



ADVANCE INVEST MUTUAL FUND

INVESTMENT COMMENTARY
as of Q3 2007

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Advance Invest Mutual Fund Overview as of Q3 2007

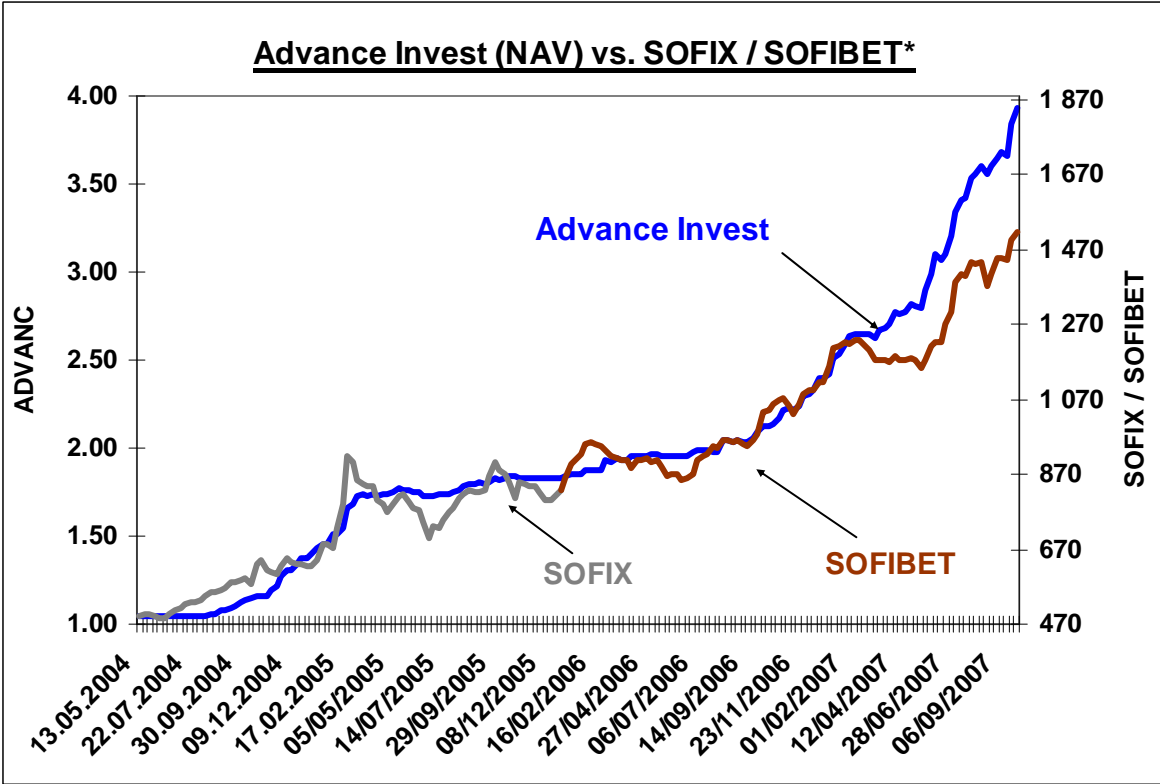
Advance Invest Mutual Fund, managed by Karoll Capital Management, experienced its strongest performance ever in the first nine months of 2007 with return of +63.4%. (NAV/share change from BGN 2.4005 to 3.9222 for the period). This result is considerably higher than that of the SOFIX index (+51.1% as of Q3-end). The fund's benchmark SOFIBET (+36.9% for the period) was defeated categorically as well. The return recorded just in Q3 was +21.4% (+16.6% for SOFIBET).

Fund Performance	
Return for H1 2007	63.40%
<i>Benchmark (SOFIBET*) for 2007</i>	36.90%
Return for 2006	31.20%
<i>Benchmark (SOFIBET*) for 2006</i>	35.30%
Return for 2005	32.60%
<i>Benchmark (SOFIX) for 2005</i>	32.00%
Return for 2004	38.00%
<i>Benchmark (SOFIX) for 2004</i>	37.60%
*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 much lower risk than the SOFIBET benchmark (standard deviation of 9% for the fund compared to almost 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%, Sharpe ratio of 3.9, etc.

