

Exchange-traded fund

Expat Serbia BELEX15 UCITS ETF, ISIN BGSRBBE05183

Interim condensed financial statements

for the six-month period ended 30 June 2020

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**Interim Management report of
exchange-traded fund
Expat Serbia BELEX15 UCITS ETF
for the six-month period ended 30 June 2020**

Expat Serbia BELEX15 UCITS ETF (“the Fund”) is a collective open-ended investment scheme for investing in securities and other liquid financial assets established and operating in accordance with the Collective Investment Schemes and Other Undertakings for Collective Investment Act (CISOUCIA), the Public Offering of Securities Act (POSA) and the regulations for its implementation, the Markets in Financial Instruments Act (MFIA), the Obligations and Contracts Act (OCA) and the other applicable laws of the Republic of Bulgaria.

The Fund is organized and managed by the management company “Expat Asset Management” EAD (hereinafter referred to as the Management Company, or MC) under CISOUCIA and the regulations for its implementation, the Obligations and Contracts Act and the other applicable laws of the Republic of Bulgaria.

The Management Company has a permit for organization and management of the Fund, issued by the Financial Supervision Commission, from January 4, 2018. The Fund is organized in full compliance with the European directives for UCITS.

The primary shareholder of the MC Expat Asset Management EAD is Expat Capital AD. During the reporting period there have been changes in the representatives or the members of the Board of Directors of the MC Expat Asset Management EAD. In January 2020, Nikola Veselinov has been dismissed from the Board of Directors. In March 2020, Maria Boychinova has been dismissed from the Board of Directors. New members have not been chosen for the Board of Directors. As of June 2020, the Board of Directors is comprised of Nikolay Vassilev, Nicola Yankov, and Daniel Donchev.

There are no internal events that might have affected the operations or performance of the ETF or of the Management Company during the reporting period.

There are no significant events between the end of the reporting period and the date that the financial statements are authorized for issue which require disclosure.

Expat Serbia BELEX15 UCITS ETF is a passively managed exchange-traded fund which follows the model of full physical replication of the BELEX15 index calculated by the Serbian Stock Exchange. The Fund is listed on the Bulgarian Stock Exchange – Sofia as well as on the Frankfurt Stock Exchange (XETRA) with the ticker ESNB.

Risk Profile and Risk Management

The risk profile of the fund could be amended only following an authorization from the Financial Supervision Commission as disclosed in the Prospectus and the Rules of the Fund. During the reporting period the risk profile of the Fund has not been subject to changes. The main risks of investing in shares of “Expat Serbia BELEX15 UCITS ETF” have been outlined in detail in the Fund’s Prospectus and can be found on the website of the MC Expat Asset Management EAD. The management of the Fund does not foresee further risks or sources of uncertainties, other than those disclosed in the Prospectus of the Fund, that could affect the performance of the Fund during the rest of the financial year.

In compliance with the requirements of the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA), as a collective investment scheme the Fund may not enter into transactions with related parties.

During the reporting period the Fund has not executed any repo transactions.

**Interim report on activity of
exchange-traded fund
Expat Serbia BELEX15 UCITS ETF
for the six-month period ended 30 June 2020
(continued)**

Report on the following from an error according to art. 82f of Ordinance № 44 of 20 October 2011 on the requirements for the activity of collective investment schemes, management companies, national investment funds and persons managing alternative investment funds

| ISIN | Name of the exchange-traded fund | Expected tracking error for 2020 | Tracking error as of 30 June 2020 |
|--------------|----------------------------------|----------------------------------|-----------------------------------|
| BGSRBBE05183 | Expat Serbia BELEX15 UCITS ETF | до 10% | 14.99%* |

| ISIN | Name of the exchange-traded fund | ETF return for the first half of 2020 | Index return for the first half of 2020 including dividends | Tracking difference for the first half of 2020 |
|--------------|----------------------------------|---------------------------------------|---|--|
| BGSRBBE05183 | Expat Serbia BELEX15 UCITS ETF | (10.07)% | (16.88)% | 6.81% |

*The realized tracking error has been calculated on the basis of weekly values for the 52 weeks preceding 30 June 2020.

The tracking error represents the volatility (measured through the annual standard deviation) of the return of the Fund and the one of the corresponding index for a defined period. A lower tracking error would mean a closer index tracking. This is not the same as a difference in tracking, which is simply the difference between the return of the Fund and that of the Reference Index over a certain period. The tracking error differentiates from the tracking difference which measures to what percentage extent the Fund performed better or worse than the corresponding index, while the tracking error represents the consistency in the different performance of the Fund and the corresponding Index.

Date: 30 July 2020

Nikolay Vassilev
Chief Executive Officer

Daniel Donchev
Member of the Board of Directors

Report on Review of Interim Financial Information

To the unit holders

In Exchange-traded fund

Expat Serbia BELEX15 UCITS ETF

Introduction

We have reviewed the accompanying condensed statement of financial position of Exchange-traded Fund Expat Serbia BELEX15 UCITS ETF ("The Fund") as of June 30th, 2020 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended.

