



**Annual Management Report
Independent Auditor's Report
Financial Statements**

Mutual Fund Advance Invest

31 December 2017

advance invest 
KAROLL CAPITAL MANAGEMENT

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ANNUAL MANAGEMENT REPORT

OF

MF ADVANCE INVEST

FOR 2017

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.

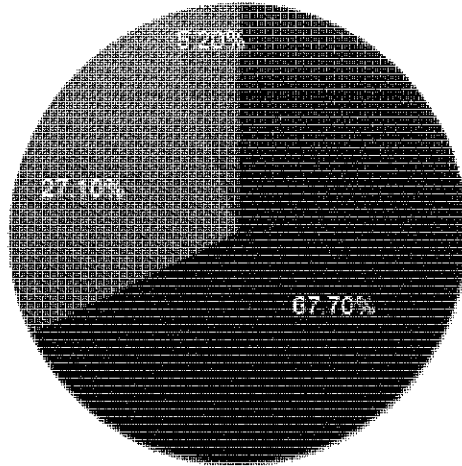
1.2. Investment activity in 2017

Overall, 2017 was positive, especially compared to previous years marked by extremely low liquidity and a lack of events to uncover the potential of the stock market in the region. The good economic data for the countries of Eastern Europe reflected in the performance of capital markets in the region. At the same time, the market ratios of companies in the region are well below those of US and European analogues, which gives us reason to believe that in spite of serious correlations between assets, markets in Eastern Europe have the potential to perform much more successfully over the medium term.

The past year can be defined as the year of positive expectations and positive economic performance. Strong domestic consumption, coupled with favorable external conditions, supported the acceleration of growth in the European Union. Economic recovery across Europe continued to gain momentum in 2017, with manufacturing activity indices reaching its highest end-of-year figures for the past six and a half years.

Interest rates in Bulgaria reached a record low in 2017. Long-term interest rates on ten-year government securities fell to 0.9% at the end of December - for the first time in Bulgaria's history. Interest rates on bank loans are also at record low levels and continue to decline. In 2017, the Bulgarian economy exceeded 50 billion euros, measured by gross domestic product. Bulgaria's economy is growing, driven mainly by final consumption, and its growth is stimulated by relatively low interest rates as well as by income growth.

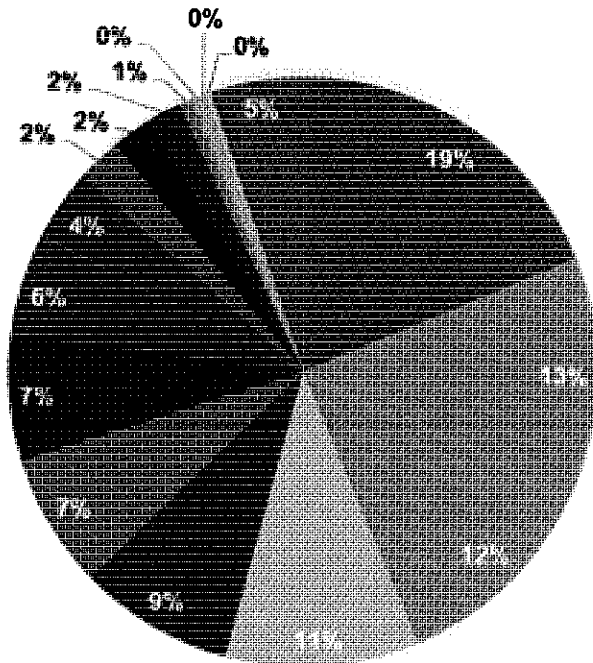
Asset allocation of the Fund as at year end



■ Bulgaria ■ Romania ■ Cash ■ Receivables

The distribution of the allocation between the two markets on which the fund operates is characterized by a higher share of Bulgarian companies (67.7%), followed by the share of Romanian shares (27.1%) and a share of receivables and cash from 5.2% as at year end.

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



- Real estate
- Banking
- Holdings
- Utilities
- Industrial
- Collective investments
- Energy
- Healthcare
- Industrial services
- Natural resources
- Telecommunication
- IT
- Chemical
- Food and beverages
- Consumer goods and services
- Food industry
- Cash and receivables

The division of the portfolio by sector shows that the three largest sector exposures of the fund are 60% and are allocated in five sectors – real estate (18.7%), banking (12.8%), holdings (12.0%), utilities (10.6%) and industrial goods (8.5%).

