



PORTFOLIO MANAGEMENT AND INVESTMENTS

**MF "UBB PREMIUM EQUITY"**

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



PORTFOLIO MANAGEMENT AND INVESTMENTS

**ACTIVITY REPORT**  
in 2016

of  
**MF „UBB PREMIUM EQUITY”**

## **I. OVERVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE FUND AS WELL AS ITS CONDITION. DESCRIPTION OF THE MAIN RISKS FACING WITH.**

MF "UBB Premium Equity" 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 (LACISUCI). A collective investment scheme is a collective investment undertaking which satisfies the following conditions :

.1. its only goal is collective investment in transferable securities or other liquid financial assets under Art. 38, para. 1 LACISUCI on funds raised through public offering and in the cases of art. 21, para. 8 LACISUCI - 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 Act on Financial Supervision Commission.

MF"UBB Premium Equity Fund" is a fund with an aggressive portfolio of financial instruments. Invests mainly in shares. The Fund is authorized to conduct business № 9-DF from 24.11.2005, issued by the Financial Supervision Commission.

MF"UBB Premium Equity" is organized and managed by a management company "UBB Asset Management" JSC. 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 behalf and on its (the Fund) account.

By Economic essence MF "UBB Premium equity" enables unitholders to benefit from the market growth of financial instruments without the need to participate directly to him and to know it in detail.

The portfolio of financial instruments MF "UBB Premium Equity" contains mostly shares provides opportunities for high yield compared to the level of inflation in Bulgaria in recent years and compared with yields that could provide government securities and bank deposits, as it brings to investors in its shares correspondingly higher risk.

"UBB Asset Management"JSC started public offering of shares ofMF "UBB Premium Equity" of 30.01.2006, the result of which the share capital at 31.12.2016 amounted to 20 636 thousand. Lev

For the period 01.01.2016-31.12.2016, there were issued 224 054.9663 shares and repurchased 209 317.9898 shares, and by the end of the period in issue are 2063 636.5248. shares with a nominal value of 10 lev each.

For the period 01.01.2016-31.12.2016, the MF"UBB Premium Equity" profit amounted to 4129 thousand. Lev net asset value of the Fund as of 31.12.2016 amounted to 24 603 thousand. Lev

Since the beginning of the public offering of units of MF"UBB Premium Equity" until 31.12.2016 the fund realises incomes of 1.62%, and for 2016 of 21.07%.

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

At the end of the reporting period MF"UBB Premium Equity" has duties to the "UBB Asset Management"JSC and the depository bank. All liabilities have been paid at the date of preparation of the financial statements.

Below are presented summary data on the asset structure and content of the portfolio of financial instruments MF"UBB Premium Equity" on 31.12.2016.

*Portfolio of MF "UBB Premium Equity" at the beginning and at the end of the period*

types of assets	31.12.2015		31.12.2016	
	Value in lev в лева	Share of asset	Value in lev	Share of asset
Equity	16 645 928	82.31%	21 359 827	86.61%
Shares of collective Investment schemes	379 164	1.87%	392 381	1.59%
Total value of securities	<b>17 025 092</b>	<b>84.18%</b>	<b>21 752 208</b>	<b>88.20%</b>
Liquid funds	<b>3 166 159</b>	<b>15.65%</b>	<b>2 865 063</b>	<b>11.61%</b>
<b>Total value of the portfolio:</b>	<b>20 191 251</b>	<b>99.83%</b>	<b>24 617 271</b>	<b>99.81%</b>

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

*Currency Composition of the portfolio MF"UBB Premium Equity" at 31/12/2016*

	Стойност в лв.	% от актива
Assets in lev	23 782 717	96.43%
Assets in foreign currency (equivalent in Levs)	834 554	3.38%
<b>Total value of the portfolio:</b>	<b>24 617 271</b>	<b>99.81%</b>

*Asset allocation by sector at 31.12.2016*

Sector	Value in Lev	Share from the asset
industry	7 526 363	30.52%
holdings	6 773 517	27.47%
REIT	3 416 911	13.85%
pharmaceutical industry	1 910 109	7.74%
transport	809 581	3.28%
Chemical industry	639 161	2.59%
Private equity firm	392 381	1.59%
trade	240 847	0.98%
Food industry	43 338	0.18%
<b>Total</b>	<b>21 752 208</b>	<b>88.20%</b>

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Показател	Стойност
Cumulative return for the period	21.07%
Standard deviation yoy	7.83%
Sharpe ratio	2.70
Profitability for the last month	3.91%
Profitability in the fourth quarter	11.13%
Profitability for the last 6 months	21.62%
Risk-free rate of return *	-0.033%
Minimum daily income	-1.89%

Maximum daily yield	2.39%
Minimum cumulative return	-2.43%
Maximum cumulative return	21.37%
Months of compensation to a negative income	N/A
Minimum monthly return	-0.84%
Maximum monthly return	7.01%
monthly income	1.63%
Number successively. months with positive returns	7
Number successively. months with a negative return	2
Months with positive returns	8
Months with negative return	4
Days with positive returns	143
Days with a negative return	109
Attitude days with positive / negative return	1.31

*Note. Risk-free return is accepted average overnight Sofibor over the analysis period.*

Indicators (in Lev)	Value
Asset value at beginning of period	20 223 747
Asset value at end of period	24 661 272
Value of liabilities at beginning of period	48 148
Value of liabilities at end of period	58 598
Total revenue for operations at period end	23 229 795
Total operating expenses by the end of the period	19 100 981
Accounting profit / loss at the end of the period	4 128 814
Net asset value at beginning of period	20 175 599
Net asset value at end of period	24 602 674
Average net asset value for the period	20 492 973
Number of issued shares with completed settlement	224 054.9663
Number of repurchased shares	209 317.9898
Total number of shares outstanding at end of period	2 063 636.5248
NAV per 1 share at beginning of period (in lev)	9.8478
NAV per 1 share at end of period (in lev)	11.9232

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

## 1. Liquidity

In carrying out the activity of MF"UBB Premium Equity" the management company "UBB Asset Management" JSC strictly observes the requirements of the law and rules of the fund on its liquidity and invest investors' funds mainly in liquid and marketable securities.

In 2016 there are not any shortage of liquidity funds of MF "UBB Premium Equity" or difficulty in meeting its obligations, including the implementation of submitted orders for redemption.

