Annual Activity Report
Independent Auditor's Report
Financial Statements

Exchange Traded Fund
EF PRINCIPAL ETF

31 December 2023

ASSET management

ef ASSET management

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Annual Management Report

I. Exchange Traded Fund **"EF Principal ETF"**

The Exchange Traded Fund 'EF Principal ETF' ('the Fund') is organised and managed by the management Fund 'EF Asset Management' AD, Sofia, 43 Christopher Columbus Blvd., floor 5, on the grounds of a decision of the Board of Directors and the General Meeting of the shareholders of the management Fund held on 16 June 2005. The Fund has a licence issued by the Financial Supervision Commission under No. 526-DF dated 17 August 2005, the scope of activities under the licence being as follows: 'Collective investment in transferable securities and other liquid financial assets under Art. 38, para. 1 of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) of pecuniary resources raised by way of public offering of shares, which is performed following the principle of distribution of risk'.

'EF Principal ETF' is not a separate legal Fund and has neither legal personality, nor governing bodies. The Fund represents property intended for collective investment in securities of the pecuniary resources that have been raised. All the assets acquired for the Fund are under the common ownership of the persons that have invested therein. The profits/losses of the Fund shall be received/covered by the investors in proportion to their part in the property of the Fund.

'EF Principal ETF' issues shares which give rights over the respective part of the property of the Fund, including the event of liquidation, and the right to repurchase as well as other rights provided for in the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments and in the Rules of the Fund.

The Fund does not have any registered initial capital.

The profile of the Fund is a moderate to a high risk one. The Fund invests predominantly in Bulgarian and foreign stocks and shares in collective investment schemes (CIS), corporate bonds and mortgage bonds, which are traded on regulated markets. The objective of the Fund consists in the realisation of capital profits from securities, revenues from dividends/income from share securities as well as current income from debt securities and other financial instruments. For achieving the investment objectives, a strategy of active management of the portfolio of securities, financial assets and pecuniary resources is implemented.

With a view to achieving its investment objectives, the Fund shall adhere to a policy of investing predominantly in shares. The Fund shall invest in debt securities with a potential for price growth as well as in fixed income instruments, mainly for the purpose of maintaining liquidity, including those times in which market upheaval is observed.

Exchange Traded Fund 'EF Principal ETF' is an actively managed exchange traded fund without tracking an index.

The investments in the basis of this financial product do not comply with the EU criteria for environmentally sustainable economic activities.

ACTIVITY DEVELOPMENT AND STATE OF THE FUND

The Exchange Traded Fund 'EF Principal ETF' starts the public offering of its shares on 12 September 2005. By decision of the Financial Supervision Commission dated 16 February 2022 for the approval of a change in the Rules of the Fund, the same acquired the status of an Exchange Traded Fund (ETF). On 09 March 2022 EF Principal ETF was introduced for trading on the Exchange Traded Products Segment of the Bulgarian Stock Exchange AD.
In the course of the year the investment policy of the Traded Fund was aimed at achieving the objectives that have been set and the compliance with the investment restrictions.

The objective of the Fund consists in the realisation of capital profits from securities, revenues from dividends/income from share securities as well as current income from debt securities and other financial instruments. For achieving the investment objectives, a strategy of active management of the portfolio of securities, financial assets and pecuniary resources is implemented. The Exchange Traded Fund 'EF Principal ETF' invests in companies' shares, tradable rights and other

securities, equivalent to companies' shares, admitted to trading or traded on a regulated market under Art. 152, para 1 and 2 of the Law on Financial Instruments Markets (LFIM) or traded on another regulated market in Bulgaria or another Member State, as well as in those admitted for trading on an official market or a stock exchange, or traded on another regulated market in a third country. The investment of the shareholders shall not enjoy the guarantee of a bank deposit.

As a result of its activity carried out during the reporting period, the Fund has realised a negative financial result in the amount of BGN 766 763.

The total amount of the expenses of the Fund for the year 2023 is BGN 39 324 148, and the said expenses are disclosed in detail in the explanatory notes to the Annual Financial Statements of the Fund.