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

Company	ISIN:	Currency:	% of assets
Active Properties REIT	BG1100003059	BGN	9.3%
CEZ Distribution AD	BG1100025110	BGN	7.1%
Chimimport AD	BG1100046066	BGN	5.8%
Monbat AD	BG1100075065	BGN	5.2%
Advance Terrafund REIT	BG1100025052	BGN	4.7%
Sopharma AD	BG11SOSOBT18	BGN	4.6%
Trace Group Hold AD	BG1100049078	BGN	3.9%
First Investment Bank AD	BG1100106050	BGN	3.4%
IAR BRASOV	ROIARVACNOR1	RON	3.3%
Fondul Proprietatea SA	ROFPTAACNOR5	RON	3.3%

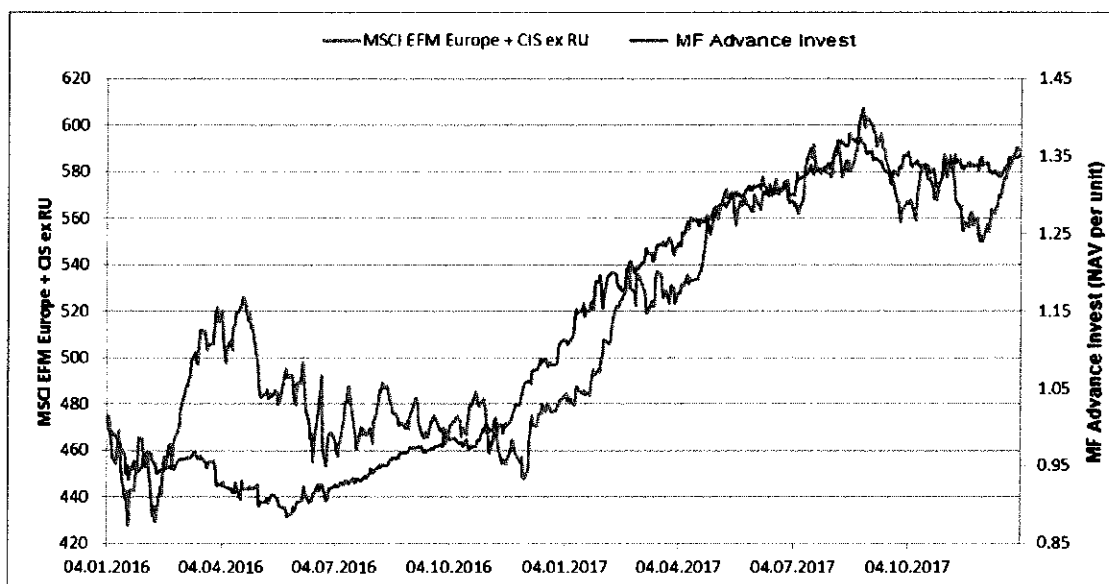
1.3. Financial result and comprehensive income for 2017

The Fund's financial result as at 31 December 2017 is profit amounting to BGN 171 thousand. MF Advance Invest reports total comprehensive income for the year of BGN 1,117 thousand.

The Fund's revenues for 2017 are comprised of financial income, amounting to BGN 354 thousand, from which BGN 148 thousand is revenue from operations with financial assets, dividend income – BGN 261 thousand, interest income – BGN 1 000 and loss on exchange rate differences, amounting to BGN 56 thousand.

The sum of Fund's operating expenses for the period is BGN 183 thousand, and is equal to 2.93 % of the average net assets value for 2017, as per the financial statements. From this amount, BGN 156 thousand is the remuneration of the Management Company.

1.4. Changes in unit price of Advance Invest Mutual Fund



The fund retains its outstanding performance against its benchmark (MSCI EFM Europe + CIS ex RU) since the beginning of the public offering, as well as for a period of 5 years. In 2017, Advance Invest's NAV reported an increase of 21.6% and at the same time strengthened its performance against the benchmark indices of key market indices in Bulgaria and Romania. The positive performance of the fund during the year is confirmed by the fact that the yield remains stable and closely follows the performance of its benchmark MSCI EFM Europe + CIS ex RU (+ 22.4%).

Presentation of Advance Invest Mutual Fund from the beginning of the public offering until year end

Return on the last 12 months (YoY)	+21.5%	+22.4%
Return on previous calendar year (2016)	+10.0%	-1.3%
Return on the last 3 years. (annualized)	+7.7%	-2.0%
Return on the last 5 years. (annualized)	+8.8%	-4.4%
Return since the beginning of the public offering (annualized value)	+2.2% (May 10, 2004)	-3.7% (Nov 30, 2007)

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

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

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

The components of market risk are:

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

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

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

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

There are three types of credit risk:

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

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

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

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

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

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

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

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

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

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

3. EXPECTED FUTURE DEVELOPMENT OF THE FUND

The company remains positive for the development of the Eastern European region, with data showing a continuation of the upward trend in most of the countries in the region compared to the developed Europe. CEE countries continue to grow at a faster pace than developed Europe. At the same time, despite appreciation, valuation ratios remain low, both historically and in relation to other markets. The data also show that Eastern Europe has a double higher growth compared to developed Europe: for the period 2006-2016 the average annual growth rate is + 3.9%, compared to + 0.9% for the euro zone.

