

**Constant drive for development.** Karoll is a leading asset manager in Eastern Europe employing highly skilled and experienced professionals. The knowledge we have acquired since 1993 has allowed us to build outstanding research capabilities, state-of-the-art risk management and personal relationship attitude. All this combined with the superior level of our customer service brings the stability and prosperity that you need in asset management.

**Trusted international partners.** Erste Bank is our information agent and fund distributor for Austria. Our funds are monitored by Lipper, a Reuter's fund rating agency. We work with reputable clients and partners from all over the world. All this brings us confidence and trust.

**Special focus on South Eastern Europe.** We believe these markets offer excellent investment opportunities as they are still at their initial phase of development.

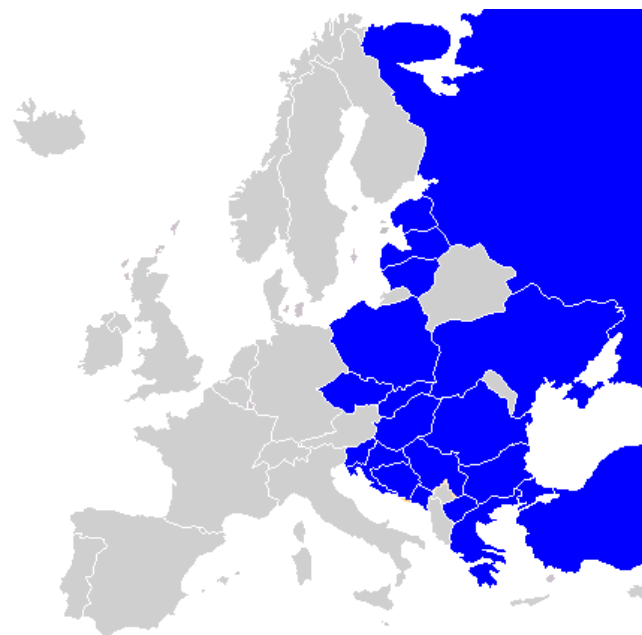
**Long-term prospects.** The economies of Eastern Europe continue to converge towards the more sophisticated Western economies. GDP growth has been substantial in the last few years, foreign direct investment had continued to grow at a steady rate, and at the same time EU laws and legislation are constantly applied and incorporated.

**Regional expertise.** It gives us an edge in analysing the economies of Eastern Europe. Due to our location we can access information quickly and easily as we visit companies on a regular basis.

**Unique products.** Our funds include different countries and follow separate investment strategies. We offer a diversified range of products based on the client needs and perspectives. In our analysis we use both bottom-up and top-down approach, and combine fundamental analysis with statistical models.

**Investments in Eastern Europe only.** Thus we gain maximum exposure to these emerging markets. Unlike other asset managers, we do not invest in companies that are based outside Eastern Europe and only generate some of their revenue in the region.

**Thorough analysis of the company fair value.** We take into account the company's ability to realize an internal rate of return greater than the cost of capital, the management abilities and qualities, the sector dynamics and regulations, and the company's position in the market. It is important that in our research we make on-site company visits.



The fair value of the company is derived by looking at future cash flows and evaluating financial indicators of other close competitors. We also consider investors' psychology and order flows coming from large institutional investors.

**Disciplined and well structured investment process.** The fund manager is supported by a four-member investment committee in making the investment decisions. The committee mainly decides on the asset classes comprising the portfolio and the sector splits and restrictions. In addition, our analyst team supports the fund manager in the active management of the portfolios.

**Initiative.** We are often the first to introduce new financial products and schemes in the region. We launched the first domestic equity mutual fund in Bulgaria in 2004 and a real estate investment trust a year later. We are the first local asset management company to organize road shows abroad and seek foreign capital.

**No particular index followed.** This gives us more flexibility in our investment choice. However, in order to measure our success we construct in-house indices to be used as benchmarks that are much closer to our investment strategy.