## 2. Results from the activity:

In 2016, the MF "UBB Premium Equity" earns revenue from the following components:

- ☺ income from operations with financial assets;
- ☺ revenue from subsequent valuation of financial assets (Gains from changes in valuation of financial instruments);
- ☺ income from participations (dividends);
- ☺ Interest income.

The most significant expense that at the same time is a common activity are negative differences from subsequent valuation of financial assets. Next in importance is the cost of external services and also includes common and binding activity components, such as:

- ☺ remuneration of the bank - custodian;
- ☺ fees of the Central Depository;
- ☺ FSC fees for supervision;
- ☺ remuneration of the management company;
- ☺ remuneration for audit.

The remaining costs of operations with financial assets and commissions paid to intermediaries in transactions in financial instruments.

MF "UBB Premium Equity" does not perform wage costs, social and pension insurance.

In 2016 there were no extraordinary expenses on account of "UBB Premium Equity".

## **II. IMPORTANT EVENTS AFTER THE DATE TO WHICH THE FINANCIAL STATEMENTS IS DONE**

От 31.12.2016 г. до датата на изготвяне на Годишния финансов отчет не са настъпили важни и/или значителни за дейността на дружеството събития, неоповестяването на които би повлияло на върното и честно представяне на финансовите отчети.

## **III. ДЕЙСТВИЯ В ОБЛАСТТА НА НАУЧНО ИЗСЛЕДОВАТЕЛСКАТА И РАЗВОЙНА ДЕЙНОСТ**

In 2016, at the expense of MF "UBB Premium Equity" are not carried out researched and developed.

In 2016, at the expense of MF "UBB Premium Equity" are not carried out researched and developed.

## **IV. ESTIMATED FUTURE DEVELOPMENTS OF MUTUAL FUND**

In 2017 MF"UBB Premium Equity" 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 traded on the Bulgarian capital market, which will seek growth assets as of realized income and attract new investors.

The Management Company "UBB Asset Management" JSC will work professionally as well as to increase assets and their proper investment and to attract new investors in the Fund.

There are not foreseen any transactions essential for the Fund, since all transactions should be recorded in the general investment policy of the Fund to achieve the objectives set out above.

## **V. AVAILABILITY OF BRANCHES OF THE FUND**

MF"UBB Premium Equity" has no branches in the country or abroad.

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

The portfolio structure of MF"UBB Premium Equity" at 31.12.2016 consists of shares - 86.61%, shares of collective investment schemes - 1.59%, and liquidity - 11.61% of the value of the asset.

The risk factors that influence investments MF"UBB Premium Equity" 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 rate risk - the risk that the value of the investment in a security due to changes in interest rates. 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 based on bonds. 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 no other interest-bearing liabilities that could be exposed to interest rate risk.

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

Holdings of bonds

To 31.12.2016 MF"UBB Premium Shares" holds bonds.

- Cash and equivalents tools

In order to maintain high liquidity, over 11% 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 Premium Equity" in financial instruments or deposits denominated in a currency other than the lev and the euro are exposed to foreign currency risk due to changes in the exchange rate between that currency and lev or euro. Management Company measures the currency risk for each currency other than the lev and euro. Currency risk is measured using the historical volatility of the exchange rate of the lev currency to the euro or to the net currency exposure. As of 31.12.2016 MF "UBB Premium Shares" holds assets denominated in currencies other than the lev and euro.

1.3. Management Company measures the price risk - the risk that the value of financial instrument due to adverse changes in market prices, through the one applicable for the securities market quantitative methods: standard deviation of return on the share,  $\beta$ -coefficient to indexes relevant markets or the standard deviation of the selected index of the regulated market. ABM 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.

At the end of the reporting period - 31.12.2016 current financial instruments accounted for more than 87% of the Fund's assets. In order to reduce price risk The Fund diversifies its portfolio of financial instruments, observing the investment restrictions.

**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. There are three types of credit risk:

2.1. Counterparty risk is the risk of default by the counterparty to the OTC transactions. The risk of default by the counterparty to the OTC transactions is assessed by analyzing the creditworthiness of the counterparties to these transactions.

2.2. Settlement risk is the risk the possibility that the Fund will not receive the cash or financial instruments by counterparty on the settlement date after he has fulfilled its obligations on certain transactions to a counterparty. MC measures this risk through the value of all outstanding transactions of the Fund with a counterparty as a percentage of the managed portfolio. Do not include transactions concluded on condition of settlement DVP (Delivery versus payment - delivery versus payment) and on markets with functioning clearing mechanism.

2.3. Investment credit risk is the claim of reducing the value of an investment in a debt security because of credit event with the issuer of the debt instrument, the Fund 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 and issue credit rating (reputation) of the issuer and diversification of the bond portfolio. In managing 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 him.

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

**3. 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 degree of impact.

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

**4. interest risk** – 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 that 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 not realized losses due to the manifestation of liquidity risk. MF "UBB Premium Equity" calculates the "average number of days to sell shares portfolio" based on the method of sliding average 20-day period.

**5. Concentration risk** – the risk of reducing the value of the portfolio due to 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 legal limits and investment restrictions pursuant to Art. 45-49 of LACISICI.

In 2016, are kept with all limits set out in the prospectus of the Fund and the rules for risk management.

The specific methods and organization for managing the above risks are governed by the Rules of Risk Management MF"UBB Premium Equity".

#### **VII. EXPECTED INVESTMENT AND DEVELOPMENT OF STAFF**

In 2017 does not provide for staff development of MF"UBB Premium Equity" as business at the expense of the Fund is carried out entirely by the staff of "UBB Asset Management" JSC.

**Date: 24.03.2017 г.**  
**Sofia**

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**Katina Peycheva**  
**Executive director**  
**„UBB Asset Management“ JSC**

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**Stefan Tamnev**  
**Procurator**  
**„UBB Asset Management“ JSC**

## **INDEPENDENT AUDITOR'S REPORT**

**To the investors of Mutual Fund “UBB Premium Equity”**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT**

#### **Opinion**

We have audited the financial statement of “UBB Premium Equity” (“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.

