



**UBB
ASSET
MANAGEMENT**

PORTFOLIO MANAGEMENT AND INVESTMENTS

MF „UBB GLOBAL CHILD FUND”

*ANNUAL MANAGEMENT REPORT
INDEPENDENT AUDITOR'S REPORT
AND ANNUAL FINANCIAL REPORT
December 31, 2016*



PORTFOLIO MANAGEMENT AND INVESTMENTS

ACTIVITY REPORT

in 2016 r.

of

ST „UBB GLOBAL CHILD FUND”

I. OVERVIEW OF THE DEVELOPMENT AND RESULTS OF THE FUND AS

WELL AS ITS CONDITION. DESCRIPTION OF THE MAIN RISKS IT IS FACING UP WITH

"UBB Global CHILD's Fund" is a collective investment scheme established as a mutual fund under the Law on the activities of collective investment schemes and other collective investment undertakings (ZDKISDPKI). A collective investment scheme is a collective investment undertaking which meets the following conditions:

1. its only objective is collective investment in transferable securities or other liquid financial assets under Art. 38, para. 1 LAW ON THE ACTIVITIES OF COLLECTIVE INVESTMENT SCHEMES AND OTHER UNDERTAKINGS FOR COLLECTIVE INVESTMENT on funds raised through public offering and in the cases of art. 21, para. 8 LAW ON THE ACTIVITIES OF COLLECTIVE INVESTMENT SCHEMES AND OTHER UNDERTAKINGS FOR COLLECTIVE INVESTMENT - and of financial instruments and operates on the principle of risk spreading;

2. Its shares are dematerialized and are redeemable directly or indirectly, based on the net asset value when requested by the shareholders

Mutual fund is a separate property and is registered in the register under Art. 30 para. 1 pt. 4 of the Financial Supervision Commission.

MF "UBB Global CHILD's Fund" is a fund with an aggressive portfolio of financial instruments. Invests mainly in shares. The Fund is authorized to perform activities № 145-DF from 12.03.2016, issued by the Financial Supervision Commission.

MF "UBB Global CHILD's Fund" is organized and managed by a management company "UBB Asset Management". The investment fund is not a legal entity. Any decision on its establishment, operation, reorganization and dissolution are taken by the management company acting on its own name and on its (the Fund) account.

By Economic essence MF "UBB Global CHILD's Fund" enables shareholders to benefit from the market growth of financial instruments without the need to participate directly to him and to know it in detail.

The Fund issues / sells units at the request of investors. The cash raised from the issuance of units of "UBB Global CHILD's Fund" is invested by the Management Company in transferable securities - primarily in equity securities of companies whose business is oriented towards production of goods and services relating to the cultivation and care CHILD admitted to trading on regulated markets at home and abroad - to ensure profits for investors. Each investor is entitled to a corresponding portion of the assets of "UBB Global CHILD's Fund", including the liquidation and participates in proportion to the holdings of shares in the profits and losses. One of the most essential rights of unitholders is at their request, such shares to be repurchased by the "UBB Global CHILD's Fund" by the Management Company at a price which is based on net asset value and reflects realized gains or losses .

"UBB Asset Management" JSC started public offering of shares of MF "UBB Global CHILD's Fund" on 31.03.2016, the result of which the share capital at 31.12.2016 amounted to 1208 thousand. BGN

For the period 31.03.2016-31.12.2016, there were issued 126 853.0397 shares and repurchased 6 004.8068 shares, and by the end of the period in issue were. 120 848.2329. shares with a nominal value of 10 BGN each.

For the period 31.03.2016-31.12.2016, the MF "UBB Global CHILD's Fund" realized loss amounted to 28 thousand. BGN net asset value of the Fund as of 31.12.2016 amounted to 1181 thousand. BGN

On 11.25.2015 the Board of Directors of "UBB Asset Management" JSC took the following decision: to reach a net asset value of the Fund in the amount of 1,000,000 (one million) BGN:

- the annual remuneration of the Management Company and any other expenses are not to be charged.

- 9 The management company is to recover the originally made expense on the account of the fund for the formation.
- 9 Fund to pay to the Management Company remuneration for the initial preparation of all necessary documents for obtaining permission from the Financial Supervision Commission in the amount of 5000 (five thousand) BGN, VAT excluded.

"UBB Global CHILD's Fund" reached a net asset value amounting to 1 million. BGN on 15/07/2016, when being charged and begin to accrue costs.

The costs of the Fund, including the remuneration of the management company are maintained throughout 2016 below 5% of the average net asset value.

At the end of the reporting period, the main duties of MF "UBB Global CHILD's Fund" are to the "UBB Asset Management", JSC Custodian, obligations related to the issuance of shares and to the Financial Supervision Commission.

Below are presented aggregated data on the asset structure and content of the portfolio of financial instruments MF "UBB Global CHILD's Fund" to 31.12.2016

Portfolio structure of MF "UBB Global CHILD's Fund" at the beginning and at the end of the period

Types of assets	31.12.2015		31.12.2016	
	Value In BGN	Share of asset	Value In BGN	Share of asset
Shares foreign	-	-	204 221	16.89%
GS	-	-	203 960	16.86%
Total assets in securities	-	-	408 181	33.75%
liquid funds	-	-	790 191	65.33%
Total value of the portfolio:	-	-	1 198 372	99.08%

All types of assets in the portfolio are maintained within the limits specified in the Prospectus of the mutual fund and in accordance with current regulations.

Currency Composition of the portfolio MF "UBB Global CHILD's Fund" to 31/12/2016 d .:

	Value in BGN.	% from the asset
Assets in currency	652 442	53.94%
Assets in BGN	545 930	45.14%
Total value of the portfolio	1 198 372	99.08%

Asset allocation by sectors to 31.12.2016

Sectoe	Value in BGN	% от актива
GS	203 960	16.86%
Toys and CHILD's products	98 656	8.16%
Entertainment industry	38 099	3.15%
Pharmaceutics	34 498	2.85%
Food industry	32 968	2.73%
Total	408 181	33.75%

Indicator (in BGN)	Value
Asset value at beginning of the period	-
Asset value at end of the period	1 209 501
Value of liabilities at beginning of the period	-
Value of liabilities at end of the period	28 763

Total revenue for operations at the end of the period	46 671
Total operating expenses at the end of the period	74 776
Accounting profit / loss at the end of the period	-28 105
Net asset value at the beginning of the period	-
Net asset value at end of the period	1 180 738
Average net asset value for the period	880 622
Number of issued shares with completed settlement	126 853.0397
Number of repurchased shares	6 004.8068
Total number of shares in circulation in the end of the period	120 848.2329
NAV of 1 share at the beginning of the period (in BGN)	-
NAV per 1 share at end of the period (in BGN) realized after the split	9.7713

*** the data for the beginning of the period are from 30/12/2015, while for the end of the period - from 12/30/2016 regarding the issue price and the redemption price, as these are the last confirmed by the depository bank prices. All other data are to 31.12.2016

1. Liquidity

In carrying out the activity of MF "UBB Global CHILD's Fund" the management company "UBB Asset Management" JSC strictly follows the requirements of the law and the Rules of the Fund regarding its liquidity and invest investors' funds predominantly in liquidity and with a market value securities.

2. Results from the activity:

In 2016, the "UBB Global CHILD's Fund" earns revenue from the following components:

- ☞ interest;
- ☞ participations (dividends);
- ☞ operations with financial assets;
- ☞ Subsequent evaluation of financial assets;
- ☞ positive foreign exchange differences.

The most significant expense in 2016 is the cost from subsequent valuation of financial assets. The other expenses are allocated as follows: negative exchange losses, commissions on transactions in financial instruments to investment firms and external services, which include: the remuneration of the management company, custodian bank, formation expenses, fees to the Financial Supervision Commission, Central Depository and administration of the shares.