## Investment Objective

To seek long term capital appreciation through investments in equities. The focus is stocks listed on the Bulgarian and Romanian markets due to their growth potential. The fund is actively managed through bottom-up selection of undervalued stocks with high upside potential as determined by fundamental measures.

### Fund Manager's Comment

After several negative months for the Balkan markets, July was marked by positive sentiment. Bulgaria managed to "get infected" with this positivism only at the very end of the month, and thus it finished July with a small loss of 0.8% at 370 points for SOFIX. The index was in the red for a sixth consecutive month accumulating over a 13% decline year-to-date. Some of the main stocks depreciated significantly during the month, e.g.: Eurohold (-18%), Trace Group (-13%), Kaolin (-10%). Although there has been some animation lately, the activity remains at critically low levels. We witnessed some new anti-records such as the longest time without any transaction, the lowest turnover in the first hour of trading...

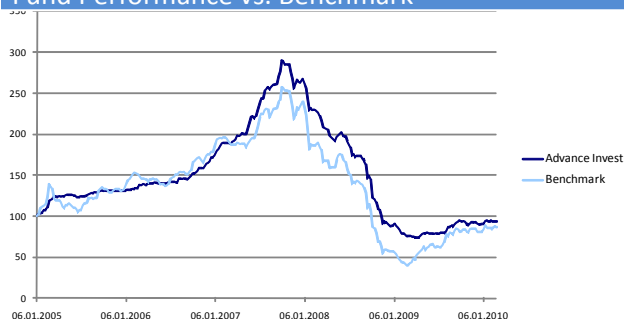
The news of the stock exchange changing its articles so it can go public like its Romanian counterpart also broke last month. The new leadership at the Financial Supervision Commission just released a document with the capital market development priorities, describing the opportunities for the establishment of new products, instruments and mechanisms, involving all market participants.

The trading turnover's decline is also the case in neighboring Romania, where it seems that only the local investors have stayed for the summer months. Nonetheless, this was one of the best-performing markets in the region with an advance of 7%. For the period Advance Invest registered a 3.3% rise, mainly thanks to the strong gains of the Romanian financial conglomerates SIFs, the infrastructure and energy companies.

The contraction of the Bulgarian economy has slowed down, with the GDP expected to decrease by 1% in the second quarter (vs. 3.6% in Q1 2010). Since March the industrial production is already above zero on an annual basis thanks to the processing sector, where export sales are the growth driver. The agriculture and services sector have stabilized too. S&P credit rating agency confirmed Bulgaria's BBB rating with stable outlook. Among the major points was the forecast that the budget deficit this year will be under 4%, which would place Bulgaria in the top 5 states in the EU. The report reinforced the agency's stand on the stability of the currency board and the fiscal policy.

The political instability and economic drama in Romania, which forced the cabinet to raise taxes among other unpopular measures, made a number of Romanian firms initiate the relocation of their businesses to Bulgaria. The move toward a progressive tax system, including pensions, is under discussion in the northern neighbor too. Despite the shakiness and unrest, for now IMF approved the release of the next tranche of international financial aid for the country. The capital market seems immune to such political shake-ups, which have turned into a normal condition for Bucharest through the years.

### Fund Performance vs. Benchmark



### Fund Results

	Fund	Benchmark
1 month	3.25%	3.97%
1 year	6.29%	11.33%
Year to Date	-7.98%	-0.90%
Since Launch (annualized)	1.79%	0.32%

### Annual Performance

2009	2.20%	40.55%
2008	-66.57%	-75.92%
2007	55.37%	34.31%
2006	31.20%	35.30%
2005	32.60%	32.00%
2004	38.00%	37.60%