#### **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.

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

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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 (ICAAAPs) 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 PREMIUM EQUITY“  
 STATEMENT OF FINANCIAL POSITION  
 TO 31 DECEMBER 2016

*In thousands lev unless otherwise stated*

	<u>Clarifications</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Cash and cash equivalents	3	2,865	2,164
Fixed term deposits	4	-	1,002
Financial assets at fair value through Profit or loss	5	21,752	17,025
Claims	6	41	30
Prepaid expenses		3	3
<b>Total assets</b>		<b><u>24,661</u></b>	<b><u>20,224</u></b>
<b>Liabilities</b>			
Current liabilities	8	58	48
<b>Total liabilities</b>		<b><u>58</u></b>	<b><u>48</u></b>
<b>Net assets belonging to an investor in shares</b>		<b><u>24,603</u></b>	<b><u>20,176</u></b>
<b>Net asset value per share, confirmed by the Custodian of the last working day of the reporting period</b>		<b><u>11.9232.ЛВ.</u></b>	<b><u>9.8478.ЛВ.</u></b>

These financial statement is approved by the Board of Directors of the Management Company "UBB Asset Management" JSC on March 24<sup>th</sup>, 2017.

Prepared by:  
 Elena Kyoseva  
 Chief accountant

Katina Peycheva  
 Executive director

Stefan Tamnev  
 Procurator

The applied notes are an integral part of these financial statements.

Sivia Peneva  
 Registered auditor  
 Date: 27<sup>th</sup> March 2017

MUTUAL FUND „UBB PREMIUM EQUITY“  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016

*In thousands lev unless otherwise stated*

	<u>Clarifications</u>	<u>2016</u>	<u>2015</u>
Net positive / (negative) from operations with financial assets at fair value through profit or loss, incl .:		<b>4,225</b>	<b>( 639)</b>
by subsequent assessment trading		4,225	( 646)
		-	7
Interest income	9	33	52
Dividend income		480	466
Impairment losses	10	-	( 40)
Other financial expenses	11	( 1)	( 4)
Costs for external services	12	( 608)	( 618)
<b>NET PROFIT / (LOSS) BEFORE TAXATION</b>		<b>4,129</b>	<b>( 783)</b>
Income tax expense		-	-
<b>NET PROFIT / (LOSS) AFTER TAXATION</b>		<b>4,129</b>	<b>( 783)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>4,129</b>	<b>( 783)</b>

This financial statement were approved by the Board of Directors of the Management Company "UBB Asset Management" JSC March 24<sup>th</sup>, 2017

Prepared by:  
Elena Kyoseva  
Chief accountant

Katina Peycheva  
Executive director

Stefan Tamnev  
Procurator

The applied notes are an integral part of these financial statements.

Silvia Peneva  
registered auditor  
Date: 27<sup>th</sup> March 2017

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

	<u>Clarifications</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>			
Cash receipts related to financial assets at fair value through profit or loss		75	959
Cash payments related to financial assets at fair value through profit or loss		( 593)	( 1,495)
Cash receipts related to deposits		1,000	763
Cash payments related to deposits		-	( 1,000)
Proceeds from interest dividends received		35	53
Cash payments related to the management company		( 584)	( 609)
Cash payments related to the administration of the Fund's units		( 1)	-
Cash payments related to the bank - custodian		( 5)	( 5)
Commission payments to investment firms on transactions for the Fund's portfolio		( 1)	( 4)
Cash payments related to other counterparties		( 8)	( 8)
<b>Net cash used for operating activities</b>		<b><u>396</u></b>	<b><u>(880)</u></b>
<b>Cash flows from financing activities</b>			
Cash proceeds from issuance of shares		2,463	1,800
Cash payments for redemption		( 2,157)	( 3,037)
Cash payments for taxes on redemption		( 1)	( 7)
<b>Net cash flow (for) / from financing activities</b>		<b><u>305</u></b>	<b><u>(1,244)</u></b>
<b>Net change in cash and cash equivalents</b>		<b><u>701</u></b>	<b><u>(2,124)</u></b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3</b>	<b><u>2,164</u></b>	<b><u>4,288</u></b>
<b>Cash and cash equivalents at end of period</b>	<b>3</b>	<b><u>2,865</u></b>	<b><u>2,164</u></b>

These financial statements were approved by the Board of Directors of the Management Company "UBB Asset Management" JSC of March 24<sup>th</sup>, 2017 of:

Prepared by:  
 Elena Kyoseva  
 Chief accountant

Katina Peycheva  
 Executive director

Stefan Tamnev  
 Procurator

The applied notes are an integral part of these financial statements.

Silvia Peneva  
 registered auditor  
 Date: 27<sup>th</sup> March 2017

MUTUAL FUND „UBB PREMIUM EQUITY“  
 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*

	<u>Clarifications</u>	<u>2016</u>	<u>2015</u>
<b>Net assets belonging to an investor in shares at the beginning of the period to 1 January</b>		<b>20,176</b>	<b>22,201</b>
Net profit / (loss) for the period		4,129	( 783)
Issuance of shares during the period	7	2,456	1,800
Redemption of shares during the period	7	( 2,158)	( 3,042)
<b>Net assets belonging to an investor in shares at the end of the period to December 31</b>		<b>24,603</b>	<b>20,176</b>

These financial statements were approved by the Board of Directors of the Management Company "UBB Asset Management" JSC on 24 March 2017

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 Prepared by:  
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 Chief accountant

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 Silvia Peneva

Registered auditor

Date : 27 March 2017



## 1 Organization and activity

Mutual Fund MF"UBB Premium Equity " (the "Fund") is a collective investment scheme, BULSTAT 131562547.

The principal activities of MF " UBB Premium Equity " is the collective investment in transferable securities or any other statutory liquid financial assets of funds raised through public offering of shares, subject to the principle of risk spreading. The capital of MF " UBB Premium Equity " on the date of registration is zero. The number of units is unlimited and constantly changing, depending on the issue (issue) and the repurchase of its shares. The nominal value of one share is 10 (ten) euros, ISIN code BG9000005108.

No restrictions on the duration of the fund. The investment fund is not a legal entity and therefore no government. Organization and management of MF" UBB Premium Equity " is made by the Management Company "UBB Asset Management" JSC, which take all decisions on its establishment, operation, reorganization and dissolution. In carrying out management actions MF" UBB Premium Equity " management company acting on its own behalf and on behalf of the Fund.

Mutual Fund is considered established from the moment of entry in the register maintained by the Financial Supervision Commission, which shall be by decision № 715-MF from 23.11.2005 of the FSC. Its public offering of shares started on 30.01.2006 and implemented in the branch network of "United Bulgarian Bank" JSC. The management company at the expense of MF"UBB Premium Equity" has signed a contract for depository services "Eurobank Bulgaria" JSC, which was chosen Bank - custodian of the Fund's Board of Directors.

