

Advance Invest Mutual Fund Overview as of mid-2007

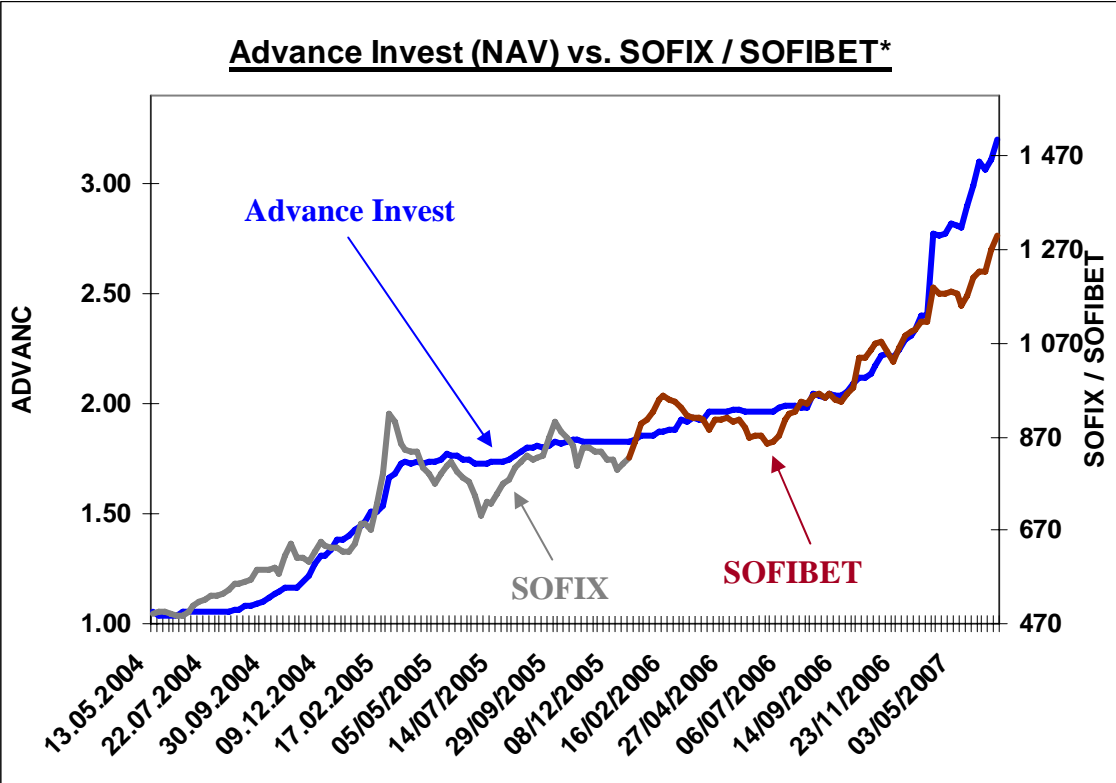
Advance Invest Mutual Fund, managed by Karoll Capital Management, experienced its strongest performance ever in the first half of 2007 with return of +34.6%. (NAV/share change from BGN 2.4005 to 3.2302 for the period). This result is more the double that of the SOFIX index (+15.3%) in H1 2007. The fund's benchmark SOFIBET (+17.5% for the period) was defeated categorically as well. The return realized in just Q2 is +18.8% (+11.6% for SOFIBET).

Fund Performance	
Return for H1 2007	34.56%
<i>Benchmark (SOFIBET*) for 2007</i>	17.46%
Return for 2006	31.17%
<i>Benchmark (SOFIBET*) for 2006</i>	35.26%
Return for 2005	32.60%
<i>Benchmark (SOFIX) for 2005</i>	32.02%
Return for 2004	38.00%
<i>Benchmark (SOFIX) for 2004</i>	37.63%
*index constructed by Karoll comprising 50% of Bulgarian SOFIX & 50% of Romanian BET as of 2006 beginning	