The revenues resulting from the management of the general portfolio of the Fund are in the amount of BGN 38 557 385. The distribution of the said revenues is shown in the explanatory notes enclosed to the Annual Financial Statements for the year 2023 of the Fund.

The result of the financial activity of the Fund calculated on the basis of all the revenues and all the expenses is a loss in the amount of BGN 766 763 .

The assets of the Fund as at 31 December 2023 are in the amount of BGN 60 921 thousand, including BGN 56 355 thousand of financial assets at fair value through profit or loss. As at 31 December 2022 the assets of the Fund amount to BGN 61 289 thousand including BGN 56 599 thousand of financial assets at fair value through profit or loss.

Due to the specifics of its activity, the Fund has not reported revenues or expenses resulting from unusual or sporadic events or transactions, and there have not been any considerable economic changes that might have had an impact on the amount of the revenues from the activity of the Fund.

During the reporting period, the Fund has not concluded hedging transactions or carry out any other type of operations with derivative financial instruments for investment purposes.

ANALYSIS OF MAIN FINANCIAL AND NON-FINANCIAL INDICATORS

Financial indicators

Analysis of key financial indicators relevant to the activity of the Fund. It is presented detailed structure of revenues and expenses by type, as well as their percentage change compared to the previous year.

Structure of revenue by type and their percentage change compared to the last year

Investment revenues	31.12.20223	31.12.2022	Percentage change
	Value BGN		
Positive differences from transactions in financial assets	37 685 536	31 752 361	19%
Interest revenues	851 131	660 274	29%
Dividents revenues	20 718	46 096	-55%
Total revenue	**38 557 385**	**32 458 731**	**19%**

Structure of expenses by type and their percentage change compared to the last year

Expenses	31.12.2023	31.12.2022	Percentage change
	Value BGN		
Investment expenses	**38 363 710**	**30 430 898**	**26%**
Negative differences from transactions in financial assets	38 356 020	30 418 439	26%
Expenses of foreign exchange differences	884	3 182	-72%
Other expenses	6 806	9 277	-27%
Management expenses	**960 438**	**937 248**	**2%**
Management Fund remuneration	903 710	873 239	3%
Investment intermediary commission	23 102	32 698	-29%
Depository bank remuneration	28 452	27 835	2%
Remuneration of independent financial audit; fee, paid to FSC and to Central Depository AD and other	5 174	3 476	49%
Total expenses	**39 324 148**	**31 368 146**	**25%**

The performance indicators are the quantitative characteristics of the ratio of the Fund's revenues and expenses. The results of the calculation of the cost-effectiveness ratios allow us to determine how much revenue the activity receives from the use of a unit of expenditure for the same activity. The revenue ratios are reciprocal of the previous ones. They show how much cost was incurred per unit of revenue.

Indicators	**31.12.2023**	**31.12.2022**	**Percentage change**
Revenues	38 557 385	32 458 731	19%
Expenses	39 324 148	31 368 146	25%
Coefficient			
Expenses effectiveness	0.98	1.03	-5%
Revenues effectiveness	1.02	0.97	5%

The financial result characterizes the efficiency of the activity of the Fund. It can be a profit or loss depending on the ratio of revenue to expenses. The amount of the financial result is shown in the Income Statement and the Financial Statement.

Financial result change

Financial result as of 31.12.2023	**Financial result as of 31.12.2022**	**Percentage change**
(766 763)	1 090 586	-170%

The liquidity indicators express the ability of the Fund to pay off its current liabilities with its current assets. The liquidity indicators are defined as ratios against which assets and liabilities are compared. The total liquidity ratio is calculated by dividing current assets by current liabilities.

Liquidity indicators	31.12.2023	Total liquidity ratio	31.12.2022	Total liquidity ratio	Percentage change
Current assets	60 920 771		61 288 986		
Current liabilities	76 730	**794**	1 776 179	**35**	**2 169%**

The debt indicators show how much of the Fund's debt is and its current financial position. With a high degree of indebtedness of the Fund, it will have difficulty in conducting its activity.

