceva holds 1449.9013 units and Daniel Ganev holds 784.6927 units of the Fund.

During 2018 the Management Company selected the audit firm Grant Thornton Ltd. with registration No. 032 to audit the annual financial statements for 2018. The remuneration is at the amount of BGN 3,500.00 before VAT and represents entirely the remuneration for an independent financial audit.

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

	31.12.2018 BGN	31.12.2017 BGN	31.12.2016 BGN
Net assets	7,375,437.88	6,745,029.16	5,087,389.17
Net asset value per share	1.2356	1.3536	1.1135

7. Remuneration policy of the Management Company

The Management Company shall disclose to all parties concerned details of the applicable remuneration policy and any subsequent change therein by not disclosing information constituting a secret protected by law.

Remuneration policy covers all forms of remuneration paid by the management company as well as any amounts paid directly by the managed collective investment schemes, including:

- wages;
- any financial incentives, incl. performance fees;
- other material incentives, incl. any transfer of units or shares in collective investment schemes to the employees subject to this policy and to the benefit of any other employee whose total remuneration is comparable to the remuneration of those employees and whose professional activities have an impact on the risk profile of the managed by the management company collective investment schemes;
- benefits related to pension and health insurance.

The remuneration policy applies to the remuneration of the following categories of staff:

- senior management;
- employees whose activity is related to risk taking;
- staff performing control functions;
- all other employees whose remuneration is commensurate with the remuneration of senior management and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the collective investment undertaking managed by the management company.

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

For the purpose of determining the variable remuneration of its employees, the asset management company has assessed the performance of a company as a whole and a thorough analysis of the results of the management of the collective investment schemes, the results of the trustee management of an individual portfolio, the activity of providing investment advice, from the activity of marketing and distribution of collective investment schemes managed by other management companies, as well as of the results of other activities carried out by the company.

There are no remuneration paid directly by the collective investment scheme itself, including a performance fee. The Management Company has paid annual variable remuneration to the members of the Board of Directors with a total amount of the respective person not exceeding 30 per cent of its total fixed remuneration and not exceeding BGN 30,000. The Management Company has reviewed and evaluated the current Remuneration Policy. There is no need to change and update it.

Total amount of accrued remuneration for the financial year paid by the management company to its employees:

Staff category	Weighted average number of employees	Fixed remuneration BGN '000	Variable remuneration BGN '000	Pension and health insurance
Management	9	506	122	5
Employees involved in risk taking	3	63	-	2
Employees exercising control functions	2	14	-	1
Employees whose remuneration is commensurate with the remuneration of managerial employees and employees whose activities involve risk-taking and whose professional activities affect the risk profile of the collective investment scheme managed by the management company	1	11	-	-
Other	6	59	-	3

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

In 2018, the management company identifies and measures all risk factors associated with the individual instruments in the Fund's portfolio, then measures the total exposure of the portfolio to these factors and takes decisions on limits, tolerance and risk management at the portfolio level. The Fund's total risk exposure is calculated once a day. The risk management department calculates the measurement and market risk assessment indicators.

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

- historical volatility measured by standard deviation;
- if a standard deviation is not possible, the management company uses the standard deviation of the selected index on the regulated market in which the shares are traded as a substitute for the overall portfolio analysis;
- β - coefficient to indices in the relevant markets (the relationship between the price of the individual share and the market price as a whole) of the individual share and the market price as a whole).

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

The total risk exposure is equal to the sum of:

(a) the absolute value of the exposure for each individual derivative instrument not participating in netting or hedging agreements;

(b) the absolute value of the net exposure received net of netting and hedging agreements.

In 2019, the management company will modify the Risk Management Rules of MF Advance Invest by developing a Value-at-Risk Model (VaR). The rules will be applied after approval by Financial Supervision Commission.

31.01.2019 г.

Daniel Ganev: _____
Executive Director
MC Karoll Capital Management EAD



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E office@bg.gt.com
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Mutual Fund Advance Invest
1 Zlatovrah Str., Sofia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mutual Fund Advance Invest** (the Fund), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in net assets belonging to shareholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Opinion

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

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and

Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other

information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

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

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

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

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

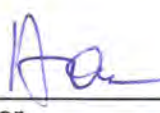


Silvia Dinova
Registered auditor responsible for the audit

19 March 2019
Bulgaria, Sofia, 26 Cherni Vrah Blvd.

MF ADVANCE INVEST
 STATEMENT OF FINANCIAL POSITION
 31 December 2018
 All amounts are in BGN thousand, unless otherwise stated