### Fund Facts

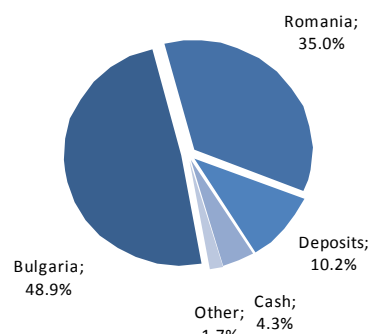
Fund type	open-end
Fund Manager	Daniel Ganev
Fund size	7.84 M
NAV/share	1.1724
Launch date	10/05/04
Benchmark	SOFIBET
Currency of account	BGN(EUR=BGN1.95583)
Subscription fee	up to 1.5%
Management fee	3% of NAV p.a.
Redemption fee	none
Minimum investment	none

### Codes

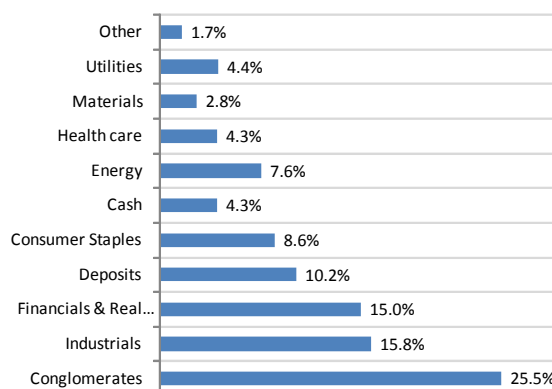
ISIN	BG1100004040
BSE Ticker	5AZ
Bloomberg Code	ADVIMFD BU

\* SOFIBET=50% SOFIX + 50% BET as of beginning 2006

### Market Breakdown



### Sector Breakdown



### 5 Largest Holdings

Advance Equity (Financials & Real Estate)
SAF Magellan (Consumer Staples)
FONDUL PROPRIETATEA SA (Conglomerates)
Aktiv Properties (Financials & Real Estate)
CONDMAG - BRASOV (Industrials)

## Investment objective

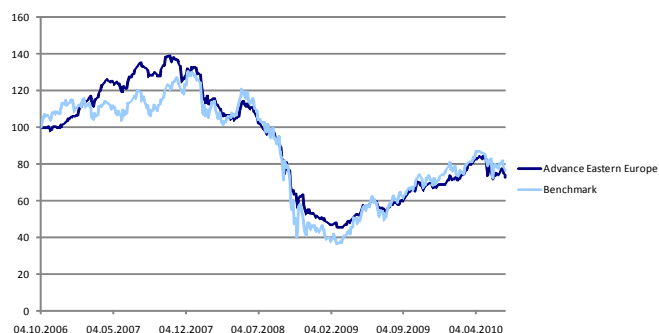
The goal of the fund is to ensure high investment results sustainable over time through long-term growth in Eastern European equities.

### Fund Manager's Comment

July was a strong month for the global stock markets and for some of the emerging markets in Eastern Europe. After the strong decline in late June, most of the biggest world markets found a bottom in the 1st trading day of July and has rallied strongly since then. The main U.S. stock index – S&P500, close the month with a +6.9% return but even that good rise didn't help the index to climb on a positive territory for the year (the return for the 1st seven months of 2010 is -1.2%). The larger markets in Eastern Europe (Russia, Turkey, Greece, Poland, Ukraine) realized similar or even slightly better return but overall, these markets couldn't outperform the S&P500 index significantly. Within the markets in Advance Eastern Europe portfolio the best performance came from Romania, Ukraine and Russia which realized return of 7.0% (BET), 6.9% (PFTS) and 6.7% (MICEX) respectively. Unfortunately, the remaining three markets in our portfolio did not perform well – all of them finished July with a return close to zero: -0.6% for BELEX 15, -0.8% for SOFIX and +0.1% for CROBEX. Thus, though Russia, Ukraine and Romania are the markets with the biggest weight in our portfolio, the total return suffered and was significantly less than the return of the MSCI EFM Europe+CIS index.