Debt indicators	31.12.2023	Coefficient debt to registered capital	31.12.2022	Coefficient debt to registered capital	Percentage change
Total liabilities	76 730		1 776 179		
Total own capital	60 844 040	**0.001**	59 512 806	**0.030**	**-96.67%**

Changes in the assets

Changes in the assets	31.12.2023	31.12.2022	Percentage change
	60 920 771	61 288 986	-0.60%

EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No adjusting events or considerable non-adjusting events occurred between the date of the Statement of Financial Position and the date of the Board of Directors' approval of the said Statement.

RISK MANAGEMENT

In the course of its usual activity, the fund is exposed to various financial risks, the most important of which are: market risk (including interest rate and currency risk), credit risk and liquidity risk. The general risk management is focused on the difficulties of forecasting the financial markets and to achieve minimization of the potential negative effects that may affect the financial results and condition of the Fund. Current financial risks are identified, measured and monitored with the help of various control mechanisms introduced by the Fund, as well as to adequately assess the market circumstances of the investments made by it and the forms of maintenance of free liquid funds, without allowing unjustified concentration of a certain risk.

The Fund's management has adopted various internal rules and methodologies for measuring risks, which are based on statistical models and/or on empirical observations, analyzes and judgments, based also on the results of historical experience of trends and interrelationships between various factors and conditions.

The control and management of risks is structured mainly on the basis of limits by types of operations. These limits reflect the Fund's strategy and its market position, as well as the level of specific risk that the Fund determines as acceptable for its operations.

Periodically, reports are drawn up for the specific types of risk for subsequent analysis and possible correction of the limits already determined for individual types of operations and transactions.

The investment in shares of the Fund is connected with the influence of risks of various types and degree of impact. In general, these risks can be divided in two groups:

- Risks related to the content and structure of the portfolio of the Fund;
- Risks related directly to the activity, the management and the organisation of the Fund.

These risks may have an implication on the value of the net assets of the Fund, which has its direct reflection on the value of each share. Therefore, in view of the effect of such risks, the value of the shares held might decrease during the period in which they are held by the investor. The management Fund shall not guarantee that it will be successful in achieving the investment objectives that have been set. Unlike the standard bank deposits, the investments in shares in Exchange Traded Fund s are not guaranteed by the state, therefore, there is no guarantee that the investors will be able to receive back the value of the initial investment made in the shares of the Fund.

Exchange Traded Fund 'EF Principal ETF' plans to invest up to 90% of its assets into companies' shares, tradable rights and other securities equivalent to companies' shares. The main risks in this type of investments are associated with market risk – the possibility that the market value of each security will increase or decrease, sometimes too quickly and unforeseeably.

The specific risk associated with the investment portfolio of the Fund consists of the risks of the separate assets included in the portfolio. The said risk is subject to management through its diversification while striving for a comparatively high yield of the portfolio.

1. Market risk

The market risk is the risk of negative movements in interest rates, exchange rates between different currencies and prices of capital instruments. These movements affect the profitability of the Fund.

The fund manages its portfolio of financial instruments taking into account the changing market conditions. Exposure to market risk is managed in accordance with the risk limits set by the Fund's management and regulatory frameworks through the purchase and sale of financial instruments.

It is connected with the possibility that the market value of each security might increase or decrease, sometimes very quickly and unforeseeably. These 'fluctuations in prices' might bring about a situation in which the price of a security at a given point in time is much lower compared to the price at a preceding moment. This dynamics of prices is especially typical of the market of ordinary shares, the stock prices of which can be subject to abrupt fluctuations as a reaction to publicly announced information regarding the financial results of the Companies, the changes in the legislation or other important events.

The market risk is also related to the very offering of the Fund's shares for trading on a regulated market -Bulgarian Stock Exchange Jsc. (BSE). In this aspect, market risk represents the possibility of realizing losses from investors from unfavorable changes in share prices. After the registration of the shares of the Free Trade Fund of BSE Jsc., their value on BSE Jsc. will be determined by supply and demand, and their price may increase or decrease. Share prices can fluctuate wildly and fall below the price at which investors acquired them. The stock price will be affected by publicly disclosed corporate events and financial results, which may be weaker than market expectations. The price of the shares may be influenced by general market trends, the volume of freely tradable shares, the profitability of alternative investments, and other significant factors concerning the Fund's activity.