	Note	31.12.2018	31.12.2017
Assets			
Current assets			
Financial assets at fair value through profit or loss	5	6,907	-
Financial assets available for sale	5	-	6,407
Other receivables	7	15	-
Cash and cash equivalents	6	473	352
Total assets		7,395	6,759
Net assets, belonging to unitholders			
Share capital	8.1	5,969	4,984
Share premium	8.2	(327)	(732)
Revaluation reserve	10	-	625
General reserve	9	10,793	10,793
Accumulated loss		(9,060)	(8,925)
Total net assets, belonging to unitholders		7,375	6,745
Liabilities			
Current liabilities			
Related party payables	13	14	12
Current payables		6	2
Total liabilities		20	14
Total net assets, belonging to unitholders and liabilities		7,395	6,759

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD



Date: 31.01.2019

Audited, according to auditor's report, dated 19.03.2019

Silvia Dinova: 
 Registered auditor, responsible for the audit

Mariy Apostolov: 
 Manager – Grant Thornton
 Audit company



MF ADVANCE INVEST
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 31 December 2018
 All amounts are in BGN thousand, unless otherwise stated

	Note	For the year ending 31.12.2018	For the year ending 31.12.2017
Dividend income	11.1	249	261
Gain from operations with financial assets available for sale, net	11.2	-	148
Loss from operations with financial assets at fair value through profit or loss, net	11.3	(769)	-
Loss from foreign currency exchange differences, net	11.4	(10)	(56)
Interest income, net		2	1
Net (loss) / profit from financial assets		(528)	354
Hired services expenses	12	(232)	(183)
Total operating expenses		(232)	(183)
(Loss) / profit for the year		(760)	171
Other comprehensive income:			
Financial assets available for sale under IAS 39 (until 31.12.2017):			
Profit for the period	10	-	1,101
Reclassification to profit or loss	10	-	(155)
Other comprehensive income		-	946
Total comprehensive (loss) / income for the period		(760)	1,117

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Date: 31.01.2019

Audited, according to auditor's report, dated 19.03.2019


Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov
 Manager – Grant Thornton
 Audit company

MF ADVANCE INVEST
 STATEMENT OF CASH FLOWS
 31 December 2018
 All amounts are in BGN thousand, unless otherwise stated

Note	For the year ending 31.12.2018	For the year ending 31.12.2017
Cash flows from operating activities		
Cash payments for financial assets acquisition	(2,391)	(1,399)
Proceeds from sale of financial assets	1,098	677
Interest received	2	1
Dividend received	247	259
Cash payments related to trade counterparties	(36)	(24)
Cash payments related to the management company	(200)	(164)
Net cash flow from operating activities	(1,280)	(650)
Cash flows from financing activities		
Proceeds from units issue	1,892	952
Payment for units repurchase	(491)	(405)
Net cash flow from financing activities	1,401	547
Net increase / (decrease) in cash and cash equivalents	121	(103)
Cash and cash equivalents at the beginning of the year	6 352	455
Cash and cash equivalents at the end of the year	473	352

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Date: 31.01.2019

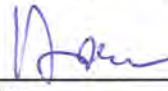
Audited, according to auditor's report, dated 19.03.2019

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov
 Manager - Grant Thornton
 Audit company

MF ADVANCE INVEST
 STATEMENT OF CHANGES IN NET ASSETS, BELONGING TO UNITHOLDERS
 31 December 2018
 All amounts are in BGN thousand, unless otherwise stated

	Share capital	Share premium	Revaluation reserve under IAS 39	General reserves	Accumulated loss	Total
Balance as at 1 January 2017	4,569	(857)	(321)	10,793	(9,096)	5,088
Issue of units	721	224	-	-	-	945
Unit redemption	(306)	(99)	-	-	-	(405)
Transactions with unitholders	415	125	-	-	-	540
Profit for the year	-	-	-	-	171	171
Other comprehensive income	-	-	946	-	-	946
Total comprehensive income for the year	-	-	946	-	171	1,117
Balance as at 31 December 2017	4,984	(732)	625	10,793	(8,925)	6,745
Balance as at 1 January 2018	4,984	(732)	625	10,793	(8,925)	6,745
Adjustments from the adoption of IFRS 9			(625)		625	-
Balance at 1 January 2018 (restated)	4,984	(732)	-	10,793	(8,300)	6,745
Issue of units	1,371	512	-	-	-	1,883
Unit redemption	(386)	(107)	-	-	-	(493)
Transactions with unitholders	985	405	-	-	-	1,390
Loss for the year	-	-	-	-	(760)	(760)
Total comprehensive loss for the year	-	-	-	-	(760)	(760)
Balance at 31 December 2018	5,969	(327)	-	10,793	(9,060)	7,375

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Date: 31.01.2019

Audited, according to auditor's report, dated 19.03.2019

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov
 Manager – Grant Thornton
 Audit company

The accompanying notes on pages from 5 to 27 form an integral part of the financial statements

Notes to the financial statements

1. General information

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

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

The public offering for sale and repurchase of units of Advance Invest Open-End Mutual Fund started on May 10, 2004. As of 31 December 2018 and 2017 the number of units in circulation is 5,969,263.8558 and 4,983,200.6898.