Despite the gradual rise in interest rates on the Federal Reserve, the remaining central banks are still waiting to take similar steps. Perhaps the ECB will end its QE program in 2018, but it is unlikely to undertake a process of raising interest rates immediately. Overall, the prospects for the development of regional economies remain favorable with the strengthening of domestic demand and a gradual increase in exports in view of the recovery of the euro zone. The region's potential is supported by the fact that despite the growth in the past 2017, markets in these countries are still far from their 2007 levels, while most of the other markets in the world have regained their positions.

Investment activity will also grow as the rate of absorption of European funds increases. With the improvement of corporate profits, the region's assessment ratios remain among the lowest in the world, considering the strong macroeconomic performance in some countries, and clear indications of recovery for others, we believe that the discount that is being observed is too great.

We expect that the good macroeconomic prospects in the region and the increasing confidence of the business will lead to increased demand for loans and, consequently, stronger performance of banks. The positive macroeconomic background tends to lend, so we continue to have positive expectations for the banking sector as a result of improving credit activity. Indicators of the banking sector suggest an acceleration of the upward trend as consumer and mortgage credit growth was around 6% on an annual basis over the past few months (+ 6.4% on an annual basis in November). At the same time, corporate loan growth lags (+ 1.3% y / y in November).

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 720,658.4204 units were issued and 306,128.0164 units of Mutual Fund Advance Invest were redeemed. The net asset value of the Fund has increased from BGN 5,088 thousand at the beginning of 2017, to BGN 6,745 thousand in the end of the year. The number of unitholders increased during the year, from 747 to 798, with 783 individuals and 15 legal entities.

Equity as at 31.12.2017 at the amount of BGN 6,745 thousand, consists of:

- Share capital: BGN 4,984 thousand;
- Discount from issue of units: BGN (732) thousand;
- Reserve from subsequent revaluation of securities: BGN 625 thousand;
- General reserves: BGN 10,793 thousand;
- Accumulated loss from previous years: BGN (9,826) thousand
- Retained earnings from previous years: BGN 730 thousand
- Profit for the current period: BGN 171 thousand.

The Fund has not distributed dividends. The Fund has no registered branches. As of 31 December 2017 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 2017, the members of the Board of Directors of the Management Company do not hold units of the Fund.

During 2017 the Management Company selected the specialized auditing company Grant Thornton OOD with Reg No. 032 to audit the annual financial statements for 2017. The remuneration is at the amount of BGN 3,500.00 before VAT and represents entirely the remuneration for an independent financial audit.

6. Information under Art. 73 of Ordinance No. 44 of 20.10.2011 on the Requirements for the Activities of the Collective Investment Schemes, the Managing Companies, the National Investment Funds and the Managers of Alternative Investment Funds

6.1 Changes in Net Asset Value and Net Value Per Unit

	31.12.2017 BGN	31.12.2016 BGN	31.12.2015 BGN
Net assets	6,745,029.16	5,087,389.17	4,528,953.50
Net value per unit	1.3536	1.1135	1.0121

6.2 Remuneration Policy of the Management Company

The 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	Permanent remuneration BGN '000	Variable remuneration BGN '000
Manegerial staff	5	376	97
Analytical specialists	4	59	-
Applied specialists	3	41	-

06 March 2018

Daniel Ganey: 
Executive Director



Grant Thornton Ltd.
26, Cherni Vrah Blvd, 1421 Sofia
4, Paraskeva Nikolau Str., 9000 Varna
T (+3592) 987 28 79, (+35952) 69 55 44
F (+3592) 980 48 24, (+35952) 69 55 33
E office@bg.gt.com
W www.gtbulgaria.com

INDEPENDENT AUDITOR'S REPORT

To the unitholders of
MF Advance Invest
№1, Zlatovrah str.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MF Advance Invest** (the Fund), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 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
- (b) 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

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd,
Audit firm



19 March 2018
Bulgaria, Sofia

MF ADVANCE INVEST
 STATEMENT OF FINANCIAL POSITION
 31 DECEMBER 2017
 ALL AMOUNTS ARE PRESENTED IN BGN'000, UNLESS OTHERWISE STATED