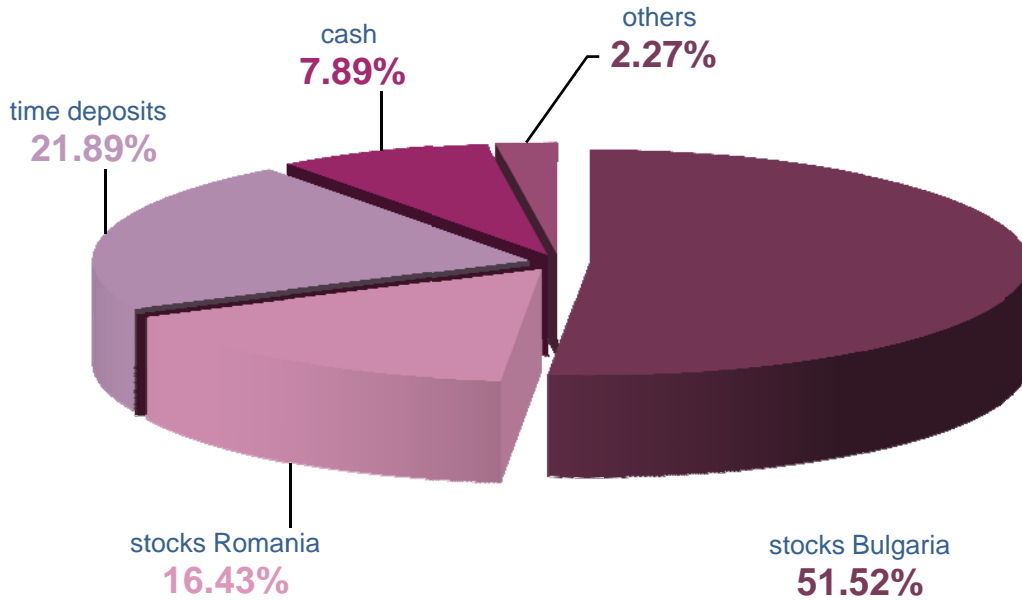
Beta	0.32
Alpha (annualized)	30.30%
Standard Diviation (anualized)	9.00%
Sharpe Ratio	3.90
M Squared	61.40%
Information Ratio	3.90
Tracking Error	7.70%
*Annual data on a weekly basis for 2 yrs trailing. The index used in the calculations is SOFIBET, constructed by Karoll.	

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 and Q3 can also be characterized as the quarters with the lowest trading activity for the fund – mainly IPO deals and participation in portfolio companies' capital increase procedures. As a result the fund's cash inflows were accumulated in the form of bank deposits in order to procure the resources necessary for the upcoming IPOs.