Responsibility of Management for the interim financial information

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Auditor's responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

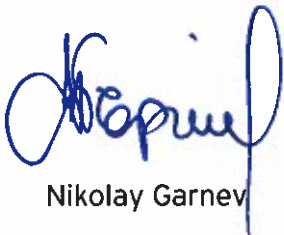
Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Audit Firm Ernst & Young Audit OOD:



Nikolay Garnev
Legal Representative and
Registered Auditor

Sofia, Bulgaria

30 July 2020

Condensed Statement of Comprehensive Income

For the six-month period ended 30 June

In thousands of BGN

| | Notes | 1 January 2020 - 30 June 2020 | 1 January 2019 - 30 June 2019 |
|---|-------|-------------------------------------|-------------------------------------|
| Income | 3 | - | 19 |
| Net gain on financial assets at fair value through profit or loss | 6 | (20) | (6) |
| Net foreign exchange loss | | (3) | - |
| Operating expenses | 4 | (4) | (4) |
| Operating profit for the period | | (27) | 9 |
| Tax expenses | 9 | - | - |
| Profit for the period | | (27) | 9 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | (27) | 9 |
| Basic earnings per share | | | |
| Basic earnings per share (in BGN) | 8 | (0.194) | 0.107 |

Date: 30 July 2020

Nikolay Vassilev
Chief Executive Officer



Daniel Donchev
Member of the Board of Directors

Prepared by: Tatiana Lazarova
Head of Accounting



The notes on pages 7 to 22 are an integral part of the interim condensed financial statements.

Condensed Statement of Balance Sheet

| <i>In thousands BGN</i> | Notes | At 30 June 2020 | At 31 December 2019 |
|--|--------------|--------------------------------|------------------------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 156 | 160 |
| Financial assets at fair value through profit or loss | 6 | 87 | 111 |
| Total assets | | 243 | 271 |
| Equity | | | |
| Share capital | | 274 | 274 |
| Share premium | | (5) | (5) |
| Profit | 7 | (26) | 1 |
| Total equity | | 243 | 270 |
| Liabilities | | | |
| Trade and other payables | 10 | - | 1 |
| Total liabilities | | 243 | 271 |

Date: 30 July 2020

Nikolay Vassilev
Chief Executive Officer



Prepared by: Tatiana Lazarova
Head of Accounting



Daniel Donchev
Member of the Board of Directors

The notes on pages 7 to 22 are an integral part of the interim condensed financial statements.

Condensed Statement of Changes in Equity

| <i>In thousands of BGN</i> | Notes | Share capital | Share premium | Accumulated losses | Total capital |
|---|-------|---------------|---------------|--------------------|---------------|
| Balance at 1 January 2019 | | 156 | - | (15) | 141 |
| Comprehensive income | | | | | |
| Gain for the period | | - | - | 9 | 9 |
| Total comprehensive income | | - | - | 9 | 9 |
| Issue and redemption of own shares by equity holders | | | | | |
| Issue of shares | | - | - | - | - |
| Issue and redemption of own shares by equity holders | | - | - | - | - |
| Balance at 30 June 2019 | | - | - | - | - |
| | 7 | 156 | - | (6) | 150 |
| Balance at 1 January 2020 | | 274 | (5) | 1 | 270 |
| Comprehensive income | | | | | |
| Gain for the period | | - | - | (27) | (27) |
| Total comprehensive income | | - | - | (27) | (27) |
| Income from issue and redemption of own shares by equity holders | | | | | |
| Issue of shares | | - | - | - | - |
| Redemption of shares | | - | - | - | - |
| Total income from issue and redemption of own shares by equity holders | | - | - | - | - |
| Balance at 30 June 2020 | 7 | 274 | (5) | (26) | 243 |

Nikolay Vassilev
Chief Executive Officer

Daniel Donchev
Member of the Board of Directors

Prepared by: Tatiana Lazarova
Head of Accounting

The notes on pages 7 to 22 are an integral part of the interim condensed financial statements

Condensed Statement of Cash Flows

For the period ended 30 June

In thousands of BGN

| | Notes | 1 January 2020 - 30 June 2020 | 1 January 2019 - 30 June 2019 |
|---|-------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | | |
| Received dividends | | - | 19 |
| Earnings related to financial assets at fair value through profit or loss | | - | 6 |
| Payments related to financial assets at fair value through profit or loss | | - | - |
| Payments to suppliers for operating activities | | (4) | (4) |
| Net cash flows used in operating activities | | (4) | 21 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | - | - |
| Payments for redemption of shares | | - | - |
| Payment to suppliers for financing activities | | - | - |
| Net cash flows from financing activities | | (4) | 21 |
| Net change in cash and cash equivalents | | 160 | 26 |
| Cash and cash equivalents at 1 January | 5 | 156 | 47 |

Дата: 30.07.2020 г.