	Note	As at 31.12.2017	As at 31.12.2016
Assets			
Current assets			
Financial assets available for sale	5	6,407	4,644
Current receivables	7	-	2
Cash and cash equivalents	6	352	455
Total assets		6,759	5,101
Net assets, belonging to unitholders			
Share capital	8.1	4,984	4,569
Premium reserve	8.2	(732)	(857)
Revaluation reserve	10	625	(321)
General reserve	9	10,793	10,793
Accumulated loss		(8,925)	(9,096)
Total net assets, belonging to unitholders		6,745	5,088
Liabilities			
Current liabilities			
Related party payables	13	12	10
Current payables		2	3
Total liabilities		14	13
Total net assets, belonging to unitholders and liabilities		6,759	5,101

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

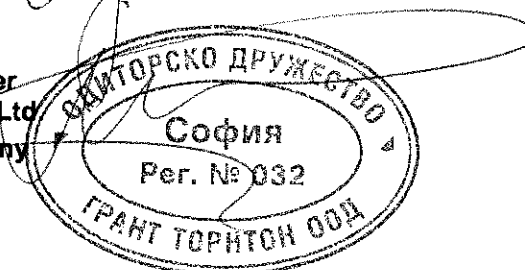
Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova
 Registered auditor, responsible for the audit

Mariy Apostolov
 Managing partner
 Grant Thornton Ltd
 Auditing Company



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

MF ADVANCE INVEST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2017

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

	Note	For the year ended 31.12.2017	For the year ended 31.12.2016
Dividend income	11.1	261	171
Gain from the operations with investments, net	11.2	148	194
Loss from exchange differences, net	11.3	(56)	-
Interest income	11.4	1	1
Net profit from financial assets		354	366
Hired services expenses	12	(183)	(133)
Total operating expenses		(183)	(133)
Profit for the year		171	233
Other comprehensive income:			
Financial assets available for sale:			
-Profit for the year	10	1,101	424
-Reclassification to profit or loss	10	(155)	(192)
Other comprehensive income:		946	232
Total other comprehensive income for the year		1,117	465

Daniel Ganev: 
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova: 
Chief Accountant
MC Karoll Capital Management EAD



Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Auditing Company



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

MF ADVANCE INVEST
 STATEMENT OF CASH FLOWS
 31 December 2017
 All amounts are presented in BGN'000, unless otherwise stated

	For the year ended 31.12.2017	For the year ended 31.12.2016
Cash flows from investing activities		
Cash payments for financial assets acquisition	(1,399)	(365)
Proceeds from sale of financial assets	677	453
Interest received	1	1
Dividends received	259	167
Net cash and cash equivalents, used in investing activities	(462)	256
Cash flows from non-specialized investment activities		
Cash payments related to trade contractors	(24)	(26)
Cash payments related to managing company	(164)	(107)
Net cash and cash equivalents used for non-specialized investment activities	(188)	(133)
Cash flows from financing activities		
Proceeds from units issue	952	312
Payment for units redemption	(405)	(217)
Net cash and cash equivalents from financing activities	547	95
Net increase/decrease in cash and cash equivalents	(103)	218
Cash and cash equivalents at the beginning of the year (note 6)	455	237
Cash and cash equivalents at the end of the year (note 6)	352	455

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

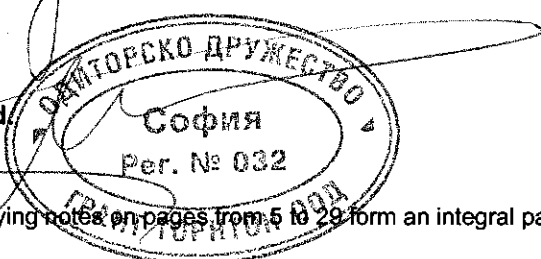


Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova 
 Registered auditor, responsible for the audit

Mariy Apostolov
 Managing partner
 Grant Thornton Ltd.
 Auditing Company



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

MF ADVANCE INVEST
 STATEMENT OF CHANGES IN NET ASSETS, BELONGING TO UNITHOLDERS
 31 December 2017
 All amounts are presented in thousand Bulgarian leva (BGN'000), unless otherwise stated

	Share capital	Premium reserve	Revaluation reserve	General reserves	Accumulated loss	Total
Balance as at 1 January 2016	4,475	(857)	(553)	10,793	(9,329)	4,529
Issue of share capital	321	(9)	-	-	-	312
Unit redemption	(227)	9	-	-	-	(218)
Transactions with unitholders	94	-	-	-	-	94
Profit for the year	-	-	-	-	233	233
Other comprehensive income	-	-	232	-	-	232
Total comprehensive income for the year	-	-	232	-	233	465
Balance as at 31 December 2016	4,569	(857)	(321)	10,793	(9,096)	5,088
Issue of share capital	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

Daniel Ganev: 
 Executive Director
 MC Karoll Capital Management EAD

Stoyka Koritarova: 
 Chief Accountant
 MC Karoll Capital Management EAD

Date: 06.03.2018

Audited, according to the auditor's report dated 19.03.2018

Silvia Dinova 
 Registered auditor, responsible for the audit

Mariy Apostolov
 Managing partner
 Grant Thornton Ltd.
 Auditing Company



The accompanying notes on pages from 5 to 26 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 2017 and 2016 the number of units in circulation is 4,983,200.6898 and 4,568,670.2858 respectively.