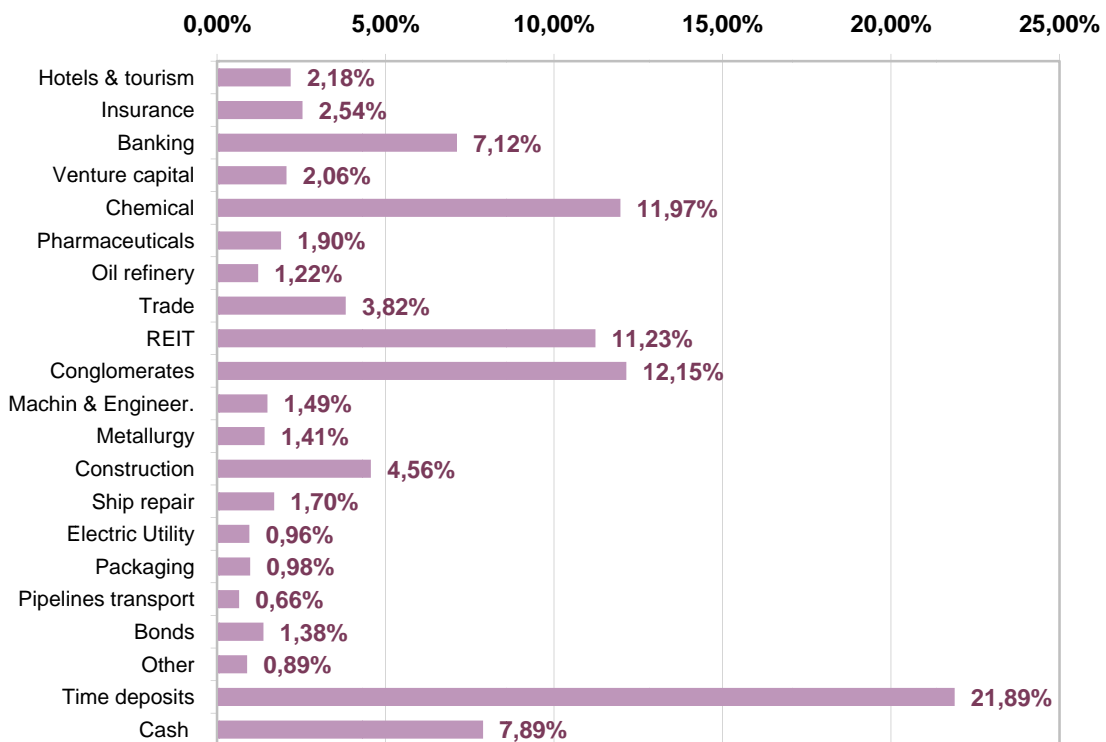


Bulgaria is once again the market with the largest weight in the fund, although its share declined to about 52% of assets (vs. 56% in the previous quarter). Since the start of 2007 Advance Invest has been gradually increasing its presence on the Romanian market – although currently it accounts for under 17% of assets, the long term tendency is to maintain not less than ¼ of the portfolio in Romania, should the market forecasts favour that allocation. After several consecutive sales, the portion of bonds has been almost erased (down to just about 1%) – only one corporate and one mortgage issue left. The share of cash and time deposits is considerable - around 30% of assets due to the anticipation of many attractive IPOs in Bulgaria (and a couple in Romania) by year-end.

Portfolio of Advance Invest as of Sept-end 2007



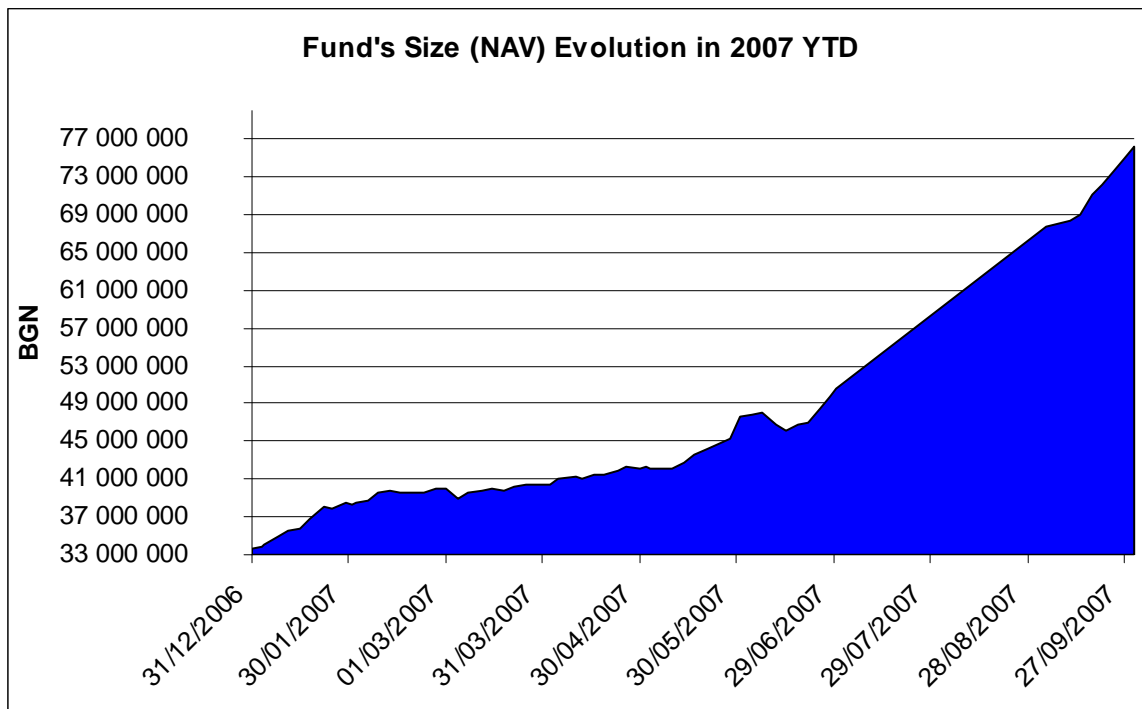
Sector-wise, now conglomerates take up the leading position (over 12% weight after the adding up to positions of Romanian SIFs), followed by chemicals (close to 12% weight after the mind-blowing appreciation of paint-manufacturer Orgachim), REITs (around 11%), banks (appr. 7% weight), etc.