The strong advance in July is a positive signal for the trend on the global markets but it is still too early to say that the risk of a sharp move down (similar to the ones we saw in May and June) has decreased substantially. The upmove from the early July lows is very selective on most of the markets, i.e. it is not broad based. Within the S&P500 components, only 53% are above their respective 200-day moving averages. At the same time, the global economy does not show significant signs of strong recovery, quite the opposite – the latest economic data suggests a much weaker recovery than previously expected. The bigger markets in Eastern Europe that are part of our portfolio (Russia, Romania, Ukraine) show some improvement of the technical picture but the downside risks still remain viable too. Having that in mind, the Asset Manager has adopted more defensive approach and has started to increase the weight of the cash and cash equivalents in the Fund's portfolio. Our target will be to keep approximately 25% of all assets in cash in the next several months until there are more convincing signals that the Medium-Term trend on the regional markets is still on the upside.

### Fund Performance vs. Benchmark



### Fund Results

	Fund	Benchmark
1 month	2.48%	6.19%
1 year	29.77%	34.36%
Year to Date	7.95%	9.49%
Since Launch (annualized)	-7.45%	-5.32%

### Annual Performance

2009	36.50%	73.42%
2008	-61.94%	-66.63%
2007	25.91%	11.54%

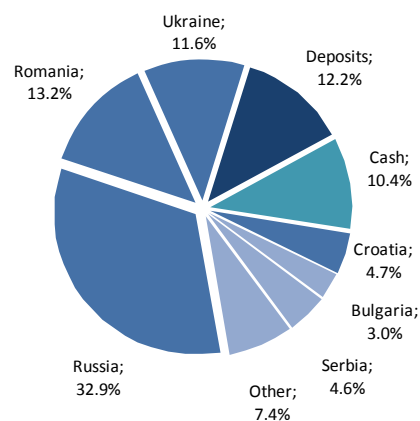
### Fund Facts

Fund type	open-end
Fund Manager	Alexander Nikolov
Fund size	€4.56M
NAV/share	€0.7437
Launch date	04/10/06
Benchmark	MSCI EFM Europe+CIS
Currency of account	EUR
Subscription fee	up to 1.5%
Management fee	2.5% of NAV p.a.
Redemption fee	none
Minimum investment	none

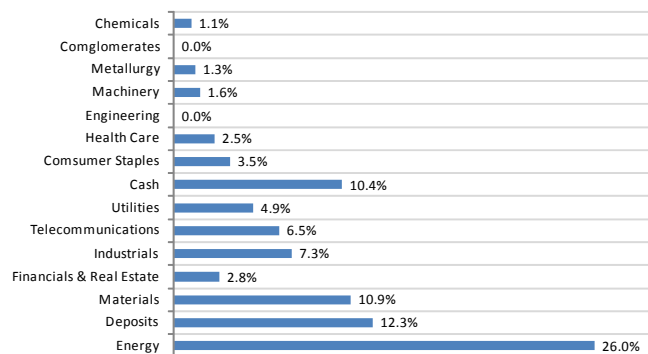
### Codes

ISIN	BG9000016063
Bloomberg Code	ADVEAEU:BU

### Market Breakdown



### Sector Breakdown



### 5 Largest Holdings

Lukoil, Russia	Energy
JSC "NOVATEK" Russia	Energy
Gazprom, Russia	Energy
OJSC "MOTOR SICH", Ukraine	Industrials
Mobile TeleSystems, Russia	Telecommunications

## Investment objective

The fund targets IPOs and recently listed companies in CEE and follows a short-term investment horizon when holding stocks.