MF "UBB Global CHILD's Fund" does not perform salary costs, social and pension insurance.

In 2016 there were not made any extraordinary expenses on account of MF "UBB Global CHILD's Fund."

II. SUBSEQUENT IMPORTANT EVENTS AFTER THE DATE TO WHICH IS DONE THE ANNUAL FINANCIAL STATEMENTS

From 31.12.2016 to date of preparing of the Annual Financial Statements there are not important and / or significant activity of the Fund events, not proclaiming them would affect the true and fair presentation of financial statements.

III. ACTIONS IN THE FIELD OF SCIENTIFIC RESEARCH AND DEVELOPMENT

In 2016, at the expense of MF "UBB Global CHILD's Fund" there is not carried out any scientific research and development.

IV. POSSIBLE FUTURE DEVELOPMENTS OF MUTUAL FUND

MF"UBB Global CHILD's Fund" will continue to operate in full compliance with the set in the Rules and the Prospectus its policy of investing in medium to high risk level of funds to holders of its shares in an aggressive and diversified portfolio of financial instruments, mainly equity securities companies whose activity is oriented towards production of goods and services relating to the raising and taking care of CHILD accepted for trading at regulated markets at home and abroad - to ensure profits for investors.

Management Company "UBB Asset Management" JSC will continue to work professionally not only to increase assets and their proper investment but also to attract new investors in the Fund. There is not foresee transactions of essential importance for the Fund, since all transactions should be recorded in the general investment policy of the Fund so as to achieve the objectives set out above.

V. PRESENCE OF BRANCHES OF THE FUND

MF"UBB Global CHILD's Fund" has no branches in the country or abroad.

VI. THE USED BY MUTUAL FUND FINANCIAL INSTRUMENTS WHEN IT IS IMPORTANT FOR EVALUATING THE ASSETS, LIABILITIES, FINANCIAL POSITION AND FINANCIAL RESULT - OBJECTIVES AND POLICIES OF THE COMPANY'S MANAGEMENT OF FINANCIAL RISK, INCLUDING ITS POLICY FOR HEDGING EACH MAIN TYPE OF HEDGED ITEM FOR WHICH ACCOUNTING FOR THE HEDGE IS APPLIED; THE FUND'S EXPOSURE TO PRICE, CREDIT AND LIQUIDITY RISK AND CASH FLOW RISK.

To 31.12.2016, 65.33% of the Fund's assets are cash deposited in current accounts and deposits in BGN and foreign currency. Holdings of debt securities amounted to 16.86%, while shares represent 16.89% of the Fund's assets.

The risk factors that influence investments of MF "UBB Global CHILD's Fund" are:

1. market risk - The possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and more. Components of market risk are:

1.1. interest risk - The Management Company measures the interest rate risk by calculating the duration. Duration is a measure of the sensitivity of a security to change interest rates. MC uses the method of modified duration to measure interest rate risk associated with each security based on interest rates as bonds, interest rate swaps, futures on interest rates and futures on bonds

The financial assets held by the Fund, can be defined in two categories for the analysis of interest rate risk:

☞ Holding of bonds and government securities

As of 31.12.2016 MF "UBB Global CHILD's Fund" holds government securities amounting to 16.86% of the Fund's assets.

☞ Cash and equivalent tools

In order to maintain high liquidity, 65.33% of the Fund's assets are in cash instruments (money in current accounts and deposits).

1.2. currency risk - The positions of the MF "UBB Global CHILD's Fund" in financial instruments or deposits denominated in a currency other than the BGN and the euro are exposed to foreign currency risk due to changes in the exchange rate between that currency and BGN or euro.

The Management Company measures the currency risk for each currency other than the BGN and euro. The currency risk is measured using the historical volatility of the exchange rate of the BGN currency to the euro or to the net currency exposure.

As of 31.12.2016 MF "UBB Global CHILD's Fund" holds assets denominated in lev, Euro, US and Canadian dollar.

1.3. price risk – The management Company measures the price risk - the risk of lowering the value of financial instrument, due to adverse changes in market prices, by the one of the applicable for the securities market quantitative methods: standard deviation of return on the share, β -coefficient to indexes relevant markets or the standard deviation of the selected index of the regulated market. MC measured "value at risk" (VaR), which are subject to the Fund's assets using parametric approach with 252 daily observations confidence level of 99% and a time horizon of 10 days.

2. credit risk – the possibility of reducing the value of the position in a financial instrument at unexpected credit events related to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as the countries in which they operate. Exposure of the fund in government securities, corporate, mortgage and municipal bonds and bank deposits are exposed to credit risk. There are three types of credit risk:

2.1. Counterparty risk is the risk of not accomplishing the obligations by the counterparty to the OTC transactions and evaluated by analyzing the creditworthiness of the counterparties to these transactions.

2.2. Settlement risk is the risk arising from the possibility of MF "UBB Global CHILD's Fund" not receiving cash or financial instruments from the counterparty on the settlement date after he has fulfilled the obligations arising from that trade. The Management Company measures this risk through the value of all outstanding transactions of the Fund with a counterparty as a percentage of the managed portfolio. There are not included transactions concluded on condition of DVP (delivery versus payment) and on markets with functioning clearing mechanism.

2.3. Investment credit risk is the risk of reducing the value of an investment in a debt security because of credit event with the issuer of the debt instrument. Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating and more. This risk is assessed and managed through qualitative and quantitative credit analysis based on financial statements of the issuer, the capital structure of the issuer, the security of the issue and credit rating (reputation) of the issuer and diversification of the bond portfolio.

In managing the credit risk, MC aims to achieve a high quality bond portfolio by performing the above analysis, as well as to minimize the risk of default on transactions concluded by it.

In 2016, the Fund is not subject and are not realized losses due to the manifestation of credit risk.

2. **operational** – The main objective of MC in operational risk management is to avoid the likelihood of losses for both the management company and the fund as a result of inappropriate or improper internal procedures, errors by officials or by internal events. The process of managing this risk includes clearly defining the rights and obligations of employees in the rules of internal organization of the "UBB Asset Management" JSC as well as other measures detailed in rules for valuation and determination of net asset value and Rules Risk Management. MC monitors the level of its operational risk daily

and maintains a database of events of an operational nature and analyze risk by two indicators - frequency of occurrence and impact.

In 2016, the Fund is not subject and are not realized losses resulting from the occurrence of operational risk.

4. liquidity risk – the possibility of loss due to asset sales under adverse market conditions to meet unexpected short term obligations. Liquidity risk for the Fund may arise in the event that the majority of investors give orders for redemption, which will reduce the cash resources of the Fund. Asset structure should allow a smooth running of operations. To reduce this risk, the Fund seeks to invest in financial instruments with relatively good rate of liquidity with which to achieve two effects - correct assessment of the state of assets and providing a possible "exit" from the investment, and easy implementation of accumulated income.

The managed by MC positions in shares, government securities, corporate, mortgage and municipal bonds are carriers of liquidity risk determinant of demand for investment instruments and manifested as a realization of the losses due to inability to sell a value close to the fair, in need of liquidity to cover short-term obligations.

Liquidity management of the Fund is carried out through daily monitoring and analysis of the structure of assets and liabilities by type and maturity; daily monitoring of incoming and outgoing cash flows; maintaining optimal amount of cash and other liquid assets to meet the obligations of the company; develop strategies to prevent crisis situations.

In managing liquidity risk, the main goal for the MC is to provide a permanent opportunity for the Fund to meet its obligations and preventing the occurrence of a liquidity crisis.

Limiting the negative impact of these factors is achieved by actively managing the funds by optimizing the term structure of the bond portfolio and diversification of the investment portfolio as a whole.