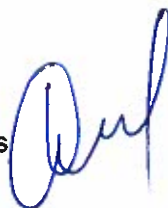
Nikolay Vassilev
Chief Executive Officer



Prepared by: Tatiana Lazarova
Head of Accounting



Daniel Donchev
Member of the Board of Directors



The notes on pages 7 to 22 are an integral part of the interim condensed financial statements.

Notes to the Interim condensed financial statements

1. Corporate information

Expat Serbia BELEX15 UCITS ETF (the fund) is an exchange-traded fund organized and managed by the Management Company "Expat Asset Management" EAD (hereinafter referred to as the Management Company, or MC). The Fund was registered on 4 January 2018 in the Bulstat Register with code 177241354.

The address of the management of the Fund and the Management Company is Sofia, zip code 1000, 96A Georgi S. Rakovski Str.

Expat Serbia BELEX15 UCITS ETF is a passively-managed exchange-traded fund which follows the model of full physical replication of the 'BELEX15' index. The Fund is listed on the Bulgarian Stock Exchange as well as on the Frankfurt Stock Exchange (XETRA) with the ticker ESNB. The Fund's activities include issue and sale of shares which provide the same rights to their holders. The number of shares of the Fund changes depending on the volume of sales and redemptions of shares.

Fund's units can be redeemed by investors at demand.

Since the Fund has no own management body, the Board of Directors of the management company are entitled with the management of the Fund.

2. Basis of preparation of the financial statements

(a) Statement of compliance

These interim financial statements for the six-month period ended 30 June 2020 are prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting. The interim financial statements do not include all information and disclosures required for the preparation of the annual financial statements and should be considered along with the Fund's annual financial statements at 31 December 2020.

The line items in the statement of financial position are presented in order of their liquidity.

(b) Measurement base

The financial statements have been prepared on a historical-cost basis except for the financial assets held at fair value through profit or loss (FVPL) that have been measured at fair value.

(c) Functional currency and presentation currency

The shares of the Fund are issued in EUR, the net asset value per share and the redemption price is calculated in euro, therefore the functional currency of the Fund is the euro.

These financial statements presented in Bulgarian lev (BGN), which is the presentation currency of the Fund. All financial information in BGN is rounded to the nearest thousand unless otherwise stated.

From 1 January 1999 the exchange rate of the Bulgarian lev (BGN) is pegged to the euro (EUR). For this reason, there are no currency translation differences arising from the use of the BGN as a presentation currency in these financial statements. The exchange rate is BGN 1.95583 / EUR 1.0.

(d) Use of judgements and estimates

The preparation of financial statements under IFRS requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual result may be different from these estimates.

2. Basis of preparation of the financial statements (continued)

(d) Use of judgements and estimates (continued)

The review of the accounting estimates is recognized in the period in which the review has been made, when it affects that period and in future periods if the review has an effect on future periods

Judgements

Information about significant judgements made in applying the accounting policies which have the most significant effect on the amounts presented in the financial statements is presented in the following notes:

- Note 7 Equity - classification of the Fund's units as an equity instrument

The Fund as an investment entity within the meaning of IFRS 10

Companies that meet the definition of an IFRS 10 Investment Entity are required to report investments in subsidiaries at fair value rather than consolidate them. The criteria that define an Investment Entity are:

- A company that buys funds from one or more investors for the purpose of providing relevant investment services;
- A company that has a business purpose only to increase its capital value, investment income, or both;
- A company that accounts for and evaluates a significant portion of its investments at fair value.

The Fund invests primarily in shares and investors are not related parties, which is an additional characteristic of an investment entity.

The Management Company has determined that the Fund meets the criteria and characteristics above and falls within the definition of an investment entity. The judgment is reviewed regularly on a change in circumstances.

The Management Company has assessed that the Fund does not exercise control over its investments in shares and therefore does not consolidate them.

Fair Value Measurement

Some of the accounting policies and disclosures of the Fund require fair values to be estimated for financial and non-financial assets and liabilities.

When assessing the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorized at different levels in the fair value hierarchy based on incoming data in valuation techniques, as follows:

- Level 1: quoted prices (uncorrected) in active markets for similar assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are directly available (i.e. as prices) or indirectly (i.e. derived from prices) for observation of the asset or liability.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable incoming data).

If the input data used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety at that level from the fair value hierarchy whose input is relevant for the overall assessment.

Information on significant positions that are affected by estimates and assumptions in applying the accounting policies that have the most significant effect on the amounts recognized in these financial statements is described in Note 11 Financial Instruments.