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

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

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

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

1.1. Investment strategy of the Fund

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

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

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

2. Basis of preparation of the financial statements

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

All amounts are presented in BGN thousand, unless otherwise stated

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 2017) unless otherwise stated.

The financial statements are prepared under the going concern principle.

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

3. Changes in accounting policies

3.1. New standards, amendments and interpretations to IFRS that are effective for annual periods beginning on or after 1 January 2018

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 Fund's financial statements for the annual period beginning 1 January 2018:

IFRS 9 "Financial instruments" effective from 1 January 2018, adopted by the EU

IFRS 9 "Financial instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Fund has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in the opening balance of the accumulated loss as at 1 January 2018.

The adoption of IFRS 9 has impacted the following areas:

- Classification and measurement of the Fund's financial assets

Financial assets previously classified as loans and receivables continue to be accounted for at amortised cost. The Fund holds these assets to collect the associated cash flows.

Investments previously classified as available-for-sale investments are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Fund did not make the irrevocable election to account for investments in equity instruments at fair value through other comprehensive income.

Current financial assets	Measurement category		Effect of application IFRS 9	
	Financial assets according to IAS 39	Financial assets according to IFRS	Carrying amount 31 December 2017 IAS 39	Carrying amount 1 January 2018 IFRS 9
Loans and receivables	Loans and receivables	Amortized cost	-	-
Equity instruments	Available for sale	Fair value through profit or loss	6,407	6,407
			6,407	6,407

- Impairment of financial assets applying the expected credit loss model

The expected credit loss model affects the Fund's dividend receivables. The effect as of 01 January 2018 as well as on 31 December 2018 is insignificant.

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 Fund's financial statements for the annual period beginning 1 January 2018 but do not have a significant impact on the Fund's financial results or position:

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 4 "Insurance contracts" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, adopted by the EU
- Annual Improvements to IFRSs 2014-2016 effective from 1 January 2018, 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

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

- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU
- IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement - effective from 1 January 2019, not yet adopted by the EU
- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures effective from 1 January 2019, not yet adopted by the EU
- IFRIC 23 "Uncertainty over income tax treatments" effective from 1 January 2019, not yet adopted by the EU
- Annual Improvements to IFRSs 2015-2017 effective from 1 January 2019, not yet adopted by the EU

4. Accounting policy

4.1. Overall considerations

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

When adopting IFRS 9, the Fund has applied transitional relief and opted not to restate prior periods. One comparative period is presented in the financial statements.

4.3. Foreign currency transactions

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

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

4.4. Revenue

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

4.4.1. Interest income

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

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

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

4.4.2. Net income from operations with investments

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

Differences from changes in the value of financial instruments are reported as current income or expense from revaluation of financial assets when those assets are held for trade and in equity as revaluation reserves when these assets are available for sale.

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

4.4.3. Net income from foreign exchange operations

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

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

The subsequent measurement, due to changes in foreign exchange rates are reflected in the statement of profit or loss and other comprehensive income as net income from foreign exchange

operations. The effects of changes in exchange rates in the subsequent measurement of financial assets denominated in foreign currencies at fair value through profit or loss, are recognized after taking into account changes in the market prices in original currencies.

4.5. Expenses

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

Costs associated with unit issues are included in the issue price per unit. Issue costs depend on the size of the order received as follows:

- 1.5% of the net asset value per unit for orders up to EUR 50,000.0 euro;
- 1.0% of the net asset value per unit for orders from EUR 50,000.01 to EUR 250,000;
- 0.5% of the net asset value per unit for orders of EUR 250,000.01 to EUR 500,000;
- For orders above EUR 500,000– no expenses on issuance, as well as for orders on behalf of institutional investors, and orders on behalf of investors, resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management EAD.

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

4.6. Financial instruments under IFRS 9, effective since 1 January 2018

4.6.1. Recognition and derecognition

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

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

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

4.6.2. Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported 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 classification is determined by both:

- the entity's business model for managing the financial asset;
- 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 within "(Loss)/Gain from operations with investments, net" in the statement of profit or loss and other comprehensive income.

4.6.3. Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's receivables and cash and cash equivalents fall into this category of financial instruments.