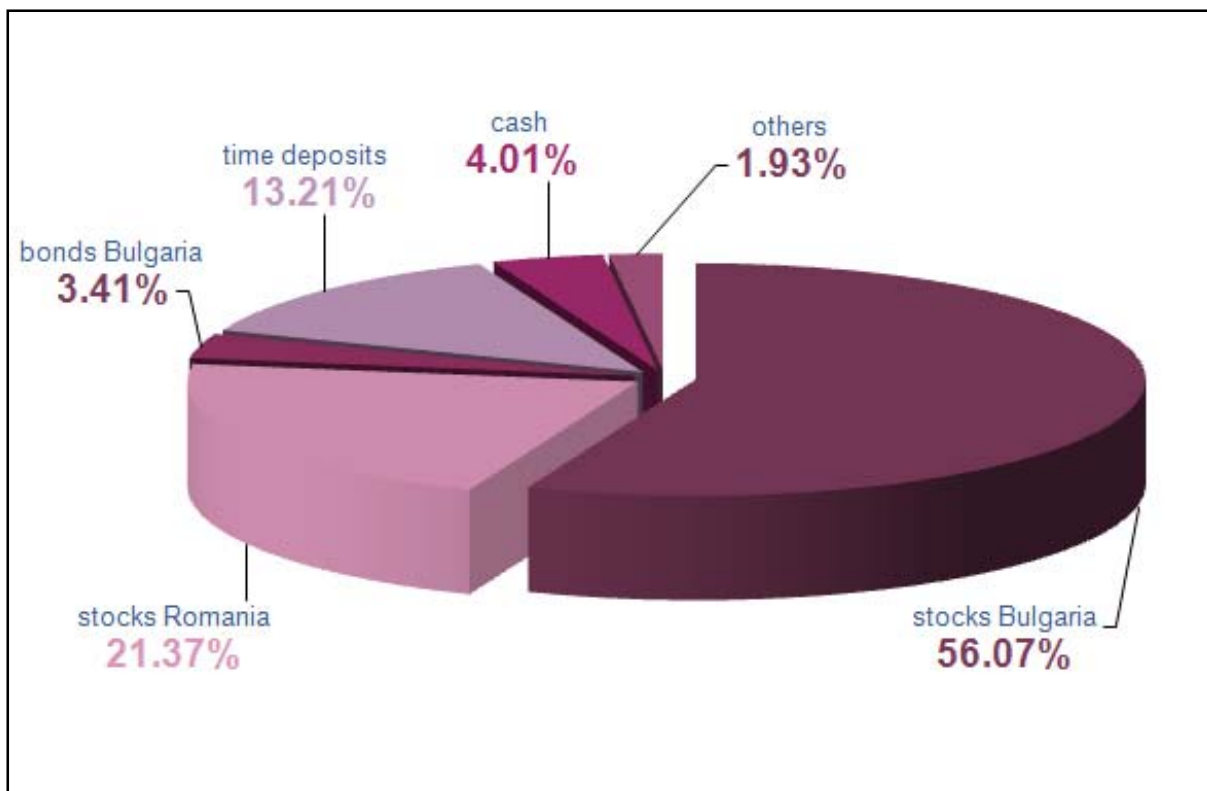
The fund's outstanding return was realized by assuming lower risk SOFIBET benchmark (standard deviation of 13.5% for the fund compared to above 15% for the benchmark). The statistical measures below further demonstrate the excellent performance of Advance Invest in terms of risk and return, e.g. alpha of +23.7%.

Beta	0.38
Alpha (annualized)	23.73%
Standard Diviation (anualized)	13.46%
Sharpe Ratio	2.44
M Squared	1.99%
Information Ratio	1.93
Tracking Error	12.27%
*Annual data on a weekly basis for 2 yrs trailing. The index used in the calculations is SOFIBET, constructed by Karoll.	