1.1. Interest risk

Interest risk ensues from a change in the value of securities resulting from a change in the interest rates. The impact of interest risk mainly concerns debt securities. In general, if interest rates increase, the price of the respective instruments decreases and vice versa. The bonds of longer maturity, as well as those of lower percentage of coupon payment are more sensitive to fluctuations in the interest rates.
The increase in the average interest rates may also influence the increase in the interest expenses of companies in which the Fund has made investments. The increase in interest expenses may lower the rate of return for the said companies, and this may have its implication on the stock quotes of their shares. With a view to lowering this risk, a

constant analysis of market conditions shall be conducted for preventing against any unfavourable fluctuations in the prices of those securities in which the Fund has made investments.

1.2. Currency risk

The currency risk associated with the shares of the Fund is mainly connected with the currency risk associated with the investment instruments within its portfolio. The investment policy and strategy of the Fund is based on the so-called 'monetary board' ('currency board') system exists in our country and the BGN/EUR currency exchange rate is a fixed one, which practically eliminates the risk of a change in the exchange rate of the two currencies. In the cases of investment in securities, shares and debt securities denominated in currencies other than BGN and EUR, it is the standard techniques of insurance (hedging) of currency risk that shall apply: purchase of currency options, forward transactions, purchase or sale of currency through spot transactions, and purchase or sale of futures contracts.

1.3. Price risk

The price risk is the risk of an unfavourable change in the prices of shares of the Fund, which results from a change in the measurement of the assets. The management Fund restates the value of the assets every working day under the supervision of the depository bank. The price may change either in the direction of an increase or in the direction of a decrease. There is no guarantee that the investors will realise positive income from the shares held in the Fund, or will preserve the value of the investment initially made. The value of the assets of the Fund is dependable on the decisions of portfolio managers of the management Fund, the said decisions being taken after preliminary analysis and examination of those factors which have their implications on the value of the investments made. This is the risk of a change in the price of shares resulting from changes in the prices of the assets within the portfolio of the Fund. This type of risk is also associated with an unfavourable change in the financial position of the Fund.
The price risk of the Fund's shares which is caused by a change in the financial position of the Fund is considerably limited because of the statutory requirements for the structure of its investment portfolio, the additional restrictions laid down in its rules and the limitation on expenses by virtue of law. In addition to the control on the part of the management Fund, the Financial Supervision Commission and the Depository bank exercise constant control both over the activity of the Fund and over the activity of the Fund which manages it.

2. Credit risk

This is the danger of the issuer of a security being declared bankrupt or insolvent. As for the holders of debt securities, the said risk is expressed in the possibility of the issuer being unable to perform his obligations to pay the interest on the principal.
As far as the management of credit risk is concerned, the investment managers carry out a detailed credit and financial analysis of each issuer and security, on the basis of which a decision is made regarding the investment. Analysis of the collateral for the various debt instruments, tracking of the issuer's data or confirmation of the so-called "clean credit history". In addition, the active policy of management and diversification of the portfolio contributes to minimising the credit risk, as the exposure of the Fund to a particular issuer is limited.

Trading on a regulated market

There is no certainty that the conditions for admission to trading of the Fund's shares will not change. Furthermore, trading in the shares of BSE AD may be suspended according to the rules of BSE AD due to market conditions and investors will be unable to sell their shares until trading is restored.

Risk associated with using derivatives

Along with market, credit and liquidity risks, the derivatives also pose certain additional risks that are specific thereto. Derivatives are highly specialised instruments the use of which requires good understanding of both the underlying asset and the mechanism of operation of the derivative itself. The complexity of derivatives requires adequate means of monitoring the transactions involving them, an analysis of the specific risks and an ability to forecast prices. Any

unfavourable change in the price of the underlying asset, or the rate of exchange or an index may bring about a loss of an amount greater than the one invested in the derivative. Certain derivatives have the potential for bringing about an unlimited loss. There is also a risk of erroneous assessment of the derivative. The measurement of a derivative is often a subjective one. As a consequence, the Fund may undergo losses when purchasing overestimated derivatives.