- **Receivables**

The Fund's receivables represent non-derivative financial assets with fixed payments that are not quoted in an active market. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Receivables are initially recognized at amortized cost unless they contain significant financial components. The Fund holds receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than "hold to collect" or "hold to collect and sell", and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

This category contains equity instruments. The Fund accounts for equity instruments at FVTPL and did not make the irrevocable election to account for equity instruments at FVOCI.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

4.6.4. Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" (ECL) model. This replaces IAS 39's "incurred loss model".

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. However, 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 actually expected to receive (“cash shortfall”). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Receivables

The Fund makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

As at the effective date of IFRS 9 and at the reporting date the impairment of receivables on the basis of the expected credit losses model is immaterial, it is not accounted for and presented in the financial statements of the Fund.

4.6.5. Classification and measurement of financial liabilities

The Fund's financial liabilities include trade and other financial payables.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.7. Financial instruments under IAS 39, effective until 31 December 2017

Financial assets and financial liabilities are recognized 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 all substantial risks and rewards are transferred.

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction settlement date.

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

4.7.1. Financial assets

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

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

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

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

Financial assets held by the Fund are:

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

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

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

The subsequent daily valuation of the financial instruments is carried out in accordance with the accounting policy for revaluation in accordance with the Portfolio Valuation Rules and the determination of the net asset value of Advance Invest Mutual Fund, in accordance with Ordinance No. 44 of 20 October 2011 on the Requirements for the Activities of the Collective investment schemes, closed-end investment companies and management companies (NIDISIDZDUD), which

have been approved by the Financial Supervision Commission. The rules can be found on the Fund's website <http://www.karollcapital.bg>.

When valuing assets, the Fund is guided by the following basic principles:

When valuing assets, the Fund is guided by the following basic principles:

- available-for-sale investments and financial assets at fair value through profit or loss are measured at fair value, that is their market price in all cases where they are available;
- where the assets have no market price, the fair value is determined using the valuation models;
- the primary criterion for determining whether an asset has a market price is its liquidity.

Cash is measured at their nominal value.

4.7.2. Financial liabilities

Financial liabilities of the Fund include trade and other payables. Financial liabilities are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments with another company under potentially adverse conditions. All costs associated with changes in fair value of financial instruments are recognized in profit or loss.

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

4.8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current bank accounts.

4.9. Income taxes

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

4.10. Net assets, belonging to unitholders

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

Objectives, policies and processes for managing its obligation to the Fund to redeem the instruments when the holders of these instruments require this are set out in note 19.

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 redemption of the units of MF Advance Invest, calculated every working 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 leva.

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), published on 4 October 2011;
- Ordinance №44 - 20 October 2011 for the requirement for the activities of collective investment schemes, close-end investment entities and management companies (NIDKISIDZTUD);
- the rules and prospectus of the Fund.

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

4.11. Provisions, contingent assets and contingent liabilities

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

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

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

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

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

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

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

4.12. Significant management judgements in applying accounting policies

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

- The issue and redemption price of Fund units are based on the net asset value of the Fund at the date of determination. The Management Company is assessing the portfolio, determine the net asset value of the Fund, net asset value per unit and calculate the issue price and the redemption price under the control of the Custodian in accordance with regulatory requirements;
- The Management Company invests the Fund's assets in securities and in proportions determined in accordance with Art. 38 of the Law on the activities of collective investment schemes and other collective investment entities (ZDKISDPKI) published on 04 October 2011 and the Fund Rules;
- The subsequent valuation of the Fund's assets shall be made in accordance with the Fund's Rules and Regulation № 44/20 October 2011 on the requirements to the activities of collective investment schemes, investment companies and management companies;
- According to agreement with the Management Company and the Custodian, fees are collected daily;
- The management of the Fund is carried out by the Management Company. The Fund does not have the right, and has no tangible or intangible assets, investment property. The Fund is not entitled to be a party of lease agreements and thus no accounting policy has been adopted regarding this type of assets.

The Fund does not have its own staff and thus no accounting policy has been adopted for pension and other employee obligations, as well as for staff remuneration based on shares.

4.13. Uncertainty in accounting estimates

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

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

4.13.1. Fair value of financial instruments

Management uses techniques to assess the fair value of financial instruments in the absence of quoted prices in an active market in accordance with the Fund's Rules and Ordinance № 44 / 20 October 2011 on the requirements to the activities of collective investment schemes, investment companies of closed-end type and management companies, which is approved by the Financial Supervision Commission.