Among the most profitable investments in Bulgaria (with different contribution to the final result due to the different weights) for the first quarter could be pointed out Orgachim (ORGH: +155%), Jurii Ganarin BT (GAGBT: +142%), Sofia Hotel Balkan (SHERA: +83%), Eurohold Bulgaria (EUBG: +74%), Severcoop Gamza Holding (GAMZA: +63%), Odesos Shiprepair (ODES: +54%), Aktiv Properties (AKTIV: +53%) The best hits in Romania are Ceramica (CERE: +45%), Artrom (ART: +37%), Iprueb (IPRU: +19%), Biofarm (BIO: +17%), etc.

Top 10 Portfolio Holdings	
COMPANY	KEY BUSINESS
Orgachim (ORGH)	Chemical
Advance Terrafund (ATERA)	land REIT
SAF Magellan (SAF)	Trade
Aktiv Properties (AKTIV)	REIT
Chimimport (CHIM)	Conglomerate
Eurohold Bulgaria (EUBG)	Conglomerate
Euroins (EURINS)	Insurance
BG American Credit Bank (BACB)	Banking
First Investment Bank (FIB)	Banking
Advance Equity (ADVEQ)	Venture Capital

As of September 30 the NAV of Advance Invest is already above BGN 76 mln (i.e. double increase since the start of the year), which cements the fund's leadership by asset size and popularity among investors.



BULGARIAN Stock Market Development in Q3 2007

Once again the rule that the summer is a slow season for the stock market was refuted by the events on the BSE in the last three months. For the period July-September SOFIX added 31.03%, and in September the market went into a phase of strong euphoria as only for the month the major index gained over 15%, and there were hardly any stocks that finished the quarter in the red. All signs typical of a bull market were present, including euphoric mood, disconnection of price and fundamentals, overreaction to positive news leading often to a double digit growth in a single session.



Perhaps only with the notable exception of the Polish market, the Bulgarian market is emerging as the second most active center in the Central and Eastern European region in terms of initial public offerings. Nine companies made IPOs this year and the strong interest for the new issues made owners of private companies consider the public markets as a source of financing. Currently, over 60 companies have announced intentions to go public. There is already strong interest for the offering of the construction company Trace Group Hold, the engineering company Enemona, Investbank, the pharmaceutical Unipharm and Sopharma Trading, etc.

The market capitalization of the BSE grew by 34%, and by the end of September it reached EUR 14.25 bln, which is about 55% of the forecasted GDP for 2007 (31.2% of GDP as of 2006-end). The expected growth of market capitalization due to the newly listed companies will be mostly neutralized by the coming delisting of two of the heavyweights on the BSE – the Bulgarian telecommunication company [BTC] and the insurer DZI [DZI]. If all minority shareholders accept the tender offer for BTC, some BGN 440 mln (EUR 225 mln) will be freed, which most likely will remain in the market and will be directed to other positions.

The fund industry continued to grow at a very fast pace in Q3. At the end of September the assets under management of Bulgarian mutual funds neared BGN 800 mln (EUR 409 mln), registering growth of over 46% for the quarter and over 150% year-to-date. There are over 60 mutual funds operating on the market, and some foreign funds are also offered to local investors.