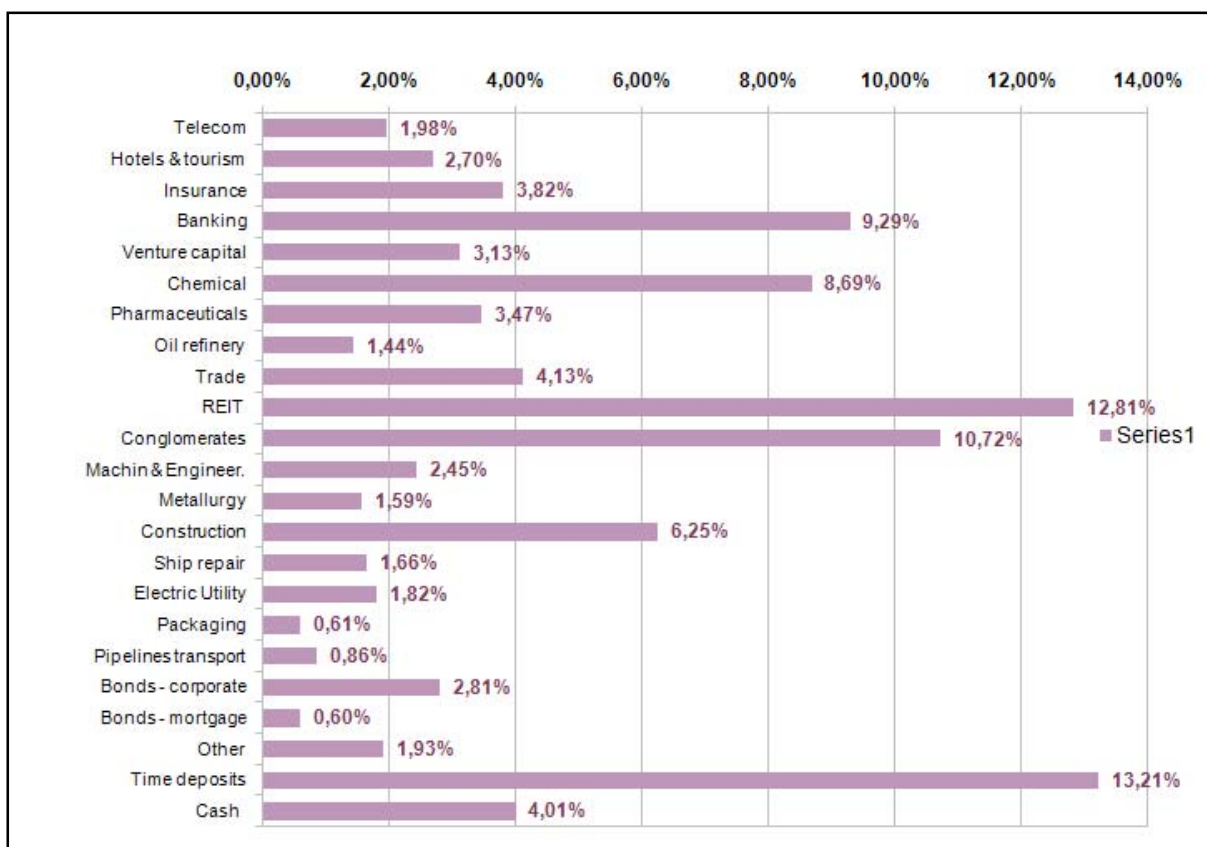
These solid results were achieved through focusing on defensive positions in early 2007 during the global market decline, and subsequently funneling more funds toward Bulgarian growth stocks, Romanian small caps, and participation in the banking IPOs of the second quarter. Q2 can also be characterized as the one with the lowest trading activity for the fund – mainly IPO deals, which turned out to be a winning strategy.



Since the start of 2007 Advance Invest has gradually been increasing its presence on the Romanian market, where now 21.4% of the assets are invested (compared to 11.7% as of 2006-end). Bulgaria accounts for roughly 56% of the fund's investments (vs. 61% 6 months ago). The portion of bonds has been cut to just 3%, mainly high yield corporate issues. The share of cash and time deposits is around 17% of assets due to the anticipation of attractive IPOs in the summer season.