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

4.13.2. Measurement of ECL

Credit losses are 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 a probability-weighted estimate of credit losses that require the Fund's judgment. Expected credit losses are discounted at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

5. Financial assets

	Note	Fair value As at 31.12.2018	Fair value As at 31.12.2017
Shares in BGN	5.1	4,588	4,575
Shares in foreign currency	5.2	2,319	1,832
Financial assets at fair value through profit or loss		6,907	-
Financial assets available for sale		-	6,407

5.1. Shares in BGN

	ISIN	As at 31.12.2018	% of assets	As at 31.12.2017	% of assets
Chimimport AD	BG1100046066	404	5.46	394	5.83
CEZ Razpredelenie Bulgaria AD	BG1100025110	369	5.00	483	7.15
Active Properties REIT	BG1100003059	333	4.50	632	9.35
Sopharma AD	BG11SOSOBT18	317	4.28	311	4.60
Monbat AD	BG1100075065	316	4.27	352	5.20
Advance Terrafund REIT	BG1100025052	298	4.04	317	4.69
Bulgarian Real Estate Fund REIT	BG1100001053	285	3.85	152	2.24
Agria Group Holding AD	BG1100085072	240	3.25	199	2.95
Svilozha AD	BG11SVSVAT11	189	2.56	113	1.68
Central Cooperative Bank AD	BG1100014973	171	2.32	157	2.32
Alterko AD	BG1100003166	154	2.09	150	2.22
First Investment Bank AD	BG1100106050	145	1.96	230	3.40
Trace Group Hold AD	BG1100049078	145	1.96	264	3.91
Advance Equity Holding AD	BG1100033064	142	1.92	157	2.33
Gradus AD	BG1100002184	126	1.70	-	-
Elana Agrocredit AD	BG1100040101	121	1.63	-	-
Bravo Property Fund REIT	BG1100016176	120	1.62	150	2.22
Bulgarian River Shipping AD	BG1100100038	119	1.61	-	-
Sirma Group Holding AD	BG1100032140	109	1.48	131	1.94
Fairplay Properties REIT	BG1100042057	88	1.19	17	0.25
Sopharma Trading AD	BG1100086070	70	0.94	76	1.13
Albena AD	BG11ALBAAT17	60	0.81	24	0.35
Neochim AD	BG11NEDIAT11	49	0.67	55	0.81
Industrial Holding Bulgaria AD	BG1100019980	48	0.65	-	-
Severcoop Gamza Holding AD	BG1100026985	45	0.61	33	0.49
CEZ Elektro Bulgaria AD	BG1100024113	42	0.57	50	0.75
Yuri Gagarin PLC – Plovdiv	BG11PLPLVT16	32	0.43	48	0.70
Stara Planina Hold AD	BG1100005971	23	0.31	28	0.41
Billboard AD	BG1100088076	9	0.12	-	-
Energetics and Energy Savings Fund REIT	BG1100026068	9	0.12	13	0.19
Zlatni Pyasatsi AD	BG11ZLVAAT14	9	0.12	-	-
SAF Magellan AD	BG1100020053	1	0.01	13	0.20
Bulgartabac Holding AD	BG11BUSOGT14	-	-	26	0.38
Total		4,588	62.05	4,575	67.69

5.2. Shares in foreign currency

	ISIN	As at 31.12.2018	% of assets	As at 31.12.2017	% of assets
BANKA TRANSILVANIA	ROTLVAACNOR1	198	2.68	209	3.09
SIF OLTENIA S.A.	ROSIFEACNOR4	192	2.60	201	2.98
BRD - Societe Generale SA	ROBRDBACNOR2	191	2.59	211	3.12
IAR BRASOV	ROIARVACNOR1	186	2.51	223	3.30
Electrica Sa	ROELECACNOR5	183	2.48	71	1.05
FONDUL PROPRIETATEA SA	ROFPTAACNOR5	178	2.40	223	3.30
OMV PETROM	ROSNPPACNOR9	163	2.20	-	-
SNTGN TRANSGAZ S.A.	ROTGNTACNOR8	146	1.97	113	1.67
ROMGAZ S.A.	ROSNGNACNOR3	133	1.79	184	2.72
TRANSELECTRICA	ROTSELACNOR9	109	1.47	115	1.69
SIF TRANSILVANIA	ROSIFCACNOR8	108	1.46	61	0.91
IMPACT BUCURESTI	ROIMPCACNOR0	71	0.96	-	-
Nuclearelectrica S.A.	ROSNNEACNOR8	68	0.93	-	-
BIOFARM S.A.	ROBIOFACNOR9	67	0.91	-	-
ALRO S.A.	ROALROACNOR0	65	0.87	-	-
DIGI COMMUNICATIONS N.V.	NL0012294474	64	0.86	-	-
SIF MUNTENIA S.A.	ROSIFDACNOR6	50	0.68	-	-
SC BURSA DE VALORI BUCURESTI SA	ROBVBAACNOR0	44	0.60	58	0.86
CONPET PLOIESTI	ROCOTEACNOR7	41	0.55	-	-
Teraplast S.A.	ROTRPLACNOR7	37	0.50	-	-
SPHERA FRANCHISE GROUP S.A.	ROSFGPACNOR4	25	0.34	-	-
DAFORA SA	RODAFRACNOR5	-	-	19	0.29
SNP Petrom SA	ROSNPPACNOR9	-	-	144	2.13
Total		2,319	31.35	1,832	27.11

Market approach has been used in determining the fair value of all shares in the Fund's portfolio as at 31 December 2018, except for Dafora SA (RODAFRACNOR5). The issuer is suspended from trading until the procedure for reducing the number of shares from the share capital in circulation is completed.