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

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

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

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

1.1. Investment strategy of the Fund

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

One of the criteria for selection of assets is the growth 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).

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 2016) 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 2017

The Fund has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2017 and have no significant impact on the Fund's results or financial position:

- IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, adopted by the EU
- IAS 12 "Income Taxes" (amended) effective from 1 January 2017, adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle – IFRS 12 "Disclosure of interests in other entities", not yet adopted by the EU

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

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

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'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Fund will change the classification of its financial assets. Changes in the fair value of financial assets will be recognized in the profit or loss for the period instead of other comprehensive income as at present. The fair value revaluation gains on the Fund's financial assets of BGN 625 thousand will be transferred from a revaluation reserve of available-for-sale financial assets to retained earnings as of January 1, 2018.

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

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 4 „Insurance contracts" (amended) effective from 1 January 2018, not yet adopted by the EU;
- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, 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
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle - IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures", effective from 1 January 2018, not yet adopted by the EU

4. Summary of accounting policies

4.1 Overall considerations

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

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

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

4.2. Presentation of financial statements

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

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

- (i) applies an accounting policy retrospectively,
- (ii) makes a retrospective restatement of items in its financial statements, or
- (iii) reclassifies items in the financial statements

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

4.3. Foreign currency transactions

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

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

4.4. 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 Depository bank.

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

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

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

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

4.6. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to contractual agreements, which include financial instruments.

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

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

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

All financial assets are recognized on their settlement date

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

4.6.1. Financial assets

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

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

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

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

Financial assets held by the Fund are:

Loans and receivables

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

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

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:

- 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.

4.6.2. 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.

4.7. Cash and cash equivalents

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

4.8. 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.

4.9. Net assets, attributable to unitholders

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

Objectives, policies and processes for managing its obligation to the Fund to redeem the instruments when the holders of these instruments require this are set out in note 4.18.

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

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

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

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

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

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

4.10. Provisions, contingent liabilities and contingent assets

Provisions are recognized when there is a possibility of present obligations resulting from past events to lead to an outflow of resources from the Fund and can be made reliable estimate of the

amount of the obligation. Timing or amount of the outflow may still be uncertain. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as legal disputes.

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

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

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

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

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

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

4.11. Significant management judgements in applying accounting policies

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

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

4.12. Uncertainty in accounting estimates

4.12.1 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

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

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.

4.12.2. Impairment of financial assets

Management assesses at each reporting date, whether there is objective evidence, that a financial asset or group of financial assets should be impaired.

If there is objective evidence for an impairment loss from loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows. The carrying amount of the asset is reduced either directly or through an allowance account. The amount of the loss is recognized in profit or loss.

A financial asset or group of financial assets are considered impaired and impairment losses are incurred when there is objective evidence for impairment arising from one or more events that occurred after the initial recognition of the asset (event "loss") and when this event "loss" (or events) has an effect on the estimated future cash flows from an asset or group of financial assets that can be measured reliably.

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

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

5. Financial assets available for sale

Financial assets available for sale can be represented as follows:

	Note	Fair value As at 31.12.2017	Fair value As at 31.12.2016
Shares in BGN	5.1	4,575	3,061
Shares in Foreign currency	5.2	1,832	1,583
TOTAL		6,407	4,644