Notes to interim financial statement

3. Other Income

In thousands of BGN

| | 1 January 2020 - 30 June 2020 | 4 January 2019 - 30 June 2019 |
|--------------------|--|--|
| Dividends received | - | 19 |
| | <u>-</u> | <u>19</u> |

4. Operating expenses

In thousands BGN

| | 1 January 2020 - 30 June 2020 | 4 January 2019 - 30 June 2019 |
|--|--|--|
| Fees for stock registration and stock brokers | 1 | 2 |
| Fees and commissions to the custodian bank | 2 | 1 |
| Fees and commissions to the management company | 1 | 1 |
| | <u>4</u> | <u>4</u> |

The management company has incurred expenses for organization and administration of the fund in the amount of BGN 21 thousand, which are not included in the net asset value as of 30.06.2020. These expenses are subject to reimbursement to the management company and will be included in the NAV as of future date only if and when the NAV exceeds EUR 1 million. The management company has adopted such a policy in order to minimize the burden of the total costs of the fund in the initial period of its development, in which it is relatively small.

5. Cash and cash equivalents

In thousands of BGN

| | 30 June 2020 | 31 December 2019 |
|---|-------------------------|---------------------------------|
| Cash at bank accounts | 156 | 160 |
| Cash and cash equivalents | <u>156</u> | <u>160</u> |
| Cash and cash equivalents in the Statement of Cash Flows | <u>156</u> | <u>160</u> |

The cash of the Fund is kept in the depository bank "Eurobank EFG Bulgaria" AD.

Changes in liabilities as a result of financial activity

The Fund has no long-term liabilities at amortized cost, in which to report accrued interest at the effective interest rate, which differ from the agreed ones. Therefore, it does not present such changes in "Cash flows from financing activities" in the Cash Flow Statement, both for the year ending on 30.06.2020 and for 31.12.2019.

6. Financial assets at fair value through profit or loss

| <i>In thousands of BGN</i> | 30 June 2020 | 31 December 2019 |
|--|-------------------------|---------------------------------|
| <i>Financial assets at fair value through profit and loss</i> | | |
| Quoted shares | 87 | 111 |
| <i>Financial assets at fair value through other income</i> | | |
| Non-quoted shares | - | - |
| Quoted Debt Instruments | - | - |
| Total Financial Assets at fair value | 87 | 111 |

Financial assets at fair value through profit or loss on Expat Serbia BELEX15 UCITS ETF include non-controlling interests in public companies operating in Serbia. The company is a passively managed fund and adheres to the method of full physical replication of the BELEX15 index. The reference index is BELEX15, composed of shares denominated and traded in Serbian dinars. The fair values of these equity shares are determined by reference to published quotations on an active market.

The value of financial assets in the statement of financial position as of the reporting period is determined as the closing price of the respective asset on the Belgrade Stock Exchange on the last business day of the respective reporting period.

When measuring the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorized in Level 1 (quoted prices in active markets) in the fair value hierarchy based on the inputs to the valuation techniques.

Notes to interim financial statement

6. Financial assets at fair value through profit or loss (continued)

The structure of the Fund's financial assets measured at fair value through profit and loss as of 30 June 2020 and 31 December 2019 is, as follows:

At 30 June 2020

In BGN

| Type of financial instrument | Shares | | |
|---|-------------------------|--|--|
| Regulated market on which shares are traded | Stoch Exchange Belgrade | | |
| Issuer | Number | Value at the end of the reporting period | Percentage of the total financial assets |
| In BGN | | | |
| Nis AD Novi Sad | 2 300 | 21 808 | 8.96% |
| Aerodrom Nikola Tesla AD Beo | 950 | 14 428 | 5.93% |
| Galenika Fitofarmacija AD | 340 | 14 422 | 5.93% |
| Metalac AD Gornji Milanovac | 450 | 14 223 | 5.85% |
| Komersijalna Banka AD Beograd | 625 | 22 612 | 9.29% |
| | 4 665 | 87 493 | 35.96% |

At 31 December 2019

In BGN

| Type of financial instrument | Shares | | |
|---|-------------------------|--|--|
| Regulated market on which shares are traded | Stock Exchange Belgrade | | |
| Issuer | Number | Value at the end of the reporting period | Percentage of the total financial assets |
| In BGN | | | |
| Nis AD | 2 300 | 28 652 | 10.59% |
| Aerodrom Nikola Tesla AD | 950 | 15 769 | 5.83% |
| Galenika Fitofarmacija AD | 340 | 16 450 | 6.08% |
| Komersijalna Banka AD | 625 | 35 032 | 12.95% |
| Metalac AD Gornji Milanovac | 450 | 14 797 | 5.47% |
| | 4 665 | 110 700 | 40.92% |

6. Financial assets at fair value through profit or loss (continued)

Net profit / (loss) on financial assets at fair value through profit or loss

In thousands of BGN

| | 1 January 2020 – 30 June 2020 | 1 January 2019 - 30 June 2019 |
|---|-------------------------------------|-------------------------------------|
| Gain from valuation of financial assets at fair value through profit and loss | (20) | (6) |
| Net gain on financial assets at fair value through profit or loss | (20) | (6) |