Investments are allocated by countries are follows:

Country	As at 31.12.2018	% of total assets	As at 31.12.2017	% of total assets
Bulgaria	4,588	62.05	4,575	67.69
Romania	2,319	31.35	1,832	27.11
Total	6,907	93.40	6,407	94.80

Investments are allocated by sectors are follows:

	As at 31.12.2018	% of total assets	As at 31.12.2017	% of total assets
Financial services	1,595	21.57	1,553	22.98
Industrial manufacturing	1,554	21.02	1,459	21.59
Real estate	1,196	16.17	1,267	18.75
Utilities	772	10.44	719	10.64

All amounts are presented in BGN thousand, unless otherwise stated

Continued	As at 31.12.2018	% of total assets	As at 31.12.2017	% of total assets
Energy	482	6.51	460	6.81
Healthcare	453	6.14	388	5.73
Material	307	4.15	216	3.20
IT	264	3.56	282	4.17
Consumer staples	126	1.70	-	-
Consumer goods	94	1.28	63	0.93
Communication services	64	0.86	-	-
Total	6,907	93.40	6,407	94.80

6. Cash and cash equivalents

	As at 31.12.2018	As at 31.12.2017
Cash on hand and in current accounts in BGN	136	54
Cash on hand and in current accounts in foreign currency	337	298
Total	473	352

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 at 31.12.2018	As at 31.12.2017
Receivables related to the subscription of securities	15	-
Total	15	-

As at 31 December 2018, the Fund has a receivables for new shares from Dafora SA (RODAFRACNOR5) Romania, following a procedure for reducing the number of shares outstanding from the capital of the issuer voted at a general meeting.

8. Net assets, belongin to unitholders

8.1. Number of units issued

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

Number and total value of units issued

	Number of units	Nominal value	Share capital BGN'000
As at 1 January 2017	4,568,670.2858	1 BGN/unit	4,569
Units issued 2017	720,658.4204	1 BGN/unit	721
Units redeemed 2017	(306,128.0164)	1 BGN/unit	(306)
As at 31 December 2017	4,983,200.6898	1 BGN/unit	4,984
Units issued 2018	1,372,149.460	1 BGN/unit	1,371
Units redeemed 2018	(386,086.2800)	1 BGN/unit	(386)
As at 31 December 2018	5,969,263.9100	1 BGN/unit	5,969

8.2. Share premium

	2018	2017
	BGN'000	BGN'000
Share premium as at 1 January	(732)	(857)
Change due to unit issue	512	224
Change due to unit redemption	(107)	(99)
Share premium as at 31 December	(327)	(732)

8.3. Net asset value per unit

Net asset value per unit is the basis for determining the issue price and the repurchase price of units of MF Advance Invest and is calculated every work day. Net asset value of the Fund is presented in Bulgarian Lev. For the purpose of these financial statements and the principles of IFRS the net asset value per unit, issue price and redemption price are calculated and presented as of 31 December 2018 and 2017.

BGN	31.12.2018	31.12.2017
Net asset value	7,375,437.88	6,745,029.16
Number of units in circulation	5,969,263.9100	4,983,200.6898
Nominal value	1.0000	1.0000
Net asset value per unit	1.2356	1.3536
Issue price		
Orders below EUR 50 000 after "issue fee" of 1.5% of the net asset value	1.2541	1.3739
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	1.2480	1.3671
250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	1.2418	1.3604
for orders above EUR 500 000.01 as well as orders from institutional investors, and orders resulting from, and empowered by a contract for portfolio management with MC Karoll Capital Management – no issuance fee	1.2356	1.3536
Redemption price	1.2356	1.3536

9. General reserves

General reserves, amounting to BGN 10 793 thousand (2017: BGN 10 793 thousand), are formed due to distribution of retained earnings from prior periods.