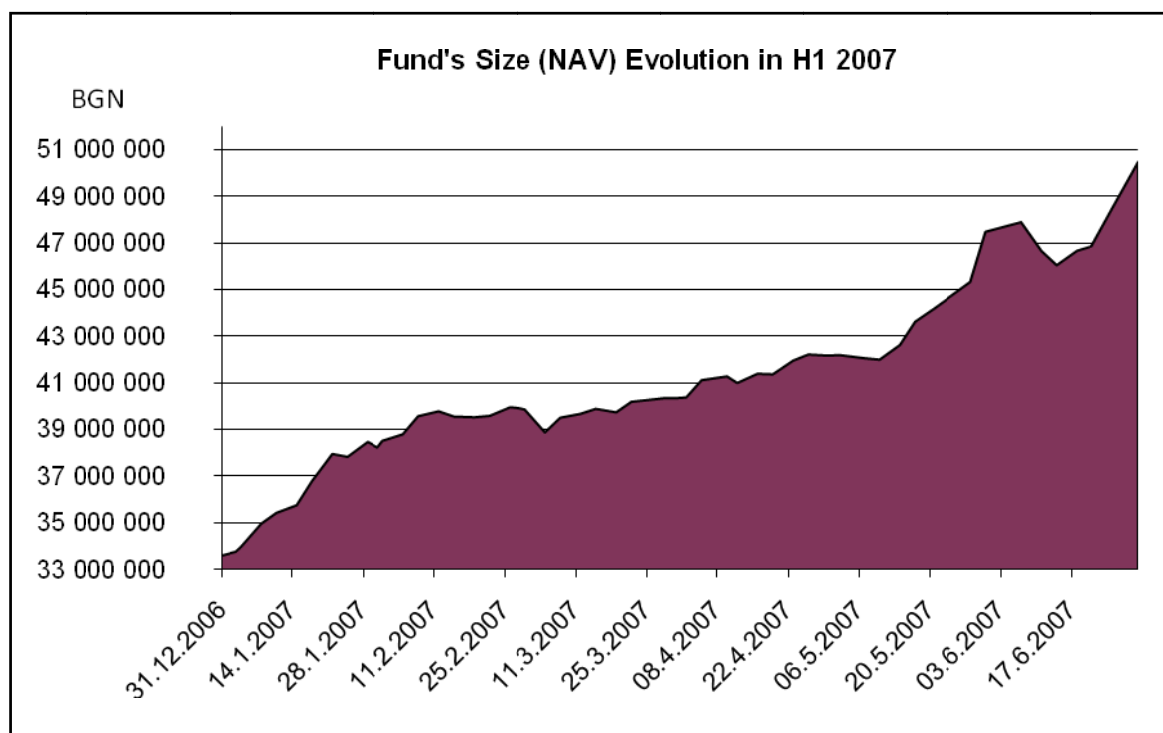
Sector-wise, REITs take up the leading position (with just under 13% of assets), followed by conglomerates (close to 11% weight), banking (now above 9% weight after the banking IPOs), chemical (8.7% weight), etc.



Among the most profitable investments in Bulgaria for the first quarter could be pointed out SAF Magellan (SAF: +77%), Eurohold Bulgaria (EUBG: +46%), Corporate Commercial Bank (CORP: +44%), Odesos (ODES: +37%), Orgachim (ORGH: +29%), Advance Terrafund (ATERA: +28%), and others with double-digit return. The best hits in Romania are Iprueb (IPRU: +109%), Ceramica (CERE: +77%), Artrom (ART: +76%), Impact (IMP: +71%), Conpet (COTE: + 54%), etc. The relatively low dividend yield on the basis of AGMs held in Q2 once again failed to significantly affect the portfolio's results.