In 2016 are not realized losses due to the manifestation of liquidity risk. All shares of the Fund's portfolio are traded on the developed world markets with ample liquidity.

5. concentration risk – The risk of reducing the value of the portfolios managed by MC because of inadequate diversification of exposures to clients, groups of connected clients, clients from the same industry, geographic area and more. For the purpose of managing the risk of concentration, MC accepted limits on transactions by monitoring daily the accomplishment of the placing limits and legal investment restrictions pursuant to the requirements of Art. 45-49 of Law on the activities of collective investment schemes and other undertakings for collective investment.

In 2016 all limits have been kept, that are set out in the Prospectus of MF "UBB Global CHILD's Fund" as well as the rules for risk management.

The specific methods and organization for managing the above mentioned risks are governed by the Rules of Risk Management MF "UBB Global CHILD's Fund."

VII. EXPECTED INVESTMENT AND DEVELOPMNT OF STAFF

In 2017 there is not staff development of MF "UBB Global CHILD's Fund" foreseen, as the activity at the expense of the Fund is carried out entirely by the staff of "UBB Asset Management" JSC.

Date: 24.03.2017
Sofia

Katina Peyheva
Executive director
"UBB Asset Management" JSC

Stefan Tamnev
Procurator
"UBB Asset Management" JSC

INDEPENDENT AUDITOR'S REPORT

To the investors of Mutual Fund “UBB Global Child Fund”

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT

Opinion

We have audited the financial statement of UBB Global Child Fund (“the Fund”), including the statement of financial position by December 31, 2016 and the statement of the comprehensive income, the statement of changes in equity capital and the cash flow statement for the year ending on this date and a summary of the significant accounting policies.

In our opinion, the attached financial statement presets fairly, in all significant aspects, financial condition of the Fund by December 31, 2016 and its financial results from the activity and its cash flows for the year, ending on this date, in accordance with the International Financial Reporting Standards (IFRS).

Basis for the opinion expressed

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities according to these standards are described additionally in the section “Auditor's responsibility for the audit of the financial statement”. We are independent from the Fund in accordance with the Code of ethics of the professional accountants of the International Accountant Ethic Standards Council (the Code of IAESC), along with the ethic requirements of the Independent Financial Audit Act (IFAA), applicable under our audit of the financial statement in Republic of Bulgaria, having performed our other ethic responsibilities in accordance with the requirements of IFAA and the Code of IAESC. We assume that the auditor's evidences, received from us, are fair and appropriate in order to secure basis for our opinion.

Paying attention

We pay attention on note 2.8 to the financial statement, where is declared that the total value of the financial funds on current accounts in the Depositary bank of the Fund amounts to 56.20% of the total value of its assets. Our opinion is not modified regarding this matter.

Information other than the financial statements and the auditor's report

The Board of Directors (“The Management”) takes responsibility for other information. The other information consists of report on the activity, prepared by the management according to Chapter eight of the Accountancy Act, but does not conclude the financial report and our auditor's report on it.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients.

Our opinion about the financial statement does not cover other information and we do not express any form of conclusion for safety on it, unless it is explicitly mentioned in our report and to the extent to which it is indicated.

In accordance with our audit of the financial statement, our responsibility consists of reading other information and in this way to consider whether this other information is in significant non-compliance with the financial statement or with our knowledge, gathered during the audit, or in other way Contains significant misstatement.

In case on the work basis, that we have conducted, we make a conclusion, that there is significant misstatement in this other information, we are obliged to report this fact.

We have nothing to report in this matter.

Management's responsibility for the financial report

Responsibility for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as the internal control system, which the management considers necessary for the preparation of financial reports, which are free of significant misstatements, whether due to fraud or error, lies with the management.

In preparation of financial statement the management takes the responsibility to evaluate the ability of the Fund to continue to operate as going concern, by disclosing, when it is applicable, questions, related to the suggestion of going concern, unless the management does not plan to liquidate the Fund or to terminate its activity or if the management practically has no other alternative, but to do so.

Auditor's responsibility for the audit of the financial report

Our goals are to receive reasonable degree of security about whether the financial statement generally does not contain significant misstatements, whether due to fraud or error, and to issue an auditor's report, which include our auditor opinion. The fair degree of security is high degree of security, but not a guarantee, that an audit, performed under the Independent Financial Audit Act and IAS, will always significant misstatement, when such exists. Misstatements may appear as a result of a fraud or error and are reported as significant, if may be reasonable to be expected that they, alone or in combination, may affect over the economic decisions of the customers, taken on the basis of this financial statement.

As part of the audit in compliance with the Independent Financial Audit Act and IAS, we use professional judgment and keep professional skepticism during the entire audit. We also:

- Identify and evaluate the risks from significant misstatements in the financial report, no matter if are due to fraud or error, develop and execute auditor procedures in response of these risks and receive auditors' evidences, which to be fair and appropriate, in order to secure basis for our opinion. The risk not to be revealed significant improper reporting, which is as a result of an error, as the fraud may include secret agreement, counterfeiting, intentional omissions, statements to mislead the auditor, as well as neglecting and circumvention of the internal control.
- We get an understanding of the internal control, related to the audit, in order to develop auditors' procedures, which will be appropriate under the specific circumstances, but not for expressing an opinion regarding the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of the accounting policies used and the reasonability of the accounting estimated grades and the related to them disclosures, made by the management.
- Conclude about the appropriateness of the accounting basis used by the management on the assumption of a going concern and, on the base of the auditor's evidences received, about

whether there is significant uncertainty, regarding whether there is significant uncertainty relating to events or conditions that could cast significant doubt on the Fund's ability to continue as a going concern. If we come to the conclusion that there is significant uncertainty, we are required to draw attention in our audit report to the disclosures related to these uncertainties in the financial statements or, if disclosures are inadequate, to modify our opinion. Our findings are based on the audit evidence we have received by the date of our audit report. However, future events or conditions may cause the Fund to cease operating as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that delivers credible performance.

We communicate with management, among other issues, the scope and timing of the audit, and the material audit findings, including significant internal control deficiencies that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional questions, which the Accounting Act poses

In addition to our accountability and accountability under ISAs described in the "Other information other than the financial statements and the auditor's report" on the activity report, we have also implemented the procedures added to an ISA requirement as per the Guidelines Of the Professional Organization of Certified Public Accountants (ICAAPs) issued on 29 November 2016. These procedures concern checks on the existence and verification of the form and content of this other information in order to assist us with the formation of A suggestion as to whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion under Art. 37, para. 6 of the Accountancy Act

On the basis of the executed procedures, our opinion is that:

- The information included in the activity report for the financial year for which the financial statements is prepared corresponds with the financial statement.
- The activity report is prepared in accordance with the requirements of Chapter seven of the Accountancy Act.

Deloitte Audit Ltd.

Silvia Peneva
Manager
Registered auditor

Sofia
27 March 2017

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF FINANCIAL POSITION
TO 31 DECEMBER 2016
In thousands lev unless otherwise stated

	Clarifications	31.12.2016
Assets		
Cash and cash equivalents	3	680
Fixed term deposits	4	111
Financial assets reported at fair value in the profit or the loss	5	408
Other assets	6	11
Total assets		1,210
Liabilities		
Current liabilities	8	29
Total liabilities		29
Net assets, owned by the investors in units		1,181
Net asset value per unit, approved by the depositary bank by the last business day of the reporting period		9.7713lv.

This financial report was approved by the Board of Directors on March 24, 2017 г.

Prepared by:
Elena Kyoseva
Chief Accountant

Katina Peycheva
Executive Director

Stefan Tamnev
Procurator

Application notes are an integral part of this financial report.