5.1. Shares in BGN

		ISIN			
		As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Active Properties REIT	BG1100003059	632	9.35	363	7.11
CEZ Razpredelenie Bulgaria AD	BG1100025110	483	7.15	269	5.27
Chimimport AD	BG1100046066	394	5.83	298	5.85
Monbat AD	BG1100075065	352	5.20	321	6.29
Advance Terrafund REIT	BG1100025052	317	4.69	185	3.62
Sopharma AD	BG11SOSOB18	311	4.60	188	3.68
Trace Group Hold AD	BG1100049078	264	3.91	260	5.10
First Investment Bank AD	BG1100106050	230	3.40	136	2.67
Agression Group Holding AD	BG1100085072	199	2.95	-	-
Advance Equity Holding AD	BG1100033064	157	2.33	136	2.67
Central Cooperative Bank AD	BG1100014973	157	2.32	76	1.49
Bulgarian real estate fund REIT	BG1100001053	152	2.24	140	2.74
Alterko AD	BG1100003166	150	2.22	172	3.38
Bravo Property Fund REIT	BG1100016176	150	2.22	-	-
Sirma Group Holding AD	BG1100032140	131	1.94	45	0.87
Svilosa AD - Svishtov	BG11SVSVAT11	113	1.68	73	1.44
Sopharma Trading AD	BG1100086070	76	1.13	63	1.24
Neochim AD	BG11NEDIAT11	55	0.81	28	0.53
CEZ Elektrorazpredelenie AD	BG1100024113	50	0.75	51	1.00
Plovdiv – Jury Gagarin BT AD	BG11PLPLVT16	48	0.70	51	1.00
Severcoop-Gumza Holding AD	BG1100026985	33	0.49	13	0.26
Stara Planina Hold AD	BG1100005971	28	0.41	42	0.83
Bulgartabac-Holding AD	BG11BUSOGT14	26	0.38	31	0.61
Albena AD	BG11ALBAAT17	24	0.35	-	-
Fairplay Properties REIT	BG1100042057	17	0.25	-	-
Energetics and Energy Savings Fund REIT	BG1100026068	13	0.19	22	0.43
SAF Magelan AD	BG1100020053	13	0.20	6	0.12
Eurohold Bulgaria AD	BG1100114062	-	-	92	1.81
TOTAL		4,575	67.69	3,061	60.01

In August 2017, Advance Invest Mutual Fund became a founder as an institutional investor in the capital of Bravo Property Fund REIT. As of 31.12.2017 the issue is registered with the Central

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Depository. At the date of preparation of these financial statements, an initial increase of the company's capital is made through an initial public offering of shares.

5.2 Shares in Foreign currency

	ISIN	As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Fondul					
Proprietatea SA	ROFPTAACNOR5	223	3.30	251	4.91
IAR SA Brasov	ROIARVACNOR1	223	3.30	221	4.32
BRD - Societe Generale SA	ROBRDBACNOR2	211	3.12	200	3.91
Banka Transilvania	ROTLVAACNOR1	209	3.09	201	3.95
Sif Oltenia SA	ROSIFEACNOR4	201	2.98	105	2.07
Romgaz SA	ROSNGNACNOR3	184	2.72	161	3.17
SNP Petrom SA	ROSNPPACNOR9	144	2.13	135	2.65
Transelectrica	ROTSELACNOR9	115	1.69	102	1.99
S.N.T.G.N. Transgaz	ROTGNTACNOR8	113	1.67	89	1.74
Electrica Sa	ROELECACNOR5	71	1.05	-	-
SIF Transilvania	ROSIFCACNOR8	61	0.91	-	-
Bursa de Valori Bucuresti SA	ROBVBAACNOR0	58	0.86	62	1.22
Dafora SA	RODAFRACNOR5	19	0.29	-	-
Sif Moldova SA	ROSIFBACNOR0	-	-	56	1.09
TOTAL		1,832	27.11	1,583	31.03

Market approach has been used in determining the fair value of all shares in the Fund's portfolio as at 31 December 2017 except for the shares of Bravo Property Fund REIT valued at acquisition cost.

Sector distribution of investments:

	As at 31.12.2017	% of assets	As at 31.12.2016	% of assets
Financial services and properties	1338	19.78	715	14.01
Holdings	1008	14.93	952	18.66
Energy	862	12.75	616	12.08
Industrial	651	9.61	635	12.44
Real estate	580	6.38	258	5.06
Banking	420	6.21	401	7.86
Healthcare	387	5.73	251	4.92
Utilities	298	4.41	190	3.73
Infrastructure	283	4.19	260	5.1
Informational services	281	4.17	217	4.25
Agriculture	199	2.95	-	-
Financial services	132	1.95	85	1.66
Chemical industry	55	0.81	28	0.54
Tobacco	26	0.38	31	0.61
Tourism	24	0.35	-	-
Consumer products	13	0.20	5	0.13
TOTAL	6,407	94.80	4,644	91.04

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

As at 31 December 2017, the Management Company reviewed and analyzed evidence of impairment of financial assets available for sale and, as a result of the analysis, considers that no impairment is required.

Investments are distributed by state as follows:

Country	As at		As at	
	31.12.2017	% of total assets	31.12.2016	% of total assets
Bulgaria	4,575	67.69	3,061	60.01
Romania	1,832	27.11	1,583	31.03
TOTAL	6,407	94.80	4,644	91.04

6. Cash and cash equivalents

	As at 31.12.2017	As at 31.12.2016
Cash on hand and in current accounts in BGN	54	217
Cash on hand and in current accounts in foreign currency	298	238
TOTAL	352	455

As at 31.12.2017 the Fund does not have blocked cash and cash equivalents.