3. Liquidity risk

UD "Ef Asset Management" Jsc (the Management Fund) implements appropriate procedures for conducting Stress Tests for Liquidity (STL), in order to ensure compliance with the requirements of Ordinance No. 44 of 20.10.2011 on the requirements for the operation of collective investment schemes, the management companies, national investment funds, alternative investment funds and persons managing alternative investment funds of (Regulation No. 44) and Guidelines on liquidity stress tests in undertakings for collective investment in transferable securities and alternative investment funds (ESMA34-39-897) (the Guidelines) issued by the European Securities and Markets Authority.
Liquidity stress testing is a risk management tool of the Management Fund's general liquidity risk management framework that simulates a range of conditions including: normal and stressed (ie exceptional, unlikely or adverse) realistic conditions to assess their potential impact on funding (liabilities), assets, overall Fund liquidity, as well as the necessary follow-up actions.
The management Fund manages the liquidity risk according to the rules for maintaining and managing the liquidity of the Contract Fund.
The rules specify the principles and methods of management, as well as the rights and obligations of the persons responsible for management, reporting and internal control over liquidity.

The management Fund adopts a methodology for conducting the STL of the Fund. The methodology is fully subordinated to the "Guidelines on UCITS (undertakings for collective investment in transferable securities) and AIF Liquidity Stress Tests" (ESMA34-39-897).

The methodology includes:

1. models of STL, in which the following is determined:
a) the risk factors that may affect the liquidity of the Funds;
(b) the types of scenarios to be used and their degree of severity;
(c) the various outcomes and indicators to be monitored based on the liquidity stress test results;
2. the circumstances that require intensive measures, including in the event of violation of the liquidity restrictions/thresholds;
3. the types and severity of the used stress test scenarios and the reasons for their selection;
4. the assumptions used, related to the existence of the scenarios, their justification and the frequency of their revision;
5. the frequency of performing liquidity stress tests and the reasons for choosing this frequency;
6. asset liquidation methods, including limitations and assumptions used.

For the carried out STL, the risk management unit prepares a report containing results which:
1. certify whether the liquidity of the Funds corresponds to the applicable rules and conditions for redemption provided for in the rules and the prospectus;
2. contribute to the management of the liquidity of the Funds in the best interest of the investors, including in the planning of periods of increased risk related to liquidity;
3. help to identify potential weaknesses in the liquidity of a given investment strategy and assist in making investment decisions;
4. support monitoring and decision-making for risk management, including the determination of relevant internal limits by the management Fund regarding the Funds' liquidity as an additional risk management tool;
5. assist the Management Fund in the preparation of the relevant Crisis Fund and in the planning of actions in emergency situations.
The report contains recommendations for taking corrective action when necessary as a result of the test performed.

The head of the risk management unit includes in his annual report under Art. 121 of Ordinance No. 44 information about the conducted STL, their results, the recommendations made and the corrective measures taken.

Within 30 days after the completion of the STL, the Management Fund notifies the Deputy Chairman of the FSC of its results, as well as of the actions taken to change this policy, if such are necessary.

Here the risk is that, in certain conditions, it might turn out to be difficult or even impossible for the management Fund to sell at an advantageous price securities owned by the Fund. In particular, this risk is the highest with regard to those securities which have not been admitted for trading on a regulated market. The liquidity of the shares may also be limited in those cases where the management Fund has temporarily suspended the repurchase of the shares of the Fund in accordance with the procedure and on the terms and conditions laid down in the Rules of the Fund and in this Prospectus.

The Fund uses techniques and instruments related to transferable securities and money market instruments for effective portfolio management, representing contracts for the purchase or sale of financial instruments with an arrangement for repurchase (repo transactions), in order to generate additional income for the Fund with risk level that corresponds to its risk profile and risk diversification rules.