10. Revaluation reserve, effective until 31.12.2017

Changes in the revaluation reserve could be summarized as follows:

	As at 31.12.2018	As at 31.12.2017
Revaluation reserve from subsequent measurement of available-for-sale financial assets in the beginning of the period	625	(321)
Reclassification to retained earnings due to change in accounting policy as a result of the adoption of IFRS 9	(625)	-
Gain from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	-	1,101
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	-	(170)
Gain from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	-	15
Total	-	625

11. Revenue

11.1. Dividend income

	Year ended 31.12.2018	Year ended 31.12.2017
Dividend income from Bulgarian issuers	62	108
Dividend income from Romanian issuers	187	153
Total	249	261

11.2. Gain from operations with available-for-sale financial assets, effective until 31 December 2017, net

	Year ended 31.12.2018	Year ended 31.12.2017
Profit from available-for-sale financial assets, reclassified from equity to profit/loss for the period	-	170
Loss from available-for-sale financial assets, reclassified from equity to profit/loss for the period	-	(15)
Gain on sale of available-for-sale financial assets	-	1
Loss on sale of available-for-sale financial assets	-	(8)
Total	-	148

11.3. Loss from operations with financial assets at fair value through profit or loss, effective since 1 January 2018, net

	Year ended 31.12.2018	Year ended 31.12.2017
Gain from operations with financial assets at fair value through profit or loss	5	-
Loss from operations with financial assets at fair value through profit or loss	(21)	-
Gain from subsequent measurement of financial assets at fair value through profit or loss	12,437	-
Loss from subsequent measurement of financial assets at fair value through profit or loss	(13,190)	-
Total	(769)	-

11.4. Loss from foreign currency exchange differences, net

	Year ended 31.12.2018	Year ended 31.12.2017
Loss on foreign currency revaluation of financial assets	(293)	(300)
Gain on foreign currency revaluation of financial assets	288	248
Foreign exchange operations – expense	(5)	(4)
Total	(10)	(56)

12. Hired services expenses

	Year ended 31.12.2018	Year ended 31.12.2017
Remuneration of the management company	(196)	(156)
Remuneration of the custodian bank	(20)	(16)
Advertisement	(9)	(5)
Audit	(4)	(5)
Annual fees	(2)	(1)
Other	(1)	-
Total	(232)	(183)

Costs related to the Fund's activity represent 2.95% (2017: 2.93%) of the average annual net asset value according to the statement of financial position of the Fund.

13. Related parties

The Fund's related parties 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.

13.1. Transactions during the year

	Year ended 31.12.2018	Year ended 31.12.2017
Remuneration of the Management Company	(196)	(156)
Balances, related to fees for issued own units of the Fund	(5)	(11)

For the management actions performed, the Management Company receives a remuneration of 2.5% of the average annual net asset value of the Fund.

For the issue of units, the Fund charges a fee for the Management Company, which originates in the Fund and is subsequently paid to the Management Company without being reflected in the Fund's comprehensive income.

13.2. Related party balances at year end

	As at 31.12.2018	As at 31.12.2017
Payables to the Management Company	14	12
Total	14	12

14. Non-monetary transactions

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

15. Contingent assets and contingent liabilities

The Fund has no commitments or contingent assets as at 31.12.2018.

16. Categories of financial assets and liabilities

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

	Note	As at 31.12.2018	As at 31.12.2017
Financial assets			
Debt instruments at amortized cost:			
Other receivables	7	15	-
Cash and cash equivalents	6	473	352
		488	352
Financial assets at fair value through profit or loss:			
Equity instruments	5	6,907	-
		6,907	-
	Note	As at 31.12.2018	As at 31.12.2017
Financial assets (until 31.12.2017)			
Available-for-sale financial assets:			
Shares	5	-	6,407
Loans and receivables:			
Cash and cash equivalents	6	-	352
	Note	As at 31.12.2018	As at 31.12.2017
Financial liabilities			
Current liabilities:			
Trade payables		6	2
Related party payables	13.2	14	12
		20	14

See note 4.6 for information on accounting policy for each category of financial instruments and methods used to estimate fair value. Description of the policies and objectives of the risk management of the Fund's financial instruments is presented in note 18.

17. Financial instrument risk

Management policy and objectives regarding risk management

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

Liquidity risk

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

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

All amounts are presented in BGN thousand, unless otherwise stated

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

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

According to the rules for maintenance and management of the liquid funds the Fund holds cash on term and demand deposits in order to meet liquidity needs. The portfolio manager monitors on a daily basis liquid cash as a percentage of the assets while there are controlled by the Board of Directors on a monthly basis. Each month, a Risk Management Report of the Fund, which contains an assessment of the calculated liquidity risk indicators, is prepared and presented to the Board of Directors.

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

As at 31 December 2018	<u>Under 1 month</u>
Current payables	20
As at 31 December 2017	<u>Under 1 month</u>
Current payables	14

Market risk

Market risk is a systematic (general) risk, having effect on the value of all assets. It arises from the characteristics of the macroeconomic environment and the condition of the capital market in the country. It cannot be controlled by the issuer and it cannot be diversified. Market risk consists of foreign currency risk, interest rate risk and other price risk.