The Fund issues / sells units at the request of investors. The cash raised from the issuance of units of MF" UBB Premium Shares " is invested by the Management Company in transferable securities - mainly in liquid shares and debt financial instruments with potential for price growth, admitted to trading on regulated markets in the country and abroad - to ensure profits for investors. Each investor is entitled to a corresponding portion of the assets of MF " UBB Premium Equity ", 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 MF" UBB Premium Equity " by the Management Company at a price which is based on net asset value and reflects realized gains or losses.

Following a decision by the Board of Directors of the Management Company with effect from 26.03.2010 eliminated the possibility of carrying out transactions with units of MF"UBB Premium Equity" secondary market "Bulgarian Stock Exchange - Sofia" JSC.

Headquarters and address of the "UBB Premium Equity" - Sofia municipality Vazrazhdane Street. "St Sophia" № 5, which is the location of the Management Company "UBB Asset Management" JSC, which it organizes and manages. The address for correspondence is the town. Sofia, bul. Todor Aleksandrov № 9.

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

## 2 Basic elements of the accounting policy

### 2.1 Basis of preparation and presentation of financial statement

Mutual Fund " UBB Premium Equity " organizes its current accounts in accordance with the requirements of the Bulgarian accounting, tax and trade legislation and approved by the management of the Management Company accounting policies.

These financial statement has been prepared in all material respects, in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the Committee Interpretations (IFRIC) as adopted by the European Union (EU) and applicable in Republic of Bulgaria. IFRS adopted by the EC not differ from IFRS as issued by the by the International Accounting Standards Board (IASB) and are effective for reporting periods ended December 31, 2016.

The financial statement includes the statement of financial position, statement of comprehensive income, statement of changes in net assets belonging to an investor in shares, cash flow statement and notes to them.

The accounting of the Fund shall be led separately from the accounts of the management company.

### 2.2 Amendments in IFRS

#### *Initial application of new amendments to existing standards effective in the current period*

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current 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 companies: Application of exemption for consolidation adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IFRS 11 Joint Arrangements** – Accounting for acquisition of shares in joint venture - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after January 1, 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 January 1, 2016);
- **Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets** – Clarification of the eligible methods of depreciation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture** – Fruitful plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IAS 19 Employee Benefits** - Defined benefit plans: Contributions from employees - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after February 1, 2015);

## 2 Basic elements of the accounting policy (continuation)

### 2.2 Amendments to IFRS (continuation)

- **Amendments to IAS 27 Separate Financial Statements** – Equity method in the individual financial statements - approved by the EU on 18 December 2015 (effective for annual periods beginning on or after January 1, 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 December 17, 2014 (amendments are applicable for annual periods beginning on or after February 1, 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 December 15, 2015 (the amendments are applicable for annual periods beginning on or after January 1, 2016).

The adoption of these amendments to existing standards did not result in changes in the accounting policy of the Company.

#### *Standards and amendments to existing standards issued by IASB and adopted by the EU that have not yet entered into force*

At the date of approval of these financial statements the following new standards and amendments of the existing standards issued by IASB and adopted by the EU have not yet entered into force:

- **IFRS 9 Financial Instruments** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after January 1, 2018)
- **IFRS 15 Revenue from contracts with customers** and amendments to IFRS 15 "date of entry into force of IFRS 15" - adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

#### *New standards and amendments to existing standards issued by the IASB have not yet been endorsed by EU*

Currently, IFRS as adopted by the EU do not differ significantly from those adopted by the IASB with the exception of the following new standards, amendments to existing standards and new interpretations that have not yet been approved by the EU at the date of approval of these financial statements ( dates of entry into force referred to below for full IFRS)

- **IFRS 14 Estimates for regulatory deferred accounts** (Effective for annual periods beginning on or after January 1, 2016) - The EU has decided not to initiate the process for the adoption of this interim standard and await the final standard;
- **IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);**
- **Amendment to IFRS 2 paid on Share-based** - Classification and measurement of transactions based on shares (effective for annual periods beginning on or after January 1, 2018);

## 2 Basic elements of the accounting policy (continuation)

### 2.2 Amendments to IFRS (continuation)

- **Amendment to IFRS 4 Insurance Contracts** - Application of IFRS 9 Financial Instruments IFRS 4 Insurance contracts (effective for annual periods beginning on or after January 1, 2018 or upon initial application of IFRS 9 Financial Instruments);
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures** - sale or contribution of assets between the investor and his associate or joint venture and subsequent amendments (the date of entry into force is postponed indefinitely pending completion of project evaluate the equity method);
- **Amendments to IFRS 15 Revenue from contracts with customers** - Clarification of IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- **Amendment to IAS 7 Statement of Cash Flows** - Initiative for Disclosure (effective for annual periods beginning on or after January 1, 2017);
- **Amendment to IAS 12 Income Taxes** - Recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after January 1, 2017).
- **Amendment to IAS 40 Investment Property** - Transfer of investment properties (effective for annual periods beginning on or after January 1, 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 applicable for annual periods beginning on or after January 1, 2017, and amendments to IFRS 1 and IAS 28 are applicable for annual periods beginning on or after January 1, 2018)
- **IFRIC 22 Transactions in foreign currency and advance payments** (effective for annual periods beginning on or after January 1, 2018).

The Management Company expects the adoption of these new standards and amendments to existing standards not to have significant effect on the Company's financial statements in the period of initial application, except for the following standard that could have an effect on the statement:

- **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.

## **2 Basic elements of the accounting policy (continuation)**

### **2.2 Amendments to IFRS (continuation)**

- *Impairment* - there is introduced a new model of impairment of financial instruments to the amount of estimated credit losses, which will lead to an earlier reporting of credit losses.
  - *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 link.

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

Hedge accounting relating to portfolios of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

The judgment of the management company, the application of hedge accounting for portfolios of financial assets and liabilities under IAS 39: Financial Instruments: Recognition and Measurement, will have no significant effect on the financial statements, if applied as at the reporting date.

### **2.3 Operating enterprise**

The financial statements of the Fund have been prepared on a acting enterprise basis.