7. Equity

The Fund's equity is equal to the net asset value (NAV). The movement in units and in the NAV of the Fund at the beginning and at the end of the reporting period is, as follows:

| <i>In thousands BGN</i> | Number of shares | Value (In thousands BGN) 30 June 2020 | Number of shares | Value (In thousands BGN) 30 June 2019 |
|----------------------------|-----------------------------|--|-----------------------------|--|
| At 1 January 2020 | 140 000 | 270 | 80 000 | 141 |
| Issue of new shares | - | - | - | - |
| Profit/Loss for the period | - | (27) | - | 9 |
| At 30 June 2020 | 140 000 | 243 | 80 000 | 150 |

| | 30 June 2020 | 30 June 2019 |
|-----------------------------------|-------------------------|-------------------------|
| Net asset value per unit (in BGN) | 1.7348 | 1.8700 |

Notes to interim financial statement

7. Equity (continued)

Equity

The Fund classifies the shares it issues as an equity instrument based on the following criteria:

- The shares entitle the holder to a proportionate share of the Fund's net assets at any time and in the event of the Fund's liquidation;
- The units issued by the Fund are in the class of instruments that is subordinate to all other classes of instruments in the event of the Fund liquidation;
- Apart from the contractual obligation of the Fund for redemption, the share issued by the Fund do not incur any other contractual obligation to the Fund to provide cash or other financial assets or to exchange financial assets or financial liabilities;
- The total expected cash flows attributable to the shares issued by the Fund over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund;
- The Fund does not issue financial instruments other than shares.

Premium reserve

The Fund's equity is divided into shares. The nominal value of the shares is 1 (one) euro. The shares of the Fund are acquired at issue value. The number of shares of the Fund changes because of their sale or redemption. The difference between the issue and the nominal value of the shares on sale or redemption is recorded as a premium reserve.

Capital Management

The equity of the Fund is equal to the net asset value (NAV), which for an Exchange Traded Fund cannot be less than BGN 100,000, according to Art. 82 a, para. 1 of Ordinance 44/2011 on the requirements for the activity of collective investment schemes, management companies, national investment funds and persons managing alternative investment funds. The fund has reached the minimum amount of equity. For the Fund's admission to trading on a regulated market, the minimum net asset value may not be less than BGN 100 000 or the euro equivalent.

For admission of the Fund's units to trading on a regulated market, the minimum net value of the assets may not be less than BGN 100,000, or their euro equivalent.

Dividend policy

The policy of the Fund is not to pay dividends. The dividends received from the shares in which the Fund has invested, as well as the capital gains realized on trading of the shares are reinvested.

8. Basic earnings per share

In thousands

| | 01 | 04 |
|--|------------------|------------------|
| | January | January |
| | 2020 – 30 | 2019 - 30 |
| | June 2020 | June 2019 |
| Net profit per share for the period (in BGN) | (0.194) | 0.107 |

The basic earnings per share is calculated by dividing the profit or loss for the period to be distributed among the equity holders (numerator) to the weighted average number of shares issued for the period (denominator).

Notes to interim financial statement

The weighted average number of units in circulation for the period is 140,000 (June 30, 2019 - 80,000). The weighted average number is calculated by taking the arithmetic mean of the issued shares for each day of the period.

9. Income Taxes

Capital gains from the fund isn't subject to taxes.

10. Related parties

The fund is a separate asset without management bodies and its management is carried out by Expat Asset Management EAD. The sole shareholder in the Management Board is Expat Capital AD. As of June 30, 2020, related parties of the Fund are Expat Asset Management EAD and Expat Capital AD. Related party transactions are on contractual terms and no guarantees are provided or received.

Expenses accrued to the Management Company Expat Asset Management EAD (Note 4), incurred under contracts concluded during the reporting period, include:

- Remuneration under a contract for activity management;

The following table provides information on the investment of Expat Mutual Funds in units of Expat Serbia BELEX15 UCITS ETF:

As of June 30, 2020

| Mutual Fund | Investments in | Amount | Amount as of end period |
|-------------------------------------|--------------------------------|--------|-------------------------|
| MF Expat Global Bonds | Expat Serbia BELEX15 UCITS ETF | 5 000 | 8 675 |
| MF Expat Developed Markets Equities | Expat Serbia BELEX15 UCITS ETF | 10 374 | 17 999 |
| MF Expat Emerging Markets Equities | Expat Serbia BELEX15 UCITS ETF | 12 550 | 21 774 |

As of 31 December 2019

| Mutual Fund | Investments in | Amount | Amount as of end period |
|-------------------------------------|--------------------------------|--------|-------------------------|
| MF Expat Global Bonds | Expat Serbia BELEX15 UCITS ETF | 5 000 | 9 525 |
| MF Expat Developed Markets Equities | Expat Serbia BELEX15 UCITS ETF | 8 374 | 15 952 |
| MF Expat Emerging Markets Equities | Expat Serbia BELEX15 UCITS ETF | 12 550 | 23 907 |

11. Financial Instruments

Fair value measurements

The fair value of the Fund's financial instruments is defined as the price that would be received to sell a financial asset or paid to transfer a financial liability in an ordinary transaction between market participants at the measurement date. The following methods and assumptions have been used in measuring fair value:

- Quoted shares use the close market price on the date of the reporting period

Notes to interim financial statement

11. Financial Instruments (continued)

Fair value measurements (continued)

- Cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities – due to the short-term maturity of these financial instruments, their fair value approximates to the respective carrying amount.