Silvia Peneva
Registered auditor
Date: March 27, 2017

MUTUAL FUND „UBB GLOBAL CHILD FUND“
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
In thousands lev unless otherwise stated

	Clarifications	For the period from 12.03.2016 to 31.12.2016
Net positive/(negative) differences from operations with financial assets reported at fair value in the profit or the loss, incl.:		(16)
<i>From subsequent assessment</i>		(16)
Interest incomes	9	5
Other financial expenses	10	(1)
Expenses on external services	11	(16)
NET PROFIT/(LOSS) BEFORE TAXATION		(28)
Tax expenses		-
NET PROFIT/(LOSS) AFTER TAXATION		(28)
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE INCOME		(28)

This financial report was approved by the Board of Directors on March 24, 2017 г.

Prepared by:
Elena Kyoseva
Chief Accountant

Katina Peycheva
Executive Director

Stefan Tamnev
Procurator

Application notes are an integral part of this financial report.

Silvia Peneva
Registered auditor
Date: March 27, 2017

MUTUAL FUND „UBB GLOBAL CHILD FUND“
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2016
In thousands lev unless otherwise stated



	Clarifications	For the period from 12.03.2016 to 31.12.2016
Cash flows from operating activity		
Money payments, related to financial assets reported at fair value in the profit or the loss		(521)
Money proceeds, related to financial assets reported at fair value in the profit or the loss		98
Money payments, related to fixed term deposits		(110)
Interest proceeds		3
Money payments, related to the depositary bank		(1)
Money payments, related to currency operations		(3)
Money proceeds, related to currency operations		4
Commission payments to investment firms on transactions for the Fund's portfolio		(1)
Cash payments related to other counterparties		(1)
Net cash flows (for) operating activity		(532)
Cash flows from financial activity		
Cash proceeds from issuance of units		1,272
Cash payments for redemption of units		(60)
Net cash flow from financial activities		1,212
Net change of cash and cash equivalents		680
Cash funds and cash equivalents at the beginning of the period	3	-
Cash funds and cash equivalents at the end of the period	3	680

This financial report was approved by the Board of Directors on March 24, 2017 r.

Prepared by:
 Elena Kyoseva
 Chief Accountant

Katina Peycheva
 Executive Director

Stefan Tamnev
 Procurator

Application notes are an integral part of this financial report.

Silvia Peneva
 Registered auditor
 Date: March 27, 2017

MUTUAL FUND „UBB GLOBAL CHILD FUND“

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEAR ENDED 31 DECEMBER 2016

In thousands lev unless otherwise stated

	Clarifications	For the period from 12.03.2016 to 31.12.2016
Net assets owned by the investors in units at the beginning of the period by 01 January		-
Net profit/(loss) for the period		(28)
Issuance of units during the period	7	1,269
Redemption of units during the period	7	(60)
Net assets owned by the investors in units at the end of the period by December 31		1,181

This financial report was approved by the Board of Directors on March 24, 2017 г.

Prepared by:
Elena Kyoseva
Chief Accountant

Katina Peycheva
Executive Director

Stefan Tamnev
Procurator

Application notes are an integral part of this financial report.

Silvia Peneva
Registered auditor
Date: March 27, 2017

1 Organization and activity

Mutual Fund „UBB Global Child Fund“ („The Fund“) is a collective investment scheme, BULSTAT 176999341.

The scope of activity of MF „UBB GLOBAL CHILD FUND” is collective investment in transferrable securities or other provided in law liquid financial instruments and money funds, raised through public offering of units, subject to the principle of risk spreading. The main capital of MF „UBB GLOBAL CHILD FUND” by the date of registration is zero. The number of units is unlimited and is constantly changing, depending on the issue (issuing) and the redemption of its units. The nominal value per unit is 10 (ten) lev, ISIN code BG9000004168.

No restrictions on the duration of the fund are provided. The mutual fund is not a legal entity and therefore has no management bodies. Organization and management of MF „UBB Global Child Fund“ is performed by the Management Company "UBB Asset Management" ("Management Company"), which takes all decisions on its establishment, operation, reorganization and dissolution. In carrying out management operations of MF „UBB Global Child Fund“, the Management Company acts on its own behalf and on behalf of the Fund.

The mutual fund is considered established from the moment of entry in the register maintained by the Financial Supervision Commission, which is performed with permission № 145-MF from 12.03.2016. The public offering of its units began on 31 March 2016 and conducted through the branch network of „United Bulgarian Bank” JSC. The management company at the expense of MF "UBB GLOBAL PHARM INVEST" has signed a contract for depository services with "Eurobank Bulgaria" JSC, which was selected for Depository Bank by the Fund's Board of Directors.

The Fund issues/sells units at the request of investors. Cash resources raised from issuing of units of MF „UBB Global Child Fund”, are invested by the Management Company in transferable securities - primarily in equity securities of companies operating in the health sector, mainly in the pharmaceutical industry, biotechnology and segment medical equipment admitted to trading on regulated markets at home and abroad that have high growth potential - in order to ensure profits for investors. Each investor is entitled to a corresponding portion of the assets of MF „UBB Global Child Fund“, including liquidation, and participates in proportion to the holdings of shares in the profits and losses. One of the most essential rights of unitholders is at their request, such units to be repurchased by Mutual Fund „UBB Global Child Fund” by the Management Company at a price which is based on net asset value and reflects realized gains or losses.

The headquarters and registered office of MF „UBB GLOBAL PHARM INVEST” is in Sofia, municipality Vazrazhdane, 5 St.Sofia str., where is the headquarters of the Management Company "UBB Asset Management", which organizes and manages the fund. The address for correspondence is Sofia, 9 Todor Aleksandrov blvd.

The annual financial statements is approved by the Board of Directors of the Management Company "UBB Asset Management" with Minutes № 359 from 24.03.2017.

2 Significant elements of the accounting policy

2.1 Basis for preparation and presentation of financial reports

Mutual Fund „UBB Global Child Fund“ organizes its current accounting records in accordance with the requirements of the Bulgarian accounting, tax and trade legislation and approved by the management of the Management Company accounting policy.

This financial report has been prepared in all significant aspects, in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the Committee Interpretations (IFRIC) as adopted by the European Union (EU) and applicable in Republic of Bulgaria. IFRS adopted by the EU do not differ from IFRS as issued by the IASB, and are effective for reporting periods ending on December 31, 2016.

The financial report includes statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes to them.

Accounting of the Fund is kept separately from the accounting of the Management Company.

2.2 Changes in IFRS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

2 Significant elements of the accounting policy (continued)

2.2 Changes in IFRS (continued)

- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Company’s financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 “Financial Instruments”** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);

2 Significant elements of the accounting policy (continued)

2.2 Changes in IFRS (continued)

- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to 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 and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

- **IFRS 9 Financial Instruments** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after January 1, 2018). The standard aims to fully replace IAS 39 Financial Instruments: Recognition and Measurement, it contains requirements for recognition, measurement impairment and derecognition of financial instruments and hedge accounting.
- *Classification and Measurement* - IFRS 9 represents a new approach to classification of financial assets based on the characteristics of cash flows and business model within which manages the respective financial asset.
- *Impairment* - introduced a new model of impairment of financial instruments to the amount of estimated credit losses, which will lead to an earlier and credit losses.

2 Significant elements of the accounting policy (continued)

2.2 Changes in IFRS (continued)

- *Hedge accounting* can follow a precise strategy for risk management, possibly with a wider range of hedging instruments and hedged items. A retrospective assessment of the effectiveness of the hedge is not required, but prospective evaluation is based on the principle of economic relationship.

The Management Company expects the new standard does not lead to a significant change in the classification and valuation of securities that are reported at fair value with any changes in fair value are recognized in the statement of comprehensive income.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the reporting date.