### Fund Manager's Comment

The positive sentiment was back to the global markets in July, the Central and Eastern European stock exchanges being positively influenced as well. After sizable losses in May and June, during the last month the MSCI EM Eastern Europe gained over 6 %, thus its year-to-date return reaching 7.51 %. The markets with the strongest performance from the CEE region were the leading markets from the portfolio of Advance IPO Fund – Turkey (+9.2 % for the month) and Poland (+9 %). The Romanian market advanced by 7 % and Russia was up by 6.7 %. The Czech index gained 6.4 % in July while the Bulgaria and Croatia were little changed. As a result of the weak performance of the Bulgarian market as well as the solid growth of the Turkish and the Polish markets, the stake of the Bulgarian equities fell down and currently these take the third place with a share of 15.5 % of the fund's assets, after Poland (accounting for 20.4 % of the assets) and Turkey (17.12 %).

As a result of the positive development on the markets, the price of the fund's units advanced by 2.94 % in July which brought its year-to-date return to 6.56 %. Stocks accounted for 80 % of the fund's assets. The increase of the equities stake as compared to their level at the end of June (76 %) resulted from the good performance of the shares from the portfolio as well as from our participation in the IPO of the Polish energy company Tauron whose offering in the amount of USD 1.2 bln. was one of the largest in Europe this year.

As we have already reached the target equities level of 75-80 %, in the next months the portfolio will be restructured through the replacement of some of the holdings with undervalued stocks that were recently listed pursuant to the investment strategy of the fund envisaging investing in new companies. The main candidates to be included are Russian companies as the IPO activity was strong there before the crisis and due to the positive prospects in front of the Russian market at the moment. We shall continue to search for undervalued stocks among the Polish companies that went public in 2007 which was a record year in terms of IPO activity for the Warsaw stock exchange. Along with that we shall be screening the new listings in the region that can be expected to accelerate when there are more indicators that the global markets have stabilized.

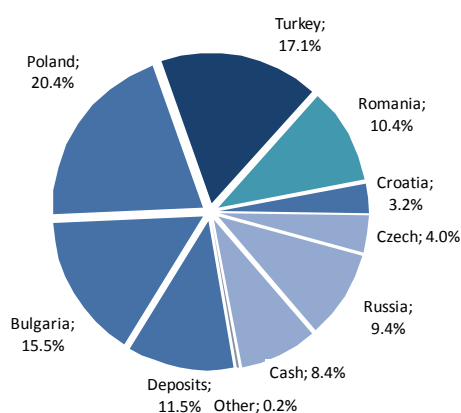
### Fund Facts

Fund type	open-end
Fund Manager	Nadia Nedelcheva, CFA
Fund size	€2.255m
NAV/share	€0.9293
Launch date	23/11/07
Currency of account	EUR
Subscription fee	up to 1.5%
Management fee	2.5% of NAV p.a.
Redemption fee	none
Minimum investment	none

### Codes

ISIN	BG9000023077
Bloomberg Code	ADVPOF BU

### Market Breakdown



### Fund Performance



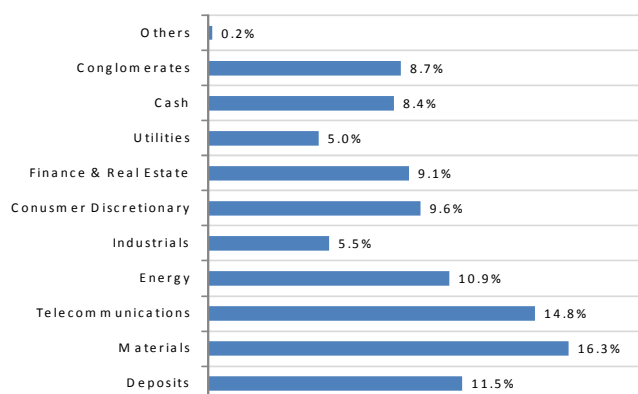
### Fund Results

	Fund
1 month	2.94%
1 year	4.67%
Year to Date	6.56%
Since Launch (annualized)	-2.70%