### **2.4 Functional currency and presentation currency**

Fund's functional currency is the currency of the Republic of Bulgaria - lev ("lev"). The financial statements are 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, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the 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. Basic elements of accounting policy (continuation)

### 2.6 Foreign currency

Transactions in foreign currencies, ie transactions denominated in currencies other than the lev, which is the functional currency of the Fund are recorded at the exchange rate prevailing at 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 assessed in Levs in the BNB rates of exchange as follows:

Currency	31-12-2016	31-12-2015
EUR*	1.95583	1.95583
USD	1.85545	1.79007

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

### 2.7 Cash and cash equivalents

The Fund accounted for as a cash and cash equivalents balances on current accounts, which are measured at their nominal value or deposits with original maturity of up to 3 months.

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

Cash denominated in foreign currencies are recalculated in 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 statements, the Fund accounted for as deposits, those with an original maturity of more than three months. After initial recognition, the Fund estimated the deposits at amortized cost using the method of effective interest rate (ELP).

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

MF "UBB Premium Equity" cannot invest more than 20 per cent of its assets in deposits in one bank.

The Fund supports the following currency structure of bank deposits:

- Bank deposits in lev - up to 100% of bank deposits;
- Bank deposits in euro - up to 50% of bank deposits;
- Bank deposits in other currencies - up to 35% of bank deposits;

## 2. Basic elements of the accounting policy ( continuation)

### 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 balance sheet depending on 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, 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 with short - term profit.

Financial assets and liabilities held for trading are initially recognized at fair value in the statement of financial position with transaction costs taken directly to the income statement. 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 their initial recognition, unless the Fund determines that it will not hold them for trading in the near future and following conditions are met: if the financial asset meets the definition of loans and receivables, it could be reclassified if the Fund has the intention and possibility 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 at "unusual circumstances".

#### Financial assets initially designated at fair value through profit or loss

Financial assets 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 carrying amounts of securities sold 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 them arises.

## **2. Basic elements of the accounting policy (continuation)**

### **2.9 Financial assets and liabilities (continuation)**

To December 31, 2016 and 2015 financial assets at fair value through profit or loss consist of stocks, shares of the CIU. As of December 31, 2016 and 2015 no transactions with derivative financial instruments.

Purchases and sales of financial assets at fair value through profit or loss are recognized on the settlement date of the transaction.

#### Claims

The Claims are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The claims of the fund 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 assets**

Financial liabilities that are not derivatives or not defined at their acquisition at fair value through profit or loss are measured at amortized cost. They are initially recognized at "cost", ie fair value of the cash flows in the event of liability, net of 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.

#### Unsubscribe 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, expired or are redeemed. A financial liability is derecognised when it is cancelled.

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available to the insured 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

Current and at the end of each reporting period the Fund determines whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is considered impaired if 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. Basic elements of accounting policy ( continuation)**

### **2.10 Short – term liabilities**

Short-term liabilities include trade and other payables. 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**

At the reporting date the Fund has no recognized provisions, contingent liabilities and contingent assets.

### **2.12 Net assets, belonging to an investor in shares**

Net assets belonging to an investor in shares of the Fund includes recorded capital, share premium, general reserves and retained earnings.

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

MF " UBB Premium Equity" accounts of their reported capital by a nominal value of issued and registered shares.

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 an investor in shares basis for determining the issue price and redemption price of its units for each working day.

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### **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 (LACISUCI) are not subject to corporation tax.

### **2.14 Incomes**

The main income of the "UBB Premium Equity" 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);
- interest income on term and demand deposits;
- Interest income on debt financial instruments;
- revenues related to foreign currency revaluation (gains from foreign exchange).

## **2. Basic elements of accounting policy( continuation)**

### **2.14 Incomes ( continuation)**

Dividend income is recognized in the income statement at the time when the right to receive the dividend occurs.

Interest income is recognized on an accrual basis. The net result of differences from valuation changes of financial assets at fair value through profit and losses is 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 or loss from transactions with them are recognized as current revenue or expenses from investment operations.

### **2.15 Expenses**

All expenses are recognized in the period of arising in the statement of comprehensive income.

The financial costs 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);
- impairment losses (the difference between the carrying amount and the present value of expected future cash flows);
- fees for transfers of securities in the portfolio;
- costs associated with currency revaluation;
- bank charges for remittances.

Non-financial costs 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 the costs of administering shares.

### **2.16 Fair value of financial assets and liabilities**

The Fund determines the fair value of its 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-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".

## **2. Basic elements of the accounting policy ( continuation)**

### **2.16 Fair value of financial assets and liabilities ( continuation)**

IFRS 13 defines the 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 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 Company'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 recorded amounts.

#### 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 of the Fund disclose 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 in bank accounts - 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 nominal value with accrued interest. Since term deposits with a term 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

## 2. Basic elements of the accounting policy ( continuation)

### 2.16 Fair value of financial assets and liabilities (continuation)

#### Hierarchy of fair value

MF “ UBB Premium Equity” performs 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 fair value:

- • Level 1: Quoted (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 applicable valuation methods using maximum observable hypotheses and minimizes the use of unobservable ones. The methods of valuation used to estimate the fair value are applied consistently.

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

2016	Book value	Level 1 - quoted market price	Level 2 - Valuation techniques - observable market levels	Level 3 - valuation techniques - not observable market levels	Not available fair value
<b>Assets measured at fair value</b>					
Stock	21,360	18,300	3,060	-	-
Units of CIS	392	392	-	-	-
<b>Total</b>	<b>21,752</b>	<b>18,692</b>	<b>3,060</b>	<b>-</b>	<b>-</b>

The following table summarizes the assets at fair value in the statement of financial position as at December 31, 2015:

2015	Book value	Level 1 - quoted market price	Level 2 - Valuation techniques - observable market levels	Level 3 - valuation techniques - not observable market levels	Not available fair value
<b>Assets measured at fair value</b>					
Stock	16,646	14,564	2,082	-	-
Units of CIS	379	379	-	-	-
<b>Total</b>	<b>17,025</b>	<b>14,943</b>	<b>2,082</b>	<b>-</b>	<b>-</b>

## 2. Basic elements of the accounting policy ( continuation)

### 2.16 Fair value of financial assets and liabilities (continuation)

According to the rules and prospectus of the Fund, the assessment of the Bulgarian and foreign shares and rights listed or traded on an active regulated market in Bulgaria is carried out:

a) the weighted average price of transactions concluded for the day to which assessment takes place, announced through the trading system or exchange if the volume of transactions concluded on this day is not less than 0.02 per cent of the volume of the issue.

b) if it cannot determine the price under point a), the price of the shares or the rights shall be determined as the average of the highest price "buy" from orders that are valid at the time of closing of the regulated market The day to which assessment takes place, and the weighted average price of the transactions with the securities transactions for that day. The price is determined in this way only if there are completed transactions and bid price "buy."

c) if it can not be applied so. b) the price of the shares, respectively rights, the weighted average price of transactions concluded on the next day in the last 30-day period preceding the day on which assessment takes place, which has signed deals. In the event that in the preceding 30-day period there has been an increase in capital or split of shares of the issuer or is declared payment of dividend, the weighted average price in the first sentence shall be adjusted by the ratio of capital increase, respectively, of stock split or size the dividend if the closest day in the last 30-day period preceding the day on which assessment takes place, which has signed deals before the day after which the shareholders are not entitled to participate in the capital increase, respectively, the day of division or day by which the shareholders are not entitled to dividend.