Risk exposure achieved through efficient portfolio management techniques (Repo transactions)	**The idFund of the counterparty of the techniques used for effective portfolio management**	**Type and amount of collateral received by the CIS to reduce the counterparty's exposure**		
0.86%	Insurance Fund EIG Re EAD	Synthetica JSC-Sofia	BG1100008132	15 745
2.54%	Insurance Fund EIG Re EAD	Synthetica JSC-Sofia	BG1100008132	44 100

Revenues resulting from effective portfolio management techniques and direct and indirect operating expenses incurred and fees paid

Revenues	BGN 84 968
Direct expenses	BGN 13 571
Indirect expenses	-
Fees	-

Receivables under repo transactions are detail disclosed under note No. 7 of the explanatory notes to the Fund's Annual Financial Statements.
The collective investment scheme is not secured by securities issued or guaranteed by a member state.

4. Operational risk

Operational risk is mainly associated with the management of the assets of the Fund and the process of taking investment decisions. The possibility of leakage of information about the operations of the Fund to external parties and the possibility of abuse of the said information constitutes an important part of operational risk. The latter is controlled by way of adopting and complying with the internal rules on the rights and obligations of the employees, along with restricting the access to the systems related to the process of payment. The process of internal flow of documents shall provide the opportunity for exercising preliminary, current and subsequent control over the operations of the Fund. Operational risk is related to the normal operation of the Fund in the course of investing and managing the assets, this being aimed at implementation of the investment policy while abiding by the constraints that have been imposed. This is a risk which is also associated with the organisation and management of 'EF ASSET MANAGEMENT' AD, inasmuch as the management Fund shall be held responsible for the organisation and the management of the Fund. For this purpose, the management Fund shall hire a professional team, and the appropriate informational and technical equipment, so that the Fund can effectively manage the investments of the Fund. In addition, the management Fund has entered into a contract with a depository bank, which shall supervise the

calculation of the net value of the assets of the Fund. An employee from the 'Compliance officer' Department, who is in charge of the activity of the management Fund, shall monitor the impeccability of the transactions that have been contracted and the process of autonomous management of the portfolio of the Fund, and the avoidance of any possible conflicts of interests.

With a view to achieving the investment objectives, the management Fund shall be entitled to implement a strategy of more intensive trading in the assets and increasing the turnover of the assets held. The higher turnover of the securities within the portfolio of the Fund is connected with payment of higher fees and commission for brokerage operations on the part of those investment intermediaries with whom the management Fund has signed contracts for brokerage services.

5. Fund's risk

This risk relates to the nature of the activity of the Fund and concerns the probability of realisation of different levels of efficiency of the said activity. It is extremely important for each Fund to have a rate of return on the invested financial means and resources which corresponds to the risk related to the respective investment. The probability of the said rate of return can be measured by the dispersion and the standard deviation. They show the spread of all the possible values of the rate of return with respect to the calculated average weighted value and provide a specific assessment of the quantitative aspects of risk.

Risks related to sustainable development

The investments at the core of this financial product do not comply with the EU criteria for environmentally sustainable economic activities.
Management Fund "EF Asset Management" Jsc. does not take into account the adverse effects of investment decisions on sustainability factors when managing the Fund.

Sustainability risks

Sustainability risks means events or conditions of an environmental, social or governance nature that, if they occur, could have a material adverse effect on the value of investments.
When making investment decisions, the Management Fund, among other factors, also considers the presence of sustainability risks and how likely it is that the latter will lead to a significant negative impact on the value of the investments which the Fund makes in the management of the portfolios of the funds it manages..
Currently, the impact of risks on sustainability is taken into account when making investment decisions, but without weighing on investment decisions and imposing certain accountability. The management Fund does not strictly apply specific and predetermined criteria for assessing sustainability risks.
For the calculation of the total risk exposure, the Fund uses the Commitment method recommended in the CESR Risk Measurement Guidelines and the calculation of the total risk exposure and counterparty risk at collective investment schemes (CESR / 10-788.).