2.3 Operating concern

The financial report of the Company have been prepared on the going concern principle.

2.4 Functional currency and presentation currency

The Company functional currency is the currency of the Republic of Bulgaria - lev ("Levs"). The financial report has been prepared and presented in thousands lev (thousand Lev).

2.5 Accounting convention

The financial statements are prepared under the historical cost convention, except for financial assets at fair value through profit or loss are stated at fair value.

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates and reasonable assumptions that affect the carrying amounts of assets and liabilities, income and expenses for the period. These estimates and assumptions are based on information available at the date of preparation of the financial statements and future actual results may differ from these estimates.

2.6 Foreign currency

Transactions in foreign currencies, i.e. transactions denominated in currencies other than lev, which is the functional currency of the Fund, are recorded at the exchange rate applicable on the date of the transaction. Gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities, denominated in foreign currencies, are included in the result for the period.

Monetary assets and liabilities, denominated in foreign currencies, are evaluated in lev on the official rates of exchange as follows:

Currency	31-12-2016
EUR*	1.95583
USD	1.85545
CAD	1.37851

* Fixed exchange rate in accordance with the Law on the Bulgarian National Bank

2 Significant elements of the accounting policy (continued)

2.7 Cash and cash equivalents

The Fund accounted for as cash and cash equivalents balances on current accounts, which are measured at their nominal value or deposits with original maturity up to three months.

The management company is obliged to pay the received cash funds for the issuance of shares of the Fund's bank account at the custodian bank at the latest by the end of the next working day.

Cash resources denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.8 Fixed Term Deposits

For the purposes of the financial report, the Fund accounts as deposits these with genuine maturity of more than three months. After initial recognition The Fund evaluates deposits at amortized cost using the method of effective interest rate (ELP).

The management company at the expense of the Fund may not enter into bank deposits for a period longer than 12 months.

MF „UBB GLOBAL PHARM INVEST” may not invest more than 20 percent of its assets in deposits in one bank. The restriction does not apply to the total amount of term deposits and cash in current accounts with depository bank, which at December 31, 2016 amounts to 56.20% of the total assets of the Fund, and is formed solely of cash in current accounts.

THE FUND supports the following currency structure of bank deposits:

- Bank deposits in lev - up to 100% of bank deposits;
- Bank deposits in another currency - up to 50% of bank deposits.

Deposits denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.9 Financial assets and liabilities

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) all financial assets and liabilities, including derivative financial instruments must be recognized and valued in the statement of financial position according to the category to which they are classified.

Financial assets

Financial assets are classified in accordance with IAS 39 in four categories: financial assets at fair value through profit or loss investments held to maturity, loans and receivables and financial assets available for sale. Management determines the classification of its investments at initial recognition.

Financial assets and liabilities held for trading

Financial assets and liabilities at fair value through profit or loss include trading instruments that The Fund acquires and holds mainly to sell or acquire back in the short term or keep them as part of a portfolio that is managed as a whole term profit.

2 Significant elements of the accounting policy (continued)

2.9 Financial assets and liabilities (continued)

Financial assets (continued)

Financial assets and liabilities at fair value through profit or loss include trading instruments that The Fund acquires and holds mainly to sell or acquire back in the short term or keep them as part of a portfolio that is managed as a whole term profit. All changes in fair value are recognized as part of net trading income in the statement of comprehensive income. Financial assets and liabilities are not reclassified subsequent to initial recognition except The Fund considers that it would not hold them for trading in the near future following conditions are met: if the financial asset meets the definition of loans and receivables it could be reclassified if The Fund has the intent and ability to hold the asset for the foreseeable future or until maturity; if the financial asset does not meet the definition of loans and receivables, then it may be reclassified outside the category of "trading" only "unusual circumstances".

Financial assets initially designated at fair value through profit or loss

Financial assets reported at fair value through profit or loss are securities that upon initial recognition are designated at fair value through profit or loss. Securities at fair value through profit or loss are subsequently remeasured at fair value.

The differences between the book value of sold securities and their selling price are reflected net in the income statement as a gain or loss from operations with financial assets at fair value through profit or loss. Any changes in the fair value of securities is reflected in the statement of comprehensive income. Interest income on securities held for the period in which they are kept are recorded as interest income from financial assets at fair value through profit or loss. Dividend income is recognized when the right to receive.

By December, 31 2016 and December, 31 2015 the financial assets, reported on fair value in the profit or the loss, consist from foreign shares and units of CIS.

By December, 31 2016 and December, 31 2015 has not concluded deals with derivative financial instruments.

Purchase and sale of financial assets reported at fair value in the profit and the loss are recognized on the date of conclusion of the deal.

Receivables

The Fund's receivables are current in nature and are expected to be collected within the next reporting period. The receivables are stated at their nominal value, net of depreciation.

Financial liabilities

Financial liabilities which are not derivatives or are not defined at their acquisition at fair value through profit or loss, are measured at amortized cost. They are initially recognized at "cost", i.e. the fair value of incoming cash flows upon occurrence of liability, decreased by transaction costs. Subsequently any difference between net proceeds and the redemption value is recognized in net income for the period using the effective interest rate for the term of the liability.

2 Significant elements of the accounting policy (continued)

2.9 Financial assets and liabilities (continued)

Depreciation and netting of financial assets and liabilities

A financial asset is derecognized on the value date after The Fund has no more control over the contractual rights and has transferred substantially the risks of ownership. This occurs when the rights are realized, expire or are redeemed. A financial liability is derecognised when it is extinguished.

Financial assets and liabilities are offset and the net amount is reported in the income statement only when The Fund has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

Impairment of financial assets

Currently and at the end of each reporting period, the Company determines whether there are objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the asset / group assets and these events have an effect on the expected cash flows of the asset / group assets.

2.10 Short-term liabilities

Short-term liabilities include trade marks and other liabilities. They are recognized when there is a contractual obligation to pay cash to another company or individual. Lev obligations are valued at cost incurred.

2.11. Provisions, contingent assets and liabilities

As of the date of the report, The Fund has no recognized provisions, contingent liabilities and contingent assets.

2.12. Net assets belonging to the investors in units

Net assets belonging to the investors in units of the Fund include the subscribed capital, share premium, general reserves and retained earnings.

The subscribed capital of the Fund is variable, depending on the issued and redeemed units. The Fund issues / sells units at the request of investors.

MF „UBB GLOBAL CHILD FUND” account subscribed capital at nominal value of issued and registered units.

Share premium at issuance / redemption of units of the Fund are the difference derived from the net asset value per share and the nominal value multiplied by the corresponding number of units issued / redeemed on the day of settlement.

Net assets belonging to investors of the Fund are the basis for determining the issue price and redemption price of its units for each business day.

2 Significant elements of the accounting policy (continued)

2.13. Taxation

According to Art. 174 of the Law on Corporate Income Tax (CIT), collective investment schemes that are admitted to public offering in the Republic of Bulgaria under the Law on the activities of collective investment schemes and other collective investment undertakings (CISOCIU act) are not subject to corporation taxation.

2.14. Incomes

The main incomes of MF „UBB GLOBAL PHARM INVEST” are:

- positive difference from operations with financial assets (positive difference between the revalued amount and the purchase price of the financial instrument);
- ex-post evaluation of assets (Gains from changes in valuation of financial instruments);
- dividend incomes;
- interest income on term and demand deposits;
- revenues related to foreign currency revaluation (gains from foreign exchange).

Interest income is recognized on an accrual basis. The net result of differences from valuation changes of financial assets at fair value through profit or loss are reported as current income or expense from revaluation. The difference between the revalued amount and the purchase price of financial assets at fair value through profit and loss on transactions are recognized as current revenue or expenses from investment operations.