### Annual Performance

	Fund
2009	2.85%
2008	-15.88%

### Sector Breakdown



### 5 Largest Holdings

Turk Telekom (Turkey)  
 ZAKLADY AZOTOWE W TARNOWIE - Moscicach S.A. (Poland)  
 FONDUL PROPRIETATEA SA (Romania)  
 SNTGN TRANSGAZ S.A. (Romania)  
 TÜRKİYE HALK BANKASI A.Ş (Turkey)

## How to invest in the funds

Karoll manages three open-end funds:

**Advance Invest** – invests in listed companies in Bulgaria and Romania. Fund's NAV is calculated every Monday and Thursday by 4 pm CET. UCITS -3 compliant.

**Advance Eastern Europe** – invests in large cap stocks listed on the exchanges of Bulgaria, Romania, Serbia, Croatia, Russia and Ukraine. Fund's NAV is calculated every Tuesday and Friday by 4 pm CET. UCITS -3 compliant.

**Advance IPO Fund** – invests in IPOs in Bulgaria, Romania, Croatia, Serbia, Bosnia and Herzegovina, Russia, Ukraine, Poland, the Czech Republic, Slovakia, Slovenia, Hungary, Lithuania, Latvia, Estonia, Turkey, Greece, Kazakhstan and in the future in other countries from Central and Eastern Europe – Macedonia, Montenegro, former Soviet Union republics. Fund's NAV is calculated every Monday and Thursday by 4 pm CET. UCITS -3 compliant.

## How to buy and sell fund units

In order to buy Karoll funds units, the investor's custodian must have sub-custody relations in Bulgaria to safe-keep Bulgarian securities. Please provide us with the name of your sub-custodian and the details your securities account in Bulgaria in order to process the transaction.

In order to subscribe or redeem Karoll funds units, send us an order by email to [investing@karoll.bg](mailto:investing@karoll.bg) or by fax +359 (2) 4008426.

## Our settlement details

### ISIN codes

Advance Invest	BG1100004040
Advance Eastern Europe	BG9000016063
Advance IPO Fund	BG9000023077

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[www.karoll.bg/en](http://www.karoll.bg/en)

## Funds facts

**Fund Management Company** – Karoll Capital Management

**Regulator** – Bulgarian Financial Supervision Commission, [www.fsc.bg](http://www.fsc.bg), Karoll has a license for fund and portfolio management services.

**Fund custody and administration** - Eurobank EFG Bulgaria for Advance Invest, UniCredit Bulbank for Advance Eastern Europe and Advance IPO fund

**Auditor** – Deloitte Bulgaria

**Fund structure** – the funds are UCITS-3 compliant

**Dealing** – the funds are open two days per week with cut-off at 5 PM Bulgarian time (4 PM CET). Subscriptions and redemptions accepted in BGN and EUR.

**Register of units** – The units of Karoll funds are registered electronically with Bulgarian Central Depository.

**Settlement** – Settlement takes place as delivery against payment (DVP) within up to two days, either in BGN or EUR (for Advance Invest only in BGN)

## Custody banks

Advance Invest -

Eurobank EFG Bulgaria,  
SWIFT: BPBIBGSF

Advance Eastern Europe -

Unicredit Bulbank,  
SWIFT: UNCRBGSF

Advance IPO Fund -

Unicredit Bulbank,  
SWIFT: UNCRBGSF

## Custody banks that can safe-keep Karoll funds

The following banks have opened direct sub-custody accounts in Bulgaria:

Bank Austria Creditanstalt, Citibank, Citco Global Custody, Credit Suisse Securities, Deutsche Bank, Erste Bank, HSBC, ING Luxembourg, Raiffeisen, Societe Generale

## Legal Disclaimer

The historical results of the mutual funds do not guarantee future results. The value of the investment and the income from it can increase as well as decrease. Profits are not guaranteed and there is a risk that investors may not receive the full amount of the invested funds. Investments in the mutual funds are not guaranteed by a state guarantee fund or any other institution.

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