7. Current receivables

	As at 31.12.2017	As at 31.12.2016
Receivables from orders for purchase of Fund's units	-	2
TOTAL	-	2

8. Net assets, belonging to unitholders

8.1. Number of units issued

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

	Number of units issued and total value		
	Number of units	Par value	Share capital (BGN)
As at 01.01.2016	4,474,620.2775	BGN 1 / unit	4,475
Issued units 2016	320,871.9151	BGN 1 / unit	321
Redeemed units 2016	(226,821.9068)	BGN 1 / unit	(227)
As at 31.12.2016	4,568,670.2858	BGN 1 / unit	4,569
Issued units 2017	720,658.4204	BGN 1 / unit	721
Redeemed units 2017	(306,128.0164)	BGN 1 / unit	(306)
As at 31.12.2017	4,983,200.6898	BGN 1 / unit	4,984

8.2. Share premium

	2017 BGN'000	2016 BGN'000
Premium reserve as at 1 January	(857)	(857)
Change due to emission	224	(9)
Change due to redemption	(99)	9
Premium reserve as at 31 December	(732)	(857)

8.3. Net asset value per unit

Net asset value per unit is the basis for determining the issue price and the repurchase price of units of MF Advance Invest and is calculated every work day. Net asset value of the Fund is presented in Bulgarian Lev. The most recent calculation and announced to investors and to the FSC net asset value per unit, issue price and repurchase price is as of 29 December 2017 (30 December 2016). For the purpose of these financial statements and the principles of IFRS the net asset value per unit, issue price and repurchase price is calculated and presented as of 31 December 2017.

BGN	31.12.2017	29.12.2017	31.12.2016	30.12.2016
Net asset value	6,745,029.16	6,723,482.50	5,087,389.17	5,071,825.94
Number of units in circulation	4,983,200.6898	4,983,200.6898	4,568,670.2858	4,568,670.2858
Nominal value	1.0000	1.0000	1.0000	1.0000
Net asset value per unit	1.3536	1.3492	1.1135	1.1101
Issue price				
orders from EUR 50 000.01 to EUR 250 000 after "issue fee" of 1.0% of net asset value	1.3739	1.3694	1.1302	1.1268
orders from EUR	1.3671	1.3627	1.1246	1.1212
250 000.01 to EUR 500 000.00 after "issue fee" of 0.5% of the net asset value	1.3604	1.3559	1.1191	1.1157
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.	1.3536	1.3492	1.1135	1.1101
Redemption price	1.3536	1.3492	1.1135	1.1101

9. General reserves

General reserves, amounting to BGN 10 793 thousand (2016: BGN 10 793 thousand), are formed due to distribution of retained earnings from prior periods.

10. Revaluation reserve

Changes in the revaluation reserve could be summarized as follows:

	As at 31.12.2017	As at 31.12.2016
Revaluation reserve from subsequent measurement of available-for-sale financial assets in the beginning of the period	(321)	(553)
Profit from subsequent measurement of available-for-sale financial assets, presented in 'Other comprehensive income'	1,101	424
Profit from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	(170)	11
Loss from available-for-sale financial assets, reclassified from equity to profit/(loss) for the period	15	(203)
TOTAL	625	(321)

11. Revenue

11.1 Dividend income

	Year ended 31.12.2017	Year ended 31.12.2016
Dividend income from Bulgarian issuers	108	53
Dividend income from Romanin issuers	153	118
TOTAL	261	171

11.2 Gain from operations with investments, net

	Year ended 31.12.2017	Year ended 31.12.2016
	170	203
Profit from available-for-sale financial assets, reclassified from equity to profit/loss for the period	(15)	(11)
Loss from available-for-sale financial assets, reclassified from equity to profit/loss for the period	1	6
Profit from sale of available-for-sale financial assets	(8)	(4)
TOTAL	148	194

11.3 Exchange rate differences

	Year ended 31.12.2017	Year ended 31.12.2016
Loss on foreign currency revaluation of financial assets	(300)	(252)
Gain on foreign currency revaluation of financial assets	248	259
Foreign exchange operations – expense	(4)	(9)
Foreign exchange operations – income	-	2
TOTAL	(56)	-

11.4 Interest income, net

	Year ended 31.12.2017	Year ended 31.12.2016
Interest income from deposits and current accounts	1	1
TOTAL	1	1

12. Hired services expenses

	Year ended 31.12.2017	Year ended 31.12.2016
Remuneration of the management company	(156)	(107)
Remuneration of the custodian bank	(16)	(16)
Advertisement	(5)	(3)
Audit	(5)	(5)
Annual fees	(1)	(1)
Other	-	(1)
TOTAL	(183)	(133)

Costs related to the Fund's activity represent 2.93% (2016: 3.10%) of the average annual net asset value according to the statement of financial position of the Fund.