2.15. Expenses

All expenses are recognized when incurred in the statement of comprehensive income.

Financial expenses are:

- Expenses from operations with financial assets (negative difference between the revalued amount and the purchase price of the financial instrument);
- costs of subsequent measurement of financial assets (Losses from changes in valuation of financial instruments);
- commissions paid on securities transactions;
- expenses related to foreign currency revaluation;
- bank charges for money transfers.

Non-financial expenses are:

- outsourced services, including fees of the custodian bank and the management company, the Financial Supervision Commission (FSC), Central Depository (CD) remuneration of the auditor and costs for setting up the Fund;

2.16. Fair value of financial assets and liabilities

The Fund determines the fair value of financial assets and liabilities in accordance with IFRS 13 "Fair Value Measurement". IFRS 13 applies when another IFRS requires or permits fair value measurement or disclosure of valuation at fair value as financial instruments and non-financial assets. The standard is not applicable to transactions with payment based on shares falling within the scope of IFRS 2 "Share-

2 Significant elements of the accounting policy (continued)

2.16. Fair value of financial assets and liabilities (continued)

based Payment Shares", leasing transactions within the scope of IAS 17 "Leases"; as well as assessments that have some similarities to fair value measurement, but do not constitute such - as assessment at net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

IFRS 13 defines fair value as the price for the sale of an asset or transfer a liability in an orderly transaction between market participants at the measurement date fixed (or most advantageous) market at current market conditions. The fair value under IFRS 13 is the selling price, whether that price is directly available or determined by another method of valuation.

Fair Value Disclosure

IFRS 7 "Financial Instruments: Disclosures" requires disclosure in the notes to the financial statements of information about fair value of financial assets and liabilities. The Fund's policy is to disclose the fair value of these assets and liabilities for which there is available market information, and whose fair value is materially different from reading.

Determining the fair value method of valuation

Some of the assets and liabilities of the Fund are valued at fair value for financial reporting purposes. For those assets and liabilities as well as assets and liabilities, which require disclosure of the estimated fair value The Fund discloses the level in the fair value hierarchy to which fair value measurements are categorized in their entirety, any significant transfers between Level 1 and level 2 of the fair value hierarchy and the reasons for it, as well as a reconciliation of opening to closing balances of assessments subject to level 3.

Financial instruments of the Fund that are not carried at fair value include cash and bank accounts, term deposits, receivables and payables. In order to assess the fair value of each class of financial instruments, the following methods and assumptions:

Cash in hand and at banks - due to liquidity nature of these instruments, their carrying amount corresponds to fair value.

Term deposits are initially recognized at fair value. After initial recognition, they are recorded at par with accrued interest. Since term deposits with maturity up to one year, The Fund believes that the carrying value of term deposits does not differ significantly from their fair value.

Other receivables and payables are stated at nominal value, such receivables are reduced by the impairment loss. The carrying value of these instruments is the best estimate of their expected fair value.

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2 Significant elements of the accounting policy (continued)

2.16. Fair value of financial assets and liabilities (continued)

Hierarchy of fair value

MF “UBB GLOBAL PHARM INVEST” carries out daily revaluation of portfolio securities, including securities which are in the process of settlement. The difference of revaluation is reflected in the current financial result.

The Fund uses the following hierarchy for determining and disclosing the fair value:

- Level 1: announced (unadjusted) prices in active markets for identical assets or liabilities to which the entity can access at the measurement date;
- Level 2: other assumptions than those included in Level 1 quoted prices for the asset or liability that are observable either directly or indirectly;
- Level 3: Unobservable assumptions for the asset or liability.

In the process of determining the fair value of assets and liabilities, The Fund uses market information as far as it is available. Where information from Level 1 in the fair value hierarchy is not available, The Fund applies valuation methods using maximum observable hypotheses and minimizes the use of unobservable such. The methods of valuation used to estimate the fair value, consistently applied.

The following table summarizes the assets at fair value in the statement of financial position as at December 31, 2016:

2016	Balanced Value	Level 1 - quoted market price	Level 2 - Valuation technique - observable market levels	Level 3 - Valuation technique - no observed market levels	Not available fair value
Assets measured at fair value					
Foreign shares	204	204	-	-	-
Foreign units of UCITS	204	204	-	-	-
Total	408	408	-	-	-

Subsequent measurement of Bulgarian and foreign transferable securities and money market instruments admitted to or traded on a regularly functioning, recognized and publicly accessible active regulated markets abroad is carried out:

Securities traded on regulated markets and official markets of stock exchanges:

a) on the last price of a transaction concluded with them on the market on the day to which the assessment takes place.

b) failing to apply the valuation method under letter "a" assessment is carried out "bid" price at market close on the day to which assessment takes place, announced in an electronic system for price information of securities.

c) failing to apply the valuation method under letter "b" of the evaluation is done on the last price of a transaction concluded with them within the last 30-day period preceding the day on which the assessment is done.

2 Significant elements of the accounting policy (continued)

2.16. Fair value of financial assets and liabilities (continued)

Subsequent measurement of financial instruments admitted to trading on more than one active regulated market is done at prices made public by the regulated market on which the management company has provided access and the financial instrument is initially purchased. If the financial instrument has bought more than one active regulated market, the valuation shall be carried out at prices made public by the regulated market on which the same day is traded the highest volume (number of shares traded) of the financial instrument.

Subsequent evaluation issued by the Republic of Bulgaria securities and money market instruments as well as issued by another Member State securities and money market instruments traded on trading venues in active markets abroad is carried out:

- a) as "buy" at market close on the date of the valuation, announced in an electronic system for price information (Reuters, Bloomberg or other systems for pricing information);
- b) if the foreign market is not working on the day to which the assessment takes place - on the "bid" price at market close on the last business day announced in an electronic system for price information.
- c) if the price calculated according to letters "a" and "b" is gross, it is used directly. Provided that it is clear, on the basis of interest characteristics and frequency of coupon payments, it is converted to gross and then used for revaluation.

In cases where the market price can not be determined, the revaluation of securities is carried out in a defined fair value. Mutual Fund has adopted a methodology for determining fair value of financial instruments, which describes the principles of determining the fair value of financial instruments set out in the approved by the FSC Rules for valuation and determination of the net asset value of the fund (such as "method of discounted net cash flows" and "method of net asset value").

Financial assets denominated in foreign currencies are translated to BGN equivalent using the exchange rate of the Bulgarian National Bank valid for the day of the valuation.

2.17. Investment portfolio

In managing the investment portfolio of the Fund Management Company maintains structure and composition of the Fund's assets as follows:

Type of assets	Proportion of the total assets of the Fund
Equity securities of companies operating in the health sector, mainly in the pharmaceutical industry, biotechnology and segment medical equipment, admitted to or traded on a regulated pazaridyalovi securities recently issued in terms of whose issue included a commitment admission and within a period not exceeding one year from their issue, to be admitted to trading on the official market of a stock exchange or on another regulated market functioning regularly, recognized and open to the public, included in the list approved by the Vice-President; units of collective investment schemes whose investment policy corresponds to the risk focus of the Fund; derivative financial instruments	Up to 95 %
Debt securities admitted to or traded on regulated markets; debt securities recently issued in terms of whose issue included a commitment admission, and within a period not exceeding one year from their issue, to be admitted to trading on the official market of the stock exchange or another regulated market functioning regularly, recognized and	Up to 50 %

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open to the public, included in the list approved by the Deputy Chairperson of the Financial Supervision Commission; units of collective investment schemes that have a conservative investment policy.