LIQUIDITY

Liquidity denotes the possibility of timely sale of an asset at any time without sustaining price losses from the sale with respect to the market levels. In the year 2023 EF Principal ETF maintains a structure of the assets and liabilities which allows the Fund to carry out its activity with no obstacles, discharging its liabilities in due time, without hasty sale of income generating assets being necessary. For this purpose, the Fund has always had at its disposal the minimum liquid assets that are required under the statutory framework. There are neither circumstances nor risks that can be regarded as bringing about a considerable decrease in the liquidity of the Fund because the liquid assets that are maintained have always been above 2.5% of the total value of the assets.

EF Principal ETF maintains a minimum of 2.5% of its assets in cash amounts in order to be able to service the orders for repurchase of shares.

The liquidity of the Fund may get lower in the event of an increase in the orders for repurchase on the part of the investors.

FLUCTUATIONS IN NET ASSETS

The net assets of EF Principal ETF as at 31 December 2023 amounts to BGN 60 844 thousand. The table shows the detailed distribution of the items forming the net assets of the Fund.

	Units in circulation	Premiums/ issue discount/ repurchase	Accumulated profit/loss	Total
Balance as at 31 December 2022	**52 055**	**3 592**	**3 866**	**59 513**
Par value of units issued	1 830	269	-	2 099
Shares repurchased at par	(2)	-	-	(2)
Loss for the period	-	-	(766)	(766)
Balance as at 31 December 2023	**53 883**	**3 861**	**3 100**	**60 844**

EF Principal ETF does not have any registered initial capital. The Fund issues shares at issue price, thus forming its capital.

As at 31 December 2023, EF Principal ETF has 53 883 192 units in circulation. Their total value is in the amount of BGN 53 883 192 (each share has a par value of BGN 1), which is the amount of the units in circulation under the balance sheet of the Fund.

The financial result of EF Principal ETF as at 31 December 2023 is a profit in the amount of BGN 3 099 605.

MANAGEMENT OF EF PRINCIPAL ETF

Being a Exchange Traded Fund, EF Principal ETF is not a legal Fund and has no governing bodies of its own. The Fund is organised and managed by the management Fund 'EF ASSET MANAGEMENT' AD by virtue of an authorisation issued by the Financial Supervision Commission (FSC). The basic matters regarding the existence, operation and winding up of the Exchange Traded Fund , the property of the Fund and the rights of the shareholders are regulated by the Rules of the Fund, which are adopted and amended by the Board of Directors of the management Fund.

According to the Rules of the Fund, the management Fund manages the Fund by way of taking the necessary decisions related to its organisation, operation and winding up. The said decisions are taken by the Board of Directors of the management Fund. The decisions related to investing the assets of the Fund are taken by the investment consultant, who is an employee of the management Fund, in accordance with the investment objectives, the strategy and the restrictions of the Fund. Those decisions which are related to the current operative management of the Fund are taken by the Executive Member of the Board of Directors (Executive Director) of the management Fund.

The Fund is represented before third parties by the person representing the management Fund (the Executive Director and the Procurator), acting on behalf of and at the expense of the Fund.

'EF ASSET MANAGEMENT' AD having its seat and headquarters address in Sofia 1592, Iskar district, 43 Christopher Columbus Blvd., floor 5, office 1, Tel.: + 359 2 9021 944 is the management Fund of the EF Principal ETF.

'EF ASSET MANAGEMENT' AD was established by virtue of a decision of the Constituent Assembly held on 28 January 2005; it has a licence for carrying out activity as a management Fund issued under Decision No. 172 – УД of the FSC dated 8 March 2006 and Decision No. 861 – УД of the FSC dated 19 November 2020 which expands the issued license; it is entered in the Commercial Register of Sofia City Court (SCC) under Fund file No. 5568/2005; and re-registered in the Commercial Register and register of NPLE of the Registry Agency under BULSTAT 131422901.