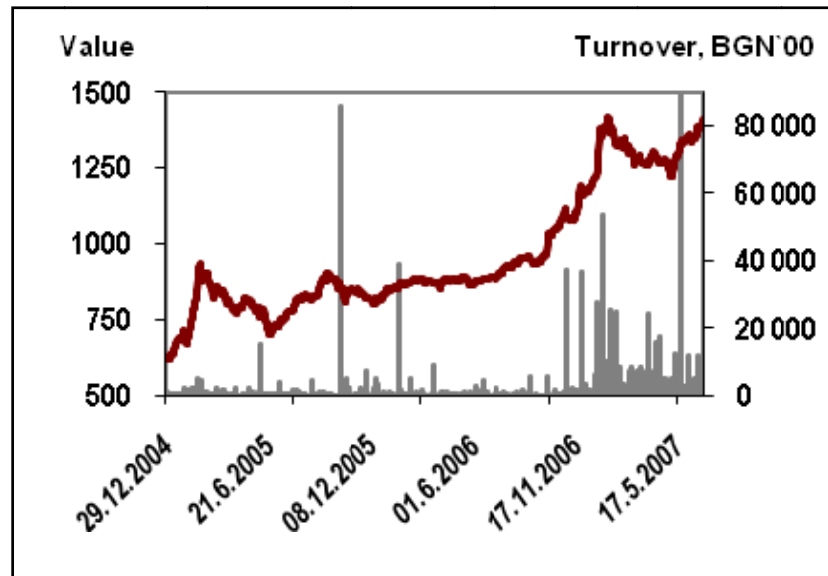
Top 10 Portfolio Holdings	
COMPANY	KEY BUSINESS
Advance Terrafund (ATERA)	land REIT
Orgachim (ORGH)	Chemical
SAF Magellan (SAF)	Trade
BG American Credit Bank (BACB)	Banking
Chimimport (CHIM)	Conglomerate
Aktiv Properties (AKTIV)	REIT
Advance Equity (ADVEQ)	Venture Capital
Albena (ALB)	Tourism
First Investment Bank (FIB)	Banking
Policolor, RO (PCL)	Chemical

As of June 30 the NAV of Advance Invest is already above BGN 50 mln (+50% since the start of the year), which cements the fund's leadership by asset size and popularity among investors. In the course of several years Advance Invest has also managed to bust the myth that large funds tend to fall behind their smaller siblings in terms of return – for H1 the fund ranks in top 5 among the 50 local UCITS.



BULGARIAN Stock Market Development in H1 2007

After a strong start of the year followed by a 4-month consolidation, the Bulgarian stock market registered a steep rise in June, finishing Q2 at record highs. The BSE attracts more and more interest both from investors and issuers. The official BSE index - SOFIX gained 10.4 % in Q2, which brought about a YTD return of 15.3%. Several big (for the dimensions of the domestic market) IPOs significantly changed the landscape of the local market, setting records in terms of the amount of funds raised and oversubscription rate.



The number of public companies grew by five in the past three months, the total amount of funds raised by them amounting to nearly EUR 150 mln. Their listing on the BSE contributed to the 14% growth of total market capitalization for the quarter, which in June for the first time broke above the EUR 10 bln mark. Despite the substantial oversubscription of all new issues, the price of two of the stocks on the secondary market (TODOROF и KAOLIN) slipped below the IPO price shortly after the start of the secondary trade.

A record high rate of oversubscription was achieved with the IPO of Corporate Commercial Bank [CORP] – 13.3 times, the issue being placed the upper bound of the price range – BGN 58.50 per share. Corporate Commercial Bank is the 10th largest commercial bank in terms of assets as of the end of May 2007. It is focused primarily on the servicing of corporate clients. The high rate of oversubscription translated into solid demand on the secondary market and during the first day of secondary trading that started in mid June, CORP gained more than 30%.

The largest ever Bulgarian IPO was realized by First Investment Bank [FIB] that raised BGN 107 mln. from newly issued stock (equalling 9.09% of the capital), and together with the proceeds from the sale of existing shares during the placement, the total amount of funds raised from the market reached BGN 176.6 mln. FIB is the fifth biggest Bulgarian commercial bank in terms of assets. The issue was nearly 6 times oversubscribed. After a more moderate start of the secondary trade compared to CORP, the bank's stock grew substantially in the last couple of days of June, rising nearly 20% above the IPO price of BGN 10.70 per share.

In spite of the adverse development of the secondary trade with some of the recent IPOs, which will naturally make investors more critical, we expect that the IPOs will remain in the spotlight. The BSE attracts the attention of more and more private companies. Along with the newly listed companies, the old ones were pushed higher as well, swept by the investors' euphoric sentiment. Among the top gainers were some companies that announced stock splits - Stara Planina Hold [CENHL] (144 % appreciation for the quarter), Sparky Eltos [ELTOS], Elchim Iskra [ELHIM] (+111 %). The listing of well-known companies on the BSE attracts more and more players on the market, both directly and indirectly through investment funds. At the end of June the assets managed by collective investment schemes amounted to EUR 270 mln., having grown by 70 % compared to the end of 2006. These however still represent less than 2 % of the savings of the population, which, in conjunction with the dynamic development of the market, suggests strong potential for the mutual funds industry.