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

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

The evaluation of shares of collective investment schemes is carried out in the last announced redemption price.

In cases where the market price cannot 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 Rules approved by the FSC portfolio valuation and determining the net worth of the assets of the fund (such as "Method of discounted net cash flows" and "Method of net asset value").

## 2. Basic elements of accounting policy ( continuation)

### 2.16 Fair value of financial assets and liabilities (continuation)

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

Types of assets	A proportion of the total assets of the Fund
Equity securities admitted to or traded on regulated markets; equity 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 open to the public, which are included in a list approved by the Deputy Chairperson of the financial supervision Commission; units of collective investment schemes with riskier nature; 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 open to the public, which are included in a list approved by the Deputy Chairperson; units of collective investment schemes that are balanced or conservative investment policy; bank deposits and money market instruments which are beyond the concept of liquidity	Up to 50 %
liquid funds	Not less than 5 %
Transferable securities and money market instruments outside the top	Up to 10 %

Some of the key regulatory investment restrictions, the Fund comply with are:

- The Fund may not invest more than 5 per cent of its assets in transferable securities or money market instruments issued by one 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. Basic elements of accounting policy ( continuation)

### 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.

In 2016 the Fund has made changes in the presentation of some elements of the statement of financial position due to these changes reclassification is made of the comparative information. The Fund's management believes that the revised presentation provides a clear and accurate picture of the financial position of the Fund.

### 3. Cash and cash equivalents

	<u>31.12.2016</u>	<u>% from asset</u>	<u>31.12.2015</u>	<u>% from asset</u>
Cash on current accounts	2,865	11.61%	2,164	10.70%
<i>In BGN</i>	2,030	8.23%	1,374	6.79%
<i>In Euro</i>	835	3.38%	790	3.91%
<b>Total:</b>	<b><u>2,865</u></b>	<b><u>11.61%</u></b>	<b><u>2,164</u></b>	<b><u>10.70%</u></b>

The Fund has opened three bank accounts in the depository bank - two in BGN and one in Euro.

### 4. Fixed Term deposits

	<u>31.12.2016</u>	<u>% from asset</u>	<u>31.12.2015</u>	<u>% from asset</u>
Deposits	-	-	1,002	4.95%
<i>with maturity up to 1 year.in lev</i>	-	-	1,002	4.95%
<b>Total:</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,002</u></b>	<b><u>4.95%</u></b>

### 5. Financial assets carried at fair value through profit or loss

	<u>31.12.2016</u>	<u>31.12.2015</u>
Bulgarian stocks	21,360	16,646
Bulgarian units of UCITS	392	379
<b>Total:</b>	<b><u>21,752</u></b>	<b><u>17,025</u></b>

Financial assets at fair value through profit or loss are classified as held for trading.

## 5. Financial assets at fair value through profit or loss (continuation)

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

<b>Financial assets held for trading</b>	<b>31.12.2016</b>	<b>% from asset</b>	<b>31.12.2015</b>	<b>% from asset</b>
Measured at fair value Level 1 - quoted market prices	18,300	74.20%	14,564	72.01%
Measured at fair value Level 1 - redemption price	392	1.59%	379	1.87%
Measured at fair value Level 2 - observable market data rate	3,060	12.41%	2,082	10.30%
<b>Total:</b>	<b>21,752</b>	<b>88.20%</b>	<b>17,025</b>	<b>84.18%</b>

## 6. Claims

	<b>2016</b>	<b>2015</b>
<b>Receivables transactions in financial instruments</b>	<b>18</b>	<b>-</b>
Receivables from principal debt financial instruments	<b>21</b>	<b>22</b>
<i>receivable, net of impairment</i>	<i>21</i>	<i>22</i>
Interest receivables	<b>1</b>	<b>1</b>
- On debt financial instruments including	1	1
<i>interest receivable, net of impairment</i>	<i>1</i>	<i>1</i>
<b>Taking a dividend</b>	<b>1</b>	<b>-</b>
<b>Claims related to the issuance</b>	<b>-</b>	<b>7</b>
	<b>41</b>	<b>30</b>

In the value of claims on debt financial instruments The Fund presents its claims on maturing corporate bonds less than any accumulated impairment losses. According to the management of the management company value after impairment allowance corresponds to the recoverable amount of the receivable at December 31, 2016 (see note 10).



## 7. Net assets, belonging to an investor in shares

The subscribed capital of MF "UBB Premium equity" to 31 December 2016 is divided into 2,063,636.5248 issue shares with a nominal value of 10 lev each. The capital is fully paid.

	number shares	Nominal value	Number shares	Nominal value
	Към 31.12.2016		Към 31.12.2015	
Number of shares outstanding at the beginning of the reporting period	2,048,899.5483	10	2,174,522.7614	10
issued shares	224,054.9663	10	180,477.8900	10
Repurchased shares	209,317.9898	10	306,101.1031	10
Total number of shares in circulation at the end of the reporting period	2,063,636.5248	10	2,048,899.5483	10
Net asset value per share was confirmed by the Custodian of the last working day of the reporting period	30.12.2016		30.12.2015	
Net value per share	11.9232ЛВ.		9.8478 ЛВ.	

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

	Subscribed capital	Share premium	Total
For the year ended 31.12.2016:	<b>147</b>	<b>151</b>	<b>298</b>
- Issuance of shares	2,240	216	2,456
- Redeemed shares	( 2,093)	( 65)	( 2,158)
For the year ended 31.12.2015:	<b>( 1,256)</b>	<b>14</b>	<b>( 1,242)</b>
- Issuance of shares	1,805	( 5)	1,800
- Redeemed shares	( 3,061)	19	( 3,042)

The net asset value per unit, issue price and redemption price shall be determined in 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.