Basic methods for reduction of the systematic risk and its components include collecting and processing of information about the macroeconomic environment and, based on this information, forecasting and adjusting the investment policy to the expected changes in the environment.

All investments in securities can generate risk of loss of capital. The portfolio manager manages this risk by careful selection of securities and other financial instruments within certain limits. The investment portfolio of the Fund is monitored on a daily basis by the portfolio manager and on a monthly basis by the Board of Directors.

Market risk is concentrated in the following positions:

	As at 31.12.2018		As at 31.12.2017	
	Fair value	% of assets measured at market price	Fair value	% of assets measured at market price
Financial assets at fair value through profit or loss	6,907	93.65	-	-
Financial assets available-for-sale	-	-	6,407	94.99
Total amount, exposed to market risk	6,907	93.65	6,407	94.99

Currency risk

The Fund is exposed to foreign currency risk while operating with financial instruments, denominated in foreign currency. Foreign currency transactions result in exchange rate gains and losses represented through the statement of comprehensive income. Such exposures are the monetary assets and liabilities of the Fund, denominated in currency other than BGN and EUR. The Fund manages currency risk by investing primarily in assets denominated in local currency as well as those denominated in euro, because, thanks to the effective currency board, the exchange rate of the latter is stable.

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

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

	Short term currency risk exposure
	Romanian lea
31 December 2018.	
Financial assets	2,319
31 December 2017	
Financial assets	1,832

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

- Romanian lea +/- 0.07%

All other parameters are assumed to be constant.

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

31 December 2018	Increase in Bulgarian lev's exchange rate		Decrease in Bulgarian lev's exchange rate	
	Net financial results	Equity	Net financial results	Equity
Romanian lea (+/- 0.07%)	(2)	(2)	2	2
31 December 2017	Increase in Bulgarian lev's exchange rate		Decrease in Bulgarian lev's exchange rate	
	Net financial results	Equity	Net financial results	Equity
Romanian lea (+/- 0.9%)	(14)	(14)	14	14

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

Interest rate risk

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

During the reporting periods, the Fund did not invest in financial assets that carry a significant interest rate 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 Fund measured general price risk of the investment portfolio through the historic volatility of the net asset value per unit, which is measured by the standard deviation.

2018

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	-8.73%	9.74%

2017

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INVEST	BGN	22.09%	9.59%

Credit risk

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

	As at 31.12.2018	As at 31.12.2017
Classes of financial assets – carrying amounts:		
Debt instruments at amortized cost	488	-
Financial assets at fair value through profit or loss	6,907	-
Available-for-sale financial assets	-	6,407
Held-to-maturity financial assets	-	352
Carrying amount	7,395	6,759

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:

All amounts are presented in BGN thousand, unless otherwise stated

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

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

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

18. Fair value measurement of financial instruments

Financial assets presented at fair value in the statement of financial position are grouped in three levels of the fair value hierarchy. This hierarchy is defined according to the degree of observation of the data used for the measurement 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).

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

The following table provides information on financial instruments at fair value as at 31 December 2018 and 2017, presented in levels 1 to 3 of the fair value hierarchy:

As at 31.12.2018	Level 1	Level 2	Total
Financial assets at fair value through profit or loss			
- Equity instruments	6,545	362	6,907
Total	6,545	362	6,907
As at 31.12.2017	Level 1	Level 3	Total
Available-for-sale financial assets			
- Shares	6,257	150	6,407
Total	6,257	150	6,407

During the reporting periods, shares of Bravo Property Fund REIT are transferred from Level 3 to Level 1, because as at 31 December 2017 they were not quoted on BSE, whereas in 2018 a market quote was used for their valuation.

The valuation methods and techniques used in the determination of fair value have not changed compared to the previous reporting period.

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

The objectives of the Management Company regarding capital management are:

- Achieve profitability with minimum risk for investors;
- Maintain high liquidity with regard to the timely repayment of obligations to investors that could arise when repurchasing units;
- Adequate ratio between cash invested in securities and cash instruments.

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

	2018 BGN'000	2017 BGN'000
Net assets, belonging to unitholders	7,375	6,745
Debt	20	14
- Cash and cash equivalents	(473)	(352)
Net debt	(453)	(338)
Net assets to net debt ratio	1:(0.06)	1:(0.05)

20. Post-reporting date events

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

21. Authorization of the financial statements

The financial statements for the year ended 31 December 2018 (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 12 February 2019.

Daniel Ganev
 Executive Director
 MC Karoll Capital Management EAD



Stoyka Koritarova
 Chief Accountant
 MC Karoll Capital Management EAD