The following tables analyze quantitative disclosures in the fair value hierarchy of financial instruments at fair value at the levels at which they fall:

As of 30 June 2020

| <i>In BGN</i> | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------|----------------|----------------|---------------|
| Financial Assets | | | | |
| Nis AD Novi Sad | 21 808 | - | - | 21 808 |
| Aerodrom Nikola Tesla AD Beo | 14 428 | - | - | 14 428 |
| Galenika Fitofarmacija AD | 14 422 | - | - | 14 422 |
| Metalac AD Gornji Milanovac | 14 223 | - | - | 14 223 |
| Komersijalna Banka AD Beograd | 22 612 | - | - | 22 612 |
| Total | 87 493 | - | - | 87 493 |

As of December 31, 2019

| <i>In BGN</i> | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|----------------|----------------|----------------|----------------|
| Financial Assets | | | | |
| Nis AD | 28 652 | - | - | 28 652 |
| Aerodrom Nikola Tesla AD | 15 769 | - | - | 15 769 |
| Galenika Fitofarmacija AD | 16 450 | - | - | 16 450 |
| Komercijalna Banka AD | 35 032 | - | - | 35 032 |
| Metalac AD Gornji Milanovac | 14 797 | - | - | 14 797 |
| Total | 110 700 | - | - | 110 700 |

Risk profile and risk management

Risk profile

The Fund's risk profile represents the amount and type of risk the Management Company undertakes by investing the Fund's assets with the aim of replicating the Reference Index, which at the date of these financial statements is SOFIX. In that context, investing in units of "Expat Bulgaria SOFIX UCITS ETF" is associated with taking high risk, given that the Reference Index is composed of shares.

As regards its operations, "Expat Serbia BELEX15 UCITS ETF" is exposed to various types of risks affecting its performance.

Credit risk

The fund owns cash and quoted shares and the level of credit risk exposure is mainly related to cash in current accounts with banks. The credit risk associated with the quoted shares is part of the total investment risk of the fund unit holders.

The main risks that investors will incur when investing in units of "Expat Serbia BELEX15 UCITS ETF" are presented below.

Notes to interim financial statement

11. Financial instruments (continued)

Risk profile and risk management (continued)

Market risk

Possibility of losses due to unfavorable changes in securities prices, market interest rates, exchange rates, etc. This market risk affects the net asset value of the Fund, which will also fluctuate as a result of changes in the market prices of the shares and other securities in which the Fund has invested. The Fund is not exposed to the risk of a change in market interest rates as financial assets represent quoted shares

COVID-19

The COVID-19 pandemic has both a direct and indirect impact on the financial markets, thus affecting the returns of Expat's passive ETFs and Mutual Funds. The indirect effect has been the significant decrease in economic activity in the first half of the year, which will not be compensated by a drastic increase in the second half. This has impacted revenues and profits across multiple sectors. Also, worsening business forecasts and increase in credit risk. Capital markets reacted in line with expectations with a sharp decline in February and March. Statistics on the infected cases were often taken as a direct indicator of the future economic outlook, correlating strongly with major stock indices. This phenomenon constituted the direct effect of the pandemic on the financial markets – each positive news about the decreasing rate of infection and mortality, along with news about breakthroughs in vaccine development, led to price increases in the stock markets. This is the main reason for the almost complete recovery of the US stock market by the second half of July 2020. For the second half of 2020, the effects of COVID-19 on the capital markets will continue at least until a vaccine is launched on the market. This means, ceteris paribus, that market volatility will be higher than in a non-pandemic year. So by definition, higher volatility means higher risk. These effects will not be limited to a specific asset class, sector or jurisdiction, and will therefore affect the performance of Expat ETFs, which follow the main stock indices of the countries of the Central and Eastern European region, as well as Expat's mutual funds.

Currency risk

The fund was established and traded in euros, but the reference index BELEX15 is composed of shares denominated and traded in Serbian dinars and therefore the value of the Fund's financial assets depends on the change in the exchange rate of the Serbian dinar against the euro and the lev.

The Fund's policy is not to hedge currency risk. The currency risk of the Fund is part of the overall investment risk.