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

$$1 \text{ NAV / share} = \text{Net Asset Value of the Fund} / \text{number of units in circulation}$$

The issue price (EU) is equal to the net asset value per unit of the Fund.

$$\text{EU} = 1 \text{ NAV / share}$$

The redemption price (CEI) is determined based on the NAV per unit of the Fund. The Fund has two CEI, depending on the period of holding of shares held by the decision of the Board of Directors of ABM from 07.02.2012 approved by the Financial Supervision Commission and entered into force on 29.03.2012

## 7. Net assets belonging to an investor in shares (continuation)

CEI shares held over 18 months = 1 NAV / share

CEI shares held under 18 months = 1 NAV / share - 0.4% \* NAV 1share

The redemption price per unit equal to the net asset value per unit, if the unit holders holding them for a period longer than 18 months. In case of request of hareholders to carry out redemption in a shorter period, the redemption price is equal to the net asset value per share reduced by 0.40% cost of redemption. Costs for redemption will not be charged if the date of the initial amount invested is past the deadline under sentence. The date of the initial amount invested shall be the date on which the holders of shares bought shares for the first time, provided that they are not doing redemption of these shares for the period. A period of 18 months starts again from the moment the customer sell all shares owned by him and an order for the purchase of new ones.

## 8. Current liabilities

	<u>2016</u>	<u>2015</u>
Liabilities to the Management Company	58	48
<b>Total:</b>	<b><u>58</u></b>	<b><u>48</u></b>

## 9. Revenues from interest

	<u>2016</u>	<u>2015</u>
Interest on term deposits	20	12
Interest on current accounts	13	38
Interest on debt financial instruments	-	2
<b>Total:</b>	<b><u>33</u></b>	<b><u>52</u></b>

## 10. Impairment losses

	<u>2016</u>	<u>2015</u>
Impairment loss-making interest on bond issue(See not. 6)	-	(5)
Allowances for impairment of receivable principal on a bond issue (see not. 6)	-	(35)
<b>Total:</b>	<b><u>-</u></b>	<b><u>(40)</u></b>

### 11. Other financial expenses

	<u>2016</u>	<u>2015</u>
Commissions paid to investment firms under contracts for investment orders	(1)	(4)
total:	<u>(1)</u>	<u>(4)</u>

### 12. Expenses for external services

	<u>2016</u>	<u>2015</u>
Remuneration of the management company	(594)	(605)
Costs of administering shares	(1)	-
Remuneration of the Custodian	(5)	(5)
Annual fee for general supervision of the FSC and the annual fee for maintaining the register of Central Depository	(1)	(1)
Remuneration for audit contract	(7)	(7)
total:	<u>(608)</u>	<u>(618)</u>

The management fee of the Management Company is defined as 2.90% of average annual net asset value of the Fund, calculated daily and is adjusted at the end of the year.

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.

### 13. Related parties and related party transactions

The Fund considers as related parties:

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

Members of the Board of Directors of "UBB Asset Management" JSC 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 MF "UBB Premium Equity".

To 31.12.2016 shareholders in the Fund are:

- Katina Slavkova Psycheva (Member of the Board of Directors of the Management Company and its CEO), who owns 1,517.0023 shares. partition at the end of the reporting period, in the year acquired 237.4179 units.

### 13. Related parties and related party transactions (continuation)

Balances related party transactions and related costs and revenues at December 31, 2016 and 2015 are as follows:

<b>Transactions and balances</b>	<b>related party</b>	<b>2016</b>	<b>2015</b>
Accrued costs for the management fee	UBB Asset Management JSC	(594)	(605)
Accrued costs to administer the shares of the Management Company	UBB Asset Management JSC	(1)	-
Fees for redemption paid to the management company	UBB Asset Management JSC	(1)	(7)
Liabilities at the end of the period to the Management Company for management fees for the period	UBB Asset Management JSC	58	48
Investing in shares	MF "UBB Euro Money"	-	38
Sale of investment in shares	MF "UBB Euro Money"	38	-
Investing in shares	MF"UBB Global Pharm Invest	-	24
Sale of investment in shares	MF"UBB Global Pharm Invest	21	-
Purchase of shares	Katina Peycheva	2	3
Owned shares	Katina Peycheva	18	13

To December 31, 2016 and December 31, 2015 the Fund reported the following transactions and balances with United Bulgarian Bank (UBB) - which is a connected person of the Management Company:

<b>Transactions and balances</b>		<b>2016</b>	<b>2015</b>
Deposits in lev	„UBB“ JSC	-	1,000
Accrued interest	„UBB“ JSC	-	2
Interest income	„UBB“ JSC	20	2
Costs contract for implementation of Investment orders	„UBB“ JSC	-	(2)
Owned shares	„UBB“ JSC	2,435	2,011

To December 31, 2016 held by the United Bulgarian Bank shares in the Fund are 204,237.4486 number.

## 14. Risk management

Cash 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.

### 14.1. 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:

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

**14.1.2.** Settlement risk is the risk arising from the possibility Mutual Fund "UBB Premium Entity" not to receive cash or financial instruments from the counterparty on the settlement date after they have fulfilled their obligations arising from that trade. 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

**14.1.3.** 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 the instrument. Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating and more.

To December 31, 2016 there are delayed or overdue payments of interest and principal on two corporate bonds with a total book value after impairment amounted to 21 thousand. Lev (31 December 2015: 22 thousand. Lev).

<b>Structure of impaired investments</b>	<b>Nominal value</b>	<b>Book value 31.12.2015</b>	<b>Received sum</b>	<b>An impairment expense for the period</b>	<b>Book value 31.12.2016</b>
Impaired making interest and principal on bonds issue Bulgarian	25	-	-	-	-
Impaired making interest and principal on bonds issue Bulgarian	74	22	(1)	-	21
<b>Total:</b>	<b>99</b>	<b>22</b>	<b>(1)</b>	<b>-</b>	<b>21</b>

## 14. Risk management ( continuation)

### 14.1. Credit risk ( continuation)

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

Financial assets	Book value	Maximum risk	Book value	Maximum risk
	31.12.2016		31.12.2015	
Cash and cash equivalents	2,865	2,865	2,164	2,164
Term deposits	-	-	1,002	1,002
Financial assets at fair value through profit or loss	21,752	21,752	17,025	17,025
Claims	41	41	30	30

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	2016	2015
<b>Deposits</b>	-	<b>1,002</b>
BB- long-term rating and short-term ratings	-	1,002
<b>Cash and cash equivalents</b>	<b>2,865</b>	<b>2,164</b>
Long-term rating BB + and B short-term rating	2,865	2,164
<b>Total:</b>	<b>2,865</b>	<b>3,166</b>

### 14.2. 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 management company 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) about the change in market interest rates;

II) Risk of decrease / 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 no interest-bearing liabilities that might be present activities to interest rate risk.