Bank deposits and liquid funds	Not less than 5%
Securities and money market instruments	Up to 10%

Some of the key regulatory investment restrictions, which The Fund is respected:

- The Fund may not invest more than 5 per cent of its assets in transferable securities or money market instruments issued by a single person.
- The Fund may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by one person only, provided that the total value of investment in people, in each of which it invests more than 5 per cent of its assets must not exceed 40 percent of the assets of the collective investment scheme. The restriction under the first sentence does not apply to deposits with credit institutions that are implemented prudential supervision and to transactions with OTC derivative financial instruments with these institutions.

2.18. Comparative information

The presentation and classification of items in the financial statements are kept in different reporting periods to ensure comparability of comparative information. Data for previous years adjusted where necessary for the purpose of comparability with the current year presentation.

3. Cash and cash equivalents

	31.12.2016	% of the assets
Cash amounts on current accounts	680	56.20%
<i>In Lev</i>	542	44.81%
<i>In Euro</i>	68	5.58%
<i>In USD</i>	70	5.81%
Total:	680	56.20%

The Fund has three current accounts in the Depositary Bank – in lev, in euro and in US dollar.

4. Fixed term deposits

	31.12.2016	% of the assets
Deposits	111	9.13%
<i>with maturity up to 1 year in Lev</i>	111	9.13%
Total:	111	9.13%

5. Financial assets, reported at fair value in the profit or the loss

	31.12.2016
Foreign shares	204
Foreign units in CIS	204
Total:	408

Financial assets, reported at fair value in the profit or the loss, are classified as held for trading.

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5. Financial assets, reported at fair value in the profit or the loss (continued)

Financial assets held for trading are presented according to the hierarchy for determining and disclosing the fair value as follows:

Financial assets, held for trading	31.12.2016	% of the asset
Assessed at fair value level 1 – closing price	408	33.75%
Total:	408	33.75%

6. Other assets

	31.12.2016
Expenses for future periods	11
Total:	11

7. Net assets belonging to the investors in units

The subscribed capital of MF „UBB GLOBAL CHILD FUND” to December, 31 2016 is distributed in 120,848.2329 units, with nominal value 10 lv. each. The capital is fully paid.

	Number of units	Nominal value	Number of units	Nominal value
	To 31.12.2016		To 31.12.2015	
Number of units in circulation at the beginning of the reporting period	-	-	-	-
Issued units	126,853.0397	10 lv	-	-
Redeemed units	6,004.8068	10 lv	-	-
Total number of units in circulation at the end of the reporting period	120,848.2329	10 lv	-	-
Net asset value per share was confirmed by the Custodian of the last working day of the reporting period	30.12.2016		-	
Net worth per unit	9.7713 lv.		-	

The change in net assets belonging to an investor in shares in connection with the issuance and redemption of units is presented in the next talbitsa:

	Subscribed capital	Premiums from issues	Total
For the period 12.03.2019 - 31.12.2016:	1,209	-	1,209
- issuance of units	1,269	-	1,269
- redemption of units	(60)	-	(60)

The net asset value per unit, issue price and redemption price shall be determined each business day under the Rules for valuation and determination of the net asset value, current legislation and the Prospectus for Public Offering of Units of the Fund, based on valuation of assets and liabilities of the Fund for the preceding business day.

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7. Net assets belonging to the investors in units (continued)

The net asset value per unit (NAV 1 / unit) is calculated by the following formula:

$$\text{NAV 1/unit} = \frac{\text{The net asset value of the Fund}}{\text{number of units in circulation}}$$

Emission price (EP) is equal to the net asset value per unit, increased with the issuance costs. Issuance costs depend on the amount of the investment, as follows:

- For order and first installment under Contract for Systemtic Investment Plan (SIP) up to 25 000 Lev (including) – 2 (two) percent of the net asset value per unit;

$$\text{EP} = 1 \text{ NAV / unit} + 2\% * \text{NAV 1 unit}$$

- For order and first installment under Contract for Systemtic Investment Plan (SIP) from 25 000 Lev to 100 000 Lev (including) – 1.5 (one point five) percent of the net asset value per unit;

$$\text{EP} = 1 \text{ NAV / unit} + 1.5\% * \text{NAV 1 unit}$$

- For order and first installment under Contract for Systemtic Investment Plan (SIP) from 100 000 Lev to 200 000 Lev (including) – 1 (one) percent of the net asset value per unit;

$$\text{EP} = 1 \text{ NAV / unit} + 1\% * \text{NAV 1 unit}$$

- For order for over 200 000 Lev and on every next installment under Contract for Systemtic Investment Plan (SIP) – the emission value is equal to net asset value per unit.

$$\text{EP} = 1 \text{ NAV / unit}$$

Until the net asset value of the fund reach the amount of 1 000 000 Lev (one million Lev), the emission value (EV) is equal to the net asset value per unit.

The Fund reached net asset value amounting to 1 million Lev on 15.07.2016.

The redemption price (CEI) is determined based on the NAV per unit of the Fund.

$$\text{RP of units} = \text{NAV 1/unit}$$

8. Current liabilities

	31.12.2016
Liabilities to the Management Company	13
Liabilities related to the establishment of the Fund, paid to the management company	12
Liabilities related to fees for issuing paid to the management company	3
Liabilities to other counterparties	1
Total:	29

9. Interest incomes

	For the period 12.03.2016-31.12.2016
Interests on current accounts	3
Interests on fixed term deposits	1
Interests on GS	1
Total:	5

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10. Other financial expenses

	For the period 12.03.2016-31.12.2016
Commissions paid to investment firms under contracts for investment orders	(1)
Total:	(1)

11. Expenses for external services

	For the period 12.03.2016-31.12.2016
Remuneration of the management company	(13)
Remuneration of the Custodian	(1)
Annual fee for general supervision of the FSC and the annual fee for maintaining the register of Central Depository	(1)
Establishment expenses	(1)
Total:	(16)

The management fee of the Management Company is defined as 2.50% of average annual net asset value of the Fund, calculated daily and is adjusted at the end of the year.

With minutes of the Board of Directors of the Management Company on 25.11.2015 was decided until the net asset value of the Fund reach the amount of 1 000 000 (one million) Lev,

- annual remuneration of the Management Company and any other expenses not to be charged.
- the management company to recover the initially made to the Fund establishment expenses.
- The fund to pay the Management Company remuneration for initial preparation of all necessary documents for obtaining permission from the Financial Supervision Commission in the amount of 5000 (five thousand) lev VAT excluded.

The fund reached a net asset value of 1 million BGN on 15.07.2016, when it is calculated costs.

The costs of the Fund, including the remuneration of the management company are maintained throughout 2016 less than 5% of the average net asset value.

12. Related parties and related party transactions

Parties are considered to be related if one party has the ability to exercise control or significant influence over the other in making financial or operational decisions, or under joint control of a third party.

The Fund considered related parties:

- The Management Company "UBB Asset Management" - management control; and
- funds managed by it - under common control.

To December 31, 2016 holders of units in the Fund are:

- Katina Peycheva (member of the Board of Directors of the Management Company and its Executive Director), who owns 59.5000 units by the end of the reporting period, which she has acquired during the reporting period;

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12. Related parties and related party transactions (continued)

Members of the Board of Directors of "UBB Asset Management" and related persons, and other persons working under contract for the management company may not be a party to transactions with the Fund, except in their capacity as shareholders in „UBB Global Child Fund“.