After continuous criticism that the two indices SOFIX and BG40 are not very good indicators of the market movements, in the beginning of September the BSE launched two new indices – BG REIT and BG TotalReturn 30 (BG TR30). BG REIT includes special purpose vehicles that deal with the securitization of real estate and land. Currently the index includes 11 REITs. BG TR30 includes the top 30 stocks, ranked according to four criteria – market capitalization, free float, number of transactions and turnover for the last year. BG TR30 is a total return index (TR = Total Return). The initial value of the index is 1,000 (one thousand) points and it will be rebalanced four times per year.

Despite the sharp rise in the last weeks and the apparent overvaluation of some stocks, our expectations are that the positive sentiment on the market will be present in the last quarter of the year, and could very easily roll into 2008. The strong increase in the assets of institutional investors, the clear shaping of an IPO trend, the supply-demand imbalance of quality stocks will be among the major drivers of the uptrend.

ROMANIAN Stock Market Development in Q3 2007

In the summer the Romanian market snapped its winning series - the major BET index finished the third quarter almost unchanged (-0.3%). The trading created strong emotions for investors through the high volatility during the international credit markets crisis, which started from the USA at the end of July. Just in September the market shed over 6%, measured in the local currency (to make things worse the RON's depreciation against the EUR accelerated). Thus since the start of the year BET is up by "only" 19.7%. As a result, the valuations here remain slightly more attractive compared to those in Bulgaria.

After the political turmoil related to the conflict between PM and President subsided temporarily, in September once again a confidence vote for the government made the news. The fragile political balance remains a topic that additionally unnerves international observers against the background of some macroeconomic concerns and the global uncertainty surrounding mortgage financing. SIFs – the Romanian financial conglomerates – along with the big banking stocks are most sensitive toward such news because of their generous presence in international investors' portfolios.



As a result of the market drop as well as the lack of new IPOs in the market lately, the capitalization of the Bucharest Stock Exchange retreated by about EUR 2.2 bln to EUR 26.8 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 nearly EUR 7.7 bln. SIFs, financials, and oil stocks are still the most liquid in the market. The BSE turnover for the first 9 months exceeded EUR 3.3 bln – more than last year's total annual amount.

Several years of strong development of the market infrastructure and investment environment are a good premise for the evolution to continue forward. Many good quality companies were unjustly punished in unison with America and Western Europe. Thus they have lagged behind the rise of their regional peers, which calls for some catching up in the next months. Although IPO were totally missing in Bucharest this year, another trend has become more pronounced – listed companies raising funds on the stock exchange via capital increase procedures. The total amount of funds raised this way approaches EUR 400 mln (the biggest ones being ARDF - EUR 55 mln, TLV - EUR 41 mln, IMP - EUR 40 mln, ALT - EUR 39 mln, etc.) 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 November.

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 optimistic views for the market development in the last quarter of this year and into the next, the asset manager intends to increase the exposure to Bulgarian stocks (up to 55% of assets) and Romanian stocks (up to 25% of assets), while constraining the weight of alternative investments (REITs and other to around 13%). The substantial current cash reserve (nearly 30% of assets) will be allocated mainly toward quality IPOs in Bulgaria. 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. In the mean time, other Bulgarian shares that the team believes to be fundamentally attractive in the L.T., or which demonstrate technical strength, will not be overlooked.

The asset manager does not foresee any major changes in the structure of the Romanian portion of the fund in the upcoming months (except for the participation in the anticipated listing of a state enterprise). Here the individual position limits will be maintained through add-on purchases or via participation in the capital increase of the former.

The portfolio management will continue to aim at achieving an optimally high return, preferably better than that of the selected benchmark – SOFIBET, in observance of the risk-return parameters accepted by the manager.

For further information: www.karoll.bg

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. Before making an investment decision, please read carefully the prospectus of Advance Invest. The prospectus and the fund's charter documents are publicly available for investors in all offices of Karoll Capital Management as well as at its website www.karoll.bg