A 5% change in the euro exchange rate against the Serbian dinar would have the following effect on the net asset value of the Fund, based on the Fund's portfolio.:

| | As of 30 June 2020 | As of 30 December 2019 |
|---|-------------------------------|-----------------------------------|
| | <i>(in thousand BGN)</i> | <i>(in thousand BGN)</i> |
| 5% appreciation in serbain dinar against euro | 12 | 14 |
| 5% depreciation in serbian dinar against euro | (12) | (14) |

Notes to interim financial statement

11. Financial instruments (continued)

Risk profile and risk management (continued)

Extreme market movements

The market price of the financial instruments in which the Fund has invested may vary due to changes in the economic and market environment, the monetary policy of

the central banks, the business activity of the issuers, the sector in which the issuer operates and the supply and demand of the securities market. At certain times, market share prices can fluctuate significantly. In case of large movements of the Index, incl. large daily movements, the performance of the Fund may deviate from its investment objectives. The revaluation of the Fund varies as a result of changes in the value of the Fund's assets and the Reference Index.

A 5% change in the market prices of the assets would have the following effect on the net asset value of the Fund, based on the Fund's portfolio:

| | As of 30 June 2020 | As of 30 december 2019 |
|------------------------------|-------------------------------|-----------------------------------|
| | <i>(in thousand BGN)</i> | <i>(in thousand BGN)</i> |
| 5% increase market prices | 12 | 14 |
| 5% decrease in market prices | (12) | (14) |

Inability of the Management Company to adapt to market changes

The fund follows a passive strategy, ie. is not actively managed. Accordingly, the Management Company will not change the composition of the portfolio, except to closely follow the total profitability of the Reference Index. The fund does not try to "beat" the market and does not take defensive positions when the market falls or is considered overvalued. Therefore, a decline in the Reference Index may lead to a decline in the value of the Fund's assets.

Liquidity risk

Risk associated with the possibility of losses or lost profits from forced or forced sales of assets under adverse market conditions (such as low demand in the presence of oversupply). Liquidity risk also exists when the Fund may need to repurchase investors' shares.

The fund invests in quoted shares, which under normal market conditions are quickly and easily sold, which significantly reduces the exposure to this risk.

Purchase and redemptions

If the orders for issue and redemption of units are received late or do not meet the requirements of the Prospectus and the Rules of the Fund, this would lead to a delay between the time of submission of the order and the actual date of issue or redemption. Such delays or delays may lead to a reduction in the number of units or the amount of redemptions.

Trading on a regulated market

There is no assurance that trading in the Fund's units will be maintained or that the terms of admission to trading will not change. In addition, stock exchange trading may be suspended under the rules of the relevant stock exchange due to market conditions and investors may not be able to sell their units until trading is restored.

11. Financial instruments (continued)

Risk profile and risk management (continued)

Regulatory Risk

The fund is presented in its prospectus, which is prepared in accordance with applicable laws and regulations. The Management Company and / or the Fund and its investment objectives and policies may be affected by future changes in laws and regulations. New or modified laws, rules and regulations in Bulgaria or the European Union may not allow or significantly limit the Fund's ability to invest in certain instruments. They may also prevent the conclusion of contracts with certain third parties. This may impair the Fund's ability to meet relevant investment objectives and policies. The implementation of such new or modified laws, rules and regulations may lead to an increase in all or some of the Fund's costs and may require a restructuring of the Fund in order to comply with the new rules. Such possible restructuring may involve restructuring costs. When restructuring is not possible, the Fund may be terminated. The Fund's assets and the Reference Index are subject to change in laws or regulations and / or such change may affect their value and / or liquidity.

Operational risk

The operational risk is related to the possibility to realize losses due to errors or imperfections in the system of the organization, insufficiently qualified staff, unfavorable external events of non-financial nature, incl. legal risk. The Management Company determines a short-term and long-term strategy for the management of the operational risks that arise in the management of the Fund's activities and portfolio, described in the Rules for assessment and risk management of the Fund.

Risk of tracking the Reference Index error

Following the Reference Index by investing in all positions of the index can be expensive and difficult to implement. The portfolio manager can use optimization techniques such as selecting individual positions in the Index in proportions that differ from those in the Index. The use of such optimization techniques can increase the error in following and lead to a different performance of the Fund compared to the Index. Also existing restrictions on or future changes in the law and regulations of the Exchange Traded Fund with respect to, but not limited to, the composition,

the concentration and method of valuation of assets may lead to the inability of the Fund to fully replicate the index. Also, exchange-traded funds in markets with low liquidity are at greater risk of error in following an index.

Reference index

In the event of an event affecting the Index, the Fund may need to suspend the issuance and repurchase of units. The revaluation of the Fund may also be affected. In case of continuing problems with the Index, the Fund will take appropriate actions that may reduce the net asset value of the Fund.

Systemic risks

Systemic risks depend on general fluctuations in the economy and markets as a whole. The fund cannot influence systemic risks, but takes them into account and takes them into account. Risks posed by the political and economic situation are possible instability or military action in the region. Disasters and accidents are factors that complicate any risk management system. The consequences are difficult to predict, but access to information and the application of a system of forecasting and action in extreme situations are possible ways to minimize the negative effect.