#### 14. Risk management ( continuation)

##### 14.2. Market risk ( continuation)

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
<b>Current assets</b>				
Cash and cash equivalents	-	2,865	-	2,865
Financial assets at fair value through profit or loss	21,752	-	-	21,752
Claims	41	-	-	41
<b>Current liabilities</b>				
Trade payables	58	-	-	58
<b>Exposure to short-term risk</b>				
<b>Total financial assets</b>	<b>21,793</b>	<b>2,865</b>	<b>-</b>	<b>24,658</b>
<b>Total financial liabilities</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>58</b>
<b>Total exposure to interest rate risk</b>	<b>21,735</b>	<b>2,865</b>	<b>-</b>	<b>24,600</b>

31.12.2015	Interest-free	With floating interest %	With fixed interest %	Total
<b>Current assets</b>				
Cash and cash equivalents	-	2,164	-	2,164
term deposits	-	-	1,002	1,002
Financial assets at fair value through profit or loss	17,025	-	-	17,025
Claims	30	-	-	30
<b>Current liabilities</b>				
Trade payables	48	-	-	48
<b>Exposure to short-term risk</b>				
<b>Total financial assets</b>	<b>17,055</b>	<b>2,164</b>	<b>1,002</b>	<b>20,221</b>
<b>Total financial liabilities</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>48</b>
<b>Total exposure to interest rate risk</b>	<b>17,007</b>	<b>2,164</b>	<b>1,002</b>	<b>20,173</b>

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 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 MF"UBB Premium Shares" holds assets denominated in currencies other than the lev and euro.

#### 14. Risk management ( continuation)

##### 14.2. Market risk ( continuation)

Structure of financial assets and liabilities by currency to 31.12.2016:

<b>Assets</b>	<b>Lev</b>	<b>Euro</b>	<b>Total</b>
Cash on current accounts	2,030	835	2,865
Shares and units	21,752	-	21,752
Receivables	19	22	41
<b>Total (thousand. Lev)</b>	<b>23,801</b>	<b>857</b>	<b>24,658</b>
<b>Total (in%)</b>	<b>97%</b>	<b>3%</b>	

  

<b>Liabilities</b>	<b>Lev</b>	<b>Euro</b>	<b>Total</b>
Current liabilities	58	-	58
<b>Total (thousand. Lev)</b>	<b>58</b>	<b>-</b>	<b>58</b>
<b>Total (in%)</b>	<b>100%</b>		

Structure of financial assets and liabilities by currency at 31.12.2015:

<b>Assets</b>	<b>Lev</b>	<b>Euro</b>	<b>Total</b>
Cash on current accounts	1,374	790	2,164
Term deposits	1,002	-	1,002
Shares and units	16,987	38	17,025
Receivables	8	22	30
<b>Total (thousand. Lev)</b>	<b>19,371</b>	<b>850</b>	<b>20,221</b>
<b>Total (in%)</b>	<b>96%</b>	<b>4%</b>	

  

<b>Liabilities</b>	<b>Lev</b>	<b>Euro</b>	<b>Total</b>
Current liabilities	48	-	48
<b>Total (thousand. Lev)</b>	<b>48</b>	<b>-</b>	<b>48</b>
<b>Total (in%)</b>	<b>100%</b>		

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. 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 Mutual Fund "UBB Premium Equity" 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.



## 14. Risk management ( continuation)

### 14.3. Liquidity risk

Liquidity risk is 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 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 not any realized losses due to the manifestation of liquidity risk. MF "UBB Premium Equity" calculates the "average number of days to sell a portfolio of stocks" for stocks traded on BSE Sofia-based method of sliding average 20-day period.

The maturity structure of the carrying amount 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 yeras	Total sum
Cash on current accounts	2,865	-	-	-	2,865
Shares and units	21,752	-	-	-	21,752
Receivables	18	23	-	-	41
<b>Total assets</b>	<b>24,635</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>24,658</b>
Current liabilities	58	-	-	-	58
<b>Total liabilities</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58</b>
<b>Mismatch in the maturity structure</b>	<b>24,577</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>24,600</b>

To 31.12.2015	Up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	total sum
Cash on current accounts	2,164	-	-	-	2,164
Term deposits	-	1,002	-	-	1,002
Shares and units	17,025	-	-	-	17,025
Receivables	7	23	-	-	30
<b>Total assets</b>	<b>19,196</b>	<b>1,025</b>	<b>-</b>	<b>-</b>	<b>20,221</b>
Current liabilities	48	-	-	-	48
<b>Total liabilities</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48</b>
<b>Mismatch in the maturity structure</b>	<b>19,148</b>	<b>1,025</b>	<b>-</b>	<b>-</b>	<b>20,173</b>

## 14. Risk management ( continuation)

### 14.4. Concentration risk

Concentration risk is the possibility of loss 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 Premium Equity" is as follows:

#### Structure of investments in securities by sector

Branch	31.12.2016		31.12.2015	
	Sum	Shares from assets	Sum	Shares from assets
Industry	7,526	30.52%	5,636	27.87%
Holdings	6,774	27.47%	5,030	24.87%
REIT	3,417	13.85%	2,756	13.63%
Pharmaceutical industry	1,910	7.74%	1,585	7.84%
Transport	810	3.28%	875	4.33%
Chemical industry	639	2.59%	484	2.39%
Private equity firm	392	1.59%	379	1.87%
Trade	241	0.98%	233	1.15%
Food industry	43	0.18%	47	0.23%
<b>Total:</b>	<b>21,752</b>	<b>88.20%</b>	<b>17,025</b>	<b>84.18%</b>

### 14.5. 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 Premium Equity".
- 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 Premium Equity".

In 2016 there is not realized any losses resulting from the occurrence of operational risk.

## 15. Events after the reporting period

On 08.02.2017 It was entered in the Trade Register change in the representation of the Management Company "UBB Asset Management" JSC related to the election of a new Procurator.

After the balance sheet date there have been no other significant events amending and / or uncorrected nature, which should be recorded or disclosed in the financial statements presented.