Balances on deals with related parties and related costs and revenues at December 31, 2016 are as follows:

Transactions and balances	Related party	2016
Accrued costs for the management fee of the Management Company	„UBB Asset Management“ JSC	(13)
Accrued costs for establishment	„UBB Asset Management“ JSC	(1)
Fees for issuing paid to the management company	„UBB Asset Management“ JSC	(3)
Liabilities at the end of the period to the Management Company for management fees for the period	„UBB Asset Management“ JSC	13
Liabilities at the end of the period to the Management Company for issuance fees	„UBB Asset Management“ JSC	3
Fees for issuing paid to the management company	„UBB Asset Management“ JSC	12
Purchase of units	Katina Peycheva	1
Owned units	Katina Peycheva	1

To December 31, 2016 and December 31, 2015 The Fund reports the following transactions and balances with United Bulgarian Bank JSC (UBB) - which is a related party to the Management Company:

Transactions and balances		2016
Deposits provided in lev	UBB JSC	110
Receivables on interests	UBB JSC	1
Interest incomes	UBB JSC	1

13. Risk management

Cash resources raised in the Fund are managed by the Management Company in accordance with approved investment policy and rules for risk management. Holdings in the portfolio of financial instruments determine its condition and performance. The main risks arising from financial instruments can be divided into credit, market and liquidity.

13.1. Credit risk

Credit risk is the possibility of reducing the value of the position in a financial instrument at unexpected credit events related to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as the countries in which they operate. The Fund identifies three types of credit risk:

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13. Risk management (continued)

13.1. Credit risk (continued)

13.1.1. Counterparty risk is the risk of default by the counterparty to the OTC transactions.

13.1.2. Settlement risk is the risk arising from the possibility Mutual Fund "UBB GLOBAL PHARM INVEST" not receiving cash or financial instruments from the counterparty on the settlement date after they have fulfilled their obligations arising from that trade. The MC measures this risk through the value of all trades with a counterparty as a percentage of the managed portfolio. Do not include transactions concluded on condition of DVP (delivery versus payment) and on markets with functioning clearing mechanism.

13.1.3. Investment credit risk is the risk of reducing the value of an investment in a debt security because of credit event with the issuer of this instrument.

Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating, etc.

In 2016 were not implemented direct losses as a result of manifestation of credit risk.

Exposure of the Fund to credit risk is limited to the carrying amount of these financial assets:

Financial asset	Balanced value	Minimal Risk
	31.12.2016	
Cash and cash equivalents	680	680
Deposits	111	111
Financial assets at fair value through profit or loss	408	408

The Fund has not used derivatives to manage credit risk.

Analysis of the quality of the deposits and Cash and cash equivalents, based on the assessment of credit institutions ratings agency "BCRA - Bulgarian credit rating agency" JSC

Type of investment and rating	31.12.2016
Fixed term Deposits	111
<i>Long-term rating BB and short-term rating B</i>	<i>111</i>
Cash and cash equivalents	680
<i>Long-term rating BB+ and short-term rating B</i>	<i>680</i>
Total:	791

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13. Risk management (continued)

13.2. Market risk

The main components of market risk are interest rate risk, currency risk and price risk. Interest rate risk is the risk of reducing the value of an investment in a financial instrument due to changes in the level of interest rates affecting the value of this tool. Duration is a measure of the sensitivity of a security to change interest rates. The MC uses the method of modified duration to measure interest rate risk associated with each security based on the interest rate. Interest rate risk has two main varieties:

I) Risk of change in the market price of interest-bearing financial instruments (incl. Derivatives based on interest rates) in connection with the change in market interest rates;

II) Risk reduction / increase in interest payments on interest-bearing assets / liabilities in connection with changes in market interest rates;

The Fund does not use credit financing activities and has no interest-bearing liabilities, which could expose its activities to interest rate risk.

Financial assets held by the Fund may determine categories for the analysis of interest rate risk:

31.12.2016	Interest-free	with floating interest %	with fixed interest %	Total
Current assets				
Cash amounts and cash equivalents	-	680	-	680
Fixed term deposits	-	-	111	111
Financial assets, reported at fair value in the profit or the loss	204	-	204	408
Current liabilities				
Currents liabilities	29	-	-	29
Exposure to short-term risk				
Total financial assets	204	680	315	1,199
Total financial liabilities	29	-	-	29
Total exposure to interest rate risk	175	680	315	1,170

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

As of 31.12.2016 „UBB Global Child Fund“ holds assets denominated in currencies other than the euro or lev, namely in USA and Canadian dollars.

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13. Risk management (continued)

13.2. Market risk (continued)

Structure of financial assets and liabilities in currencies at December 31, 2016:

Assets	Levs	Euro	USD	Candaian Dollar	Total
Парични средства	542	68	70	-	680
Fixed term deposits	111	-	-	-	111
Shares	-	67	110	27	204
GS	-	204	-	-	204
Total (thousand Lev)	653	339	180	27	1,199
Total (in %)	55%	28%	15%	2%	

Liabilities	Lev	Total
Current liabilities	29	29
Total (thousand Lev)	29	29
Total (in %)	100%	

The price risk associated with investments in shares or other equity securities - the risk that the value of the investment in a security due to adverse changes in market prices. The management company estimates the market risk based on the concept of value at risk. VaR is defined as the expected maximum loss for a given time horizon with a given level of confidence. The management company is developing a system for determining the value at risk, which is an integral part of daily management process Risk of Mutual Fund „UBB Global Child Fund“ and serves as the basis for reporting risk exposures. In order to reduce price risk The Fund diversifies its portfolio of financial instruments, observing the investment restrictions.

13.3. Liquidity risk

Liquidity risk is the possibility of loss due to asset sales under adverse market conditions to meet unexpected short-term liabilities. Liquidity risk for the Fund may arise in the event that the majority of investors submitted orders for redemption, which will reduce the cash resources of the Fund. Asset structure should allow a smooth running of operations. To reduce this risk, the Fund seeks to invest in securities with relatively good rate of liquidity with which to achieve two effects - correct assessment of the state of assets and providing a possible "exit" from the investment, and easy implementation of accumulated income.

There are no realized losses due to the manifestation of liquidity risk.

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13. Risk management (continued)

13.3. Liquidity risk (continued)

The maturity structure of book value of financial assets and liabilities was prepared according to expectations for their repayment or recovery:

to 31.12.2016	Up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total sum
Cash funds and cash equivalents	680	-	-	-	680
Fixed term deposits	-	111	-	-	111
Shares	204	-	-	-	204
GS	204	-	-	-	204
Total assets	1,088	111	-	-	1,199
Liabilities	1	28	-	-	29
Total liabilities	1	28	-	-	29
Discrepancy in the maturity structure	1,087	83	-	-	1,170

13.4. Concentration risk

Concentration risk is the possibility of losses due to inadequate diversification of exposures to clients, groups of connected clients, clients from the same industry, geographic area or arising from the same activity that can cause significant losses and the risk associated with large indirect credit exposures.

The structure of the current financial instruments of MF "UBB GLOBAL CHILD FUND" is as follows:

Structure of investments in securities by sector	31.12.2016	
Industry	Amount	Proportion of the asset
Government securities	204	16.86%
Toys and children's products	99	8.16%
Entertainment industry	38	3.15%
Pharmaceutics (production)	34	2.85%
Food industry	33	2.73%
Total:	408	33.75%

13. Risk management (continued)

13.5. Operational risk

Operational risk is the possibility of incurring losses, related to errors or flaws in the organization, inadequately trained staff, unfavorable external non-financial events, including legal risk.

Operational risks can be:

- Internal - the organization of the work of the management company in the management of Mutual Fund „UBB Global Child Fund“.
- External - related to macroeconomic, political and other factors that have and / or may impact the operations of the Management Company in connection with the management of the Mutual Fund „UBB Global Child Fund“.

In 2016 were not implemented losses resulting from the occurrence of operational risk.

14. Events following the reporting period

On 08.02.2017 was registered in the Commercial Register change in the representation of the Management Company "UBB Asset Management" related to the appointment of a new Procurator.

After the balance sheet date there have been no events of correction and/or uncorrected nature, which should be reported or made public in the present financial report.