13. Related parties

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

13.1. Transactions during the year

	Year ended 31.12.2017	Year ended 31.12.2016
Remuneration of the Management Company	(156)	(107)
Balances, related to fees for issued own units of the Fund	(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 as at year end

	As at 31.12.2017	As at 31.12.2016
Payables to the Management Company	12	10
TOTAL	12	10

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 31.12.2017.

16. Categories of financial assets and liabilities

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

Financial assets		As at 31.12.2017	As at 31.12.2016
Financial assets available-for-sale:			
Shares	5.1, 5.2	6,407	4,644
Loans and receivables:			
Current receivables	7	-	2
Cash and cash equivalents	6	352	455
		6,759	5,101

Financial liabilities	Note	As at 31.12.2017	As at 31.12.2016
Current liabilities:			
Current payables		2	3
Related party payables	13.2	12	10
		14	13

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

17. Financial instrument risk

Management policy and objectives regarding risk management

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

Liquidity risk

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

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

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

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

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

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 2017	<u>Under 1 month</u>
Current payables	14
Own units issued, measured at net value of one unit as at year end	6,745
As at 31 December 2016	<u>Under 1 month</u>
Current payables	13
Own units issued, measured at net value of one unit as at year end	5,088

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

Market risk

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

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

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

Market risk is concentrated in the following positions:

	As at 31.12.2017		As at 31.12.2016	
	Fair value	% of assets measured at market price	Fair value	% of assets measured at market price
Financial assets available for sale	6,407	94.99	4,644	91.04
Interest receivables and other assets	-	-	2	-
Total amount, exposed to market risk	6,407	94.99	4,646	91.04

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 2017	
Financial assets	1,832
31 December 2016	
Financial assets	1,583

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

- Romanian lea +/- 0.9%

All other parameters are assumed to be constant.

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

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 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

31 December 2016	Increase in Bulgarian lev's exchange rate		Decrease in Bulgarian lev's exchange rate	
	Net financial results	Equity	Net financial results	Equity
Romanian lea (+/- 0.6 %)	(8)	(8)	8	8

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.

As at 31 December 2017	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Financial assets available for sale	-	6,407	6,407
Cash and cash equivalents	352	-	352
Total assets	352	6,407	6,759
LIABILITIES			
Current payables	-	14	14
Total liabilities	-	14	14
Own units in circulation, measured at net value per unit as at year end	-	6,745	6,745
Total amount, exposed to interest rate risk	352	(352)	-

MF ADVANCE INVEST
NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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

As at 31 December 2017	Under 1 month	Interest free assets and liabilities	Total
ASSETS			
Financial assets available for sale	-	4,644	4,644
Cash and cash equivalents	-	2	2
Total assets	455	-	455
LIABILITIES			
Current payables	-	13	13
Total liabilities	-	13	13
Own units in circulation, measured at net value per unit as at year end	-	5,088	5,088
Total amount, exposed to interest rate risk	455	(455)	-

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.

2017

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INTEST	BGN	22.33%	9.72%

2016

NAME	CURRENCY	AVERAGE RETURN (annual)	STANDARD DEVIATION
MF ADVANCE INTEST	BGN	8.11%	8.79%

Credit risk

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

Financial assets	As at 31.12.2017	As at 31.12.2016
Available-for-sale financial assets:		
Shares	6,407	4,644
	6,407	4,644
Loans and receivables:		
Current receivables	-	2
Cash and cash equivalents	352	455
	6,759	5,101

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

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

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

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

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

18. Fair value measurement of financial assets

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

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

The following table provides information on financial instruments at fair value as at 31 December 2017 and 2016, presented in levels 1 to 3 of the fair value hierarchy:

As at 31.12.2017	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets:			
- Shares	6,257	150	6,407
Total	6,257	150	6,407

As at 31.12.2016	<u>Level 1</u>
Available-for-sale financial assets:	
- Shares	4,644
Total	4,644

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.

	2017 BGN'000	2016 BGN'000
Net assets, belonging to unitholders	6,745	5,088
Debt	14	13
- Cash and cash equivalents	(352)	(455)
Net debt	(338)	(442)
Net assets to net debt ratio	1:(0.05)	1:(0.09)

20. Post-reporting date events

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

21. Approval of the financial statements

The financial statements for the year ended 31 December 2017 (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 07 March 2018.

Daniel Ganev
Executive Director
MC Karoll Capital Management EAD

Stoyka Koritarova
Chief Accountant
MC Karoll Capital Management EAD