The management Fund has a one-tier system of governance. The governing bodies of the management Fund are the General Meeting of the shareholders and the Board of Directors. The Board of Directors has its functions and powers, which are explicitly specified in the Statutes of the Fund. The following persons have been elected members of the Board of Directors:

- IVAN KONSTANTINOV OVCHAROV – Executive Director
- EVELINA PETROVA VASILEVA – President of the Board of Directors
- TEODORA GEORGIEVA SHOPOVA – Member of the Board of Directors

IVAN KONSTANTINOV OVCHAROV is Manager of TIA ENERGY OOD, , Director of Hanson Asset Management, UK, Member of the Board of Directors of Quintar Capital, Hong Kong and Member of the Board of Directors of Swiss Global Asset Management AG, Zurich.

EVELINA PETROVA VASILEVA does not take part in the management of other companies and does not own any capital therein.

TEODORA GEORGIEVA SHOPOVA does not take part in the management of other companies and does not own any capital therein.

The Management Fund is represented jointly by its Executive Director and the Procurator.

IVELINA IVAYLOVA IVANOVA is a Procurator of the Fund and President of the Board of Directors of INNOVO STATUS AD, Skopje, Republic of North Macedonia.

No special rights are provided for the members of the Board to acquire shares of the Fund, and the general regime is applied thereto.

CHANGES IN THE PRICE OF SHARES DURING THE YEAR

The issue price and the repurchase price of a share in the Fund are calculated and published on a daily basis. The increase or decrease in the price of the shares offered reflects the changes in the net value of the assets of the Fund.

The value of the assets of the Fund is revalued in accordance with the conditions and procedure laid down in the operative legislation, the Prospectus and the Rules on the measurement of the assets and determination of the net value of the assets of the Fund.

The issue price of a share in the Fund is formed by way of dividing the net value of the assets of the Fund by the number of the shares in circulation.

The repurchase price of a share in the Fund is equal to the net value of the assets of the Fund divided by the number of the shares in circulation.

The issued shares of EF Principal ETF are accounted for at their nominal value. The difference between the net value of the assets per share and the nominal value of a share is accounted for as issue premium. In those cases where Fund issues its shares either below or above their nominal value, the difference between the issue price and the nominal value is reported as premiums or issue discount.

The nominal value of a share in the Fund is in the amount of BGN 1 /one/.

At the beginning of the public offering (year 2005) the issue price of a share calculated by the management Fund is BGN 1.

The table below shows information on the shares of the Fund for the year.

	Value in BGN as at 31 December 2023
Minimum issue price	1.0557
Maximum issue price	1.2114
Average weighted issue price	1.1196
Minimum repurchase price	1.0557
Maximum repurchase price	1.2114
Average weighted repurchase price	1.1196
Number of shares in circulation as at the beginning of the period	52 054 453
Number of shares in circulation as at the end of the period	53 883 192

EXPECTED DEVELOPMENT OF THE FUND

In the year 2024 the activity of the Fund shall continue being carried out in accordance with the main objective, namely, an increase in the value of the investments of the shareholders by way of realisation of the maximum possible income while assuming a moderate to a high risk and ensuring the liquidity of the investments of the shareholders. With a view to achieving the main objective of the investment activity, the assets of the Fund shall be managed abiding by an active strategy, which is grounded on thorough market analyses.

The Fund shall pursue a moderately aggressive investment policy and shall be destined for those investors who are ready to assume a moderate to a high investment risk for the purpose of realisation of higher income. The Fund shall pursue a policy of active management of the investment portfolio.

In order to achieve the investment and financial objectives of the Fund, the management Fund shall implement an active investment strategy in the course of managing the portfolio of securities and pecuniary resources, and the structure of the portfolio shall undergo changes depending on the current market situation and the attractiveness of the various classes of financial instruments, in compliance with the Rules of the Fund and the Prospectus.

The identification and the analysis of those factors which have the greatest influence on the presentation of the various classes of assets are of considerable importance for each successful active strategy.

As for the investments in fixed-yield securities, the said factors are the expectations regarding the changes in the interest rate levels, their volatility and the spreads among the interest rate levels by various types of fixed-yield securities – state securities, municipal securities, corporate securities, etc.

As for the investments in shares of public companies, the factors which influence the presentation of the assets are the macroeconomic situation in both global and regional aspect, the current market situation, the belonging to a specific sector of the market, the particular structure and other fundamental