12. Events after the date of the reporting period

There are no events after the reporting date that require adjustments or disclosures in the Interim financial statements of the Fund that occurred in the period from the reporting date to the date when these financial statements are authorized for issue by the Board of Directors of the Management Company.

13. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Interim financial statements are in accordance with those applied to the preparation of the Fund's annual financial statements for the year that ended on 31 December 2019 with the exception of the acceptance of new standards which entered into force on 1 January 2020. The Fund has not previously adopted other standards, interpretations or corrections, which have been published, but are not yet in effect.

IFRS 3: Business Combinations (Amendments)

The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The amendments also remove the assessment of whether market participants are able to change missing elements, provide guidance to assist funds in assessing whether the acquired process is essential and introduce an optional test for concentration of fair value. These amendments have not yet been adopted by the EU. The Fund will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied providing practical guidance that has so far been included in other IFRSs. The amendments also clarify that materiality depends on the nature or significance of the information. The fund will analyze and evaluate the effects of the changes on the financial condition, or the results of the activity.

Conceptual Framework in IFRS standards

The International Accounting Standards Board published the revised Conceptual Framework for Financial Reporting on 29 March 2018, applicable for annual periods starting on 1 Jan 2020 or later. The conceptual framework presents the concepts of financial reporting and standard development, offering guidelines on the preparation of consecutive accounting policies and understanding and interpretation of such standards. The main changes that were implemented in the revised Conceptual Framework for Financial Reporting connect to the concept of assessment, including the factors to be taken into consideration when selecting a base for assessment and the concept for presentation and announcement, including which revenues and expenses are to be classified in another type of comprehensive income. In addition, the Conceptual Framework provides updated definitions for asset and liability along with criteria for their implementation in financial reports. The fund is going to analyze and assess the effects from the amendments on the financial condition or result of the activity.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is also allowed. In September 2019, the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39 and IFRS 7,

13. Changes in accounting policies and disclosures (continued)

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments) (continued)

concluding Phase 1 of its work in response to the effects on financial reporting of the interbank interest rate reform. Phase 2 will focus on problems that may arise when interest rates are replaced by risk-free interest rates. The published amendments address problems that arise during the replacement of existing interest rates with alternative interest rates. The effects on specific hedging cases under IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require a forward-looking analysis, are addressed. The amendments provide for temporary reliefs applicable to hedging requirements, in cases where compliance with these requirements is directly affected by the benchmark reform. The changes allow hedge accounting to continue in the period of uncertainty until the replacement of the existing reference interest rates with alternative risk-free interest rates. Amendments have also been made to IFRS 7 Financial Instruments: Disclosures, which require the submission of additional information on hedging uncertainty as a result of the reform. The Fund will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

14. Standards issued but not yet effective and not early adopted

Listed below are the published standards that are not yet effective or have not been adopted earlier by the Fund at the date of these financial statements. It is disclosed how, to a reasonable extent, the disclosures, financial position and operating results are expected to be influenced when the Fund adopts these standards for the first time. This is expected to happen when they come into effect.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The standard is not applicable to the Fund.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendments are not applicable to the activities of the Fund.

14. Standards issued but not yet effective and not early adopted (continued)

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The amendments are not applicable to the activities of the Fund.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The IASB has issued amendments to IFRS standards in a narrow scope as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibits a company from deducting property, plant and equipment costs incurred from the sale of manufactured items while the company is preparing the asset for its intended use. Instead, the company will recognize such sales revenue and related expenses in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)** specify which costs the Company includes in determining the costs of performing a contract in order to assess whether the contract is onerous.

Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. The amendments have not yet been endorsed by the EU. Management has assessed the amendments on the basis of contingent liabilities of the Fund.

IFRS 16 Leases - Lease Concessions Related to Covid 19 (Amendments)

The amendment is applied retrospectively for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue on 28 May 2020. The IASB amends the standard, to provide relief to lessees from the application of IFRS 16 on the modification of the lease, taking into account rental concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical way for the lessee to account for any change in lease payments arising from the concession due to covid-19 in the same way as it would account for the change in IFRS 16 if the change was not a change in the lease only if all of the following conditions are met :

14. Standards issued but not yet effective and not early adopted (continued)

IFRS 16 Leases - Lease Concessions Related to Covid 19 (Amendments) (continued)

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment has not yet been endorsed by the EU. The amendments are not applicable to the activities of the Fund.

15. Contingent Liabilities and Assets

The Fund does not recognize contingent liabilities and contingent assets in its financial statements due to the fact that there are no potential liabilities for which it has not yet been ascertained whether the Fund has them as current liabilities or their possible recognition may lead to recognition of income that may never be realized.

The Fund discloses contingent liabilities in connection with expenses incurred for organization and administration of the fund by the Management Company (Note 4).