Despite the relatively high valuation levels of most Bulgarian stocks, the market's mood seems very optimistic. Thus it is very probable to witness a continuous appreciation, which may lead to the double-digit index growth within a year. This contradicts the fundamentals of most stocks; yet, we have witnessed more than once such movements based on euphoria. These are times when nobody cares about fundamental ratios, and even the bad news are easily ignored.

Many IPOs of various sizes are expected to catwalk on the exchange by year-end. It is now certain that 2007 will remain in history as the year of the IPOs. This is justified by the unprecedented investor demand, on the one hand, and the valuation levels advantageous to majority stakeholders, on the other hand. The IPOs of Bianor, SBS, Devin, and Lomsko Pivo are imminent, whereas a more serious clustering of IPO deals (more than 10) is expected after the summer vacation.

All in all, the managers remain bullish in the long run with regard to the Bulgarian capital market, and expect a double-digit average annual returns in the next 3-5 years.

ROMANIAN Stock Market Development in Q1 2007

The Romanian market continues to evolve in a strong fashion – in the second quarter the major BET rose 13.1% (the better part of the appreciation happened last month), and the rise for the first half of the year is already above 20%. The fundamentals here are slightly better than those in Bulgaria, which makes the stocks the object of attention for local and international buyers.

The net foreign investments in Romanian stocks tripled in the first half of the year. (from EUR 95 mln one year ago to EUR 297 mln now) Foreign investors bought shares in the amount of EUR 966 mln. (nearly half of the exchange turnover), and sold shares for EUR 669 mln.

The political turmoil related to the conflict between PM and President seems to have subsided, but still remains a topic to followed by international observers. Favorable news about the 1% investment limit of SIFs – the Romanian conglomerates – lead to their price hikes. Nonetheless, their high volatility makes them risky positions. The disputed capital increase of SIF3 will continue to affect Romanian investors' moods.



The capitalization of the Bucharest Stock Exchange rose by more than EUR 6 bln in the second quarter to EUR 29 bln. The top 5 companies by this measure are oil refinery Petrom, BRD bank, aluminum manufacturer Alro Slatina, Banca Transilvania, and utility company Transelectrica. The RASDAQ market segment, on the other hand, commands capitalization of over EUR 8 bln.

The tendency for liquidity improvement for Romania persists. SIFs, financials, and oil stocks are still the most liquid in the market. The BSE turnover in H1 was above EUR 2.2 bln – close to the last year's total annual amount.

The Romanian market in the next months will be far from boring. After several very strong years in a row, we expect the good performance to continue forward similar to that of the Bulgarian market. Although many of the large caps in Bucharest are fairly priced, given the optimistic sentiment, buyers won't be in short supply. Apart from this, we continue to find value and opportunities in smaller companies and other non-popular stocks listed on the RASDAQ segment, where the value approach yields good results. Investors eagerly await a number of state shares to be floated on the privatization segment, the closest one on the horizon being Transgaz, expected to debut in October.

In conclusion, Karoll Capital Management is optimistic about the development of the Romanian stock market in the medium and long run, since there are many factors that support the positive scenario.

Investment Strategy of Advance Invest Mutual Fund

On the basis of the above-mentioned prognosis for the markets development this year, the asset manager intends to increase the exposure to Bulgarian stocks (up to 45% of assets) and Romanian stocks (up to 25% of assets), while cutting the weight of alternative investments (REITs and other to under 15%) as well as at the expense of the available free cash. In Bulgaria the accent will be placed on quality initial public offerings. The fund's strategy will be focused – selection of the most attractive IPOs and participation with larger weight rather than buying into all (or many) IPOs with small weightings. Romania, on the other hand, will comprise more and more small & mid caps as well new issues from the IPO and privatization segment.

For further information: www.karoll.net

Risk statement

The value of shares and the income from them can go down as well as up, profits are not guaranteed, and investors assume the risk that they may not recover the full amount of their investment. Investments in the mutual fund are not guaranteed by a state guarantee fund or any other institution. Past performance of the fund should not be viewed as a guide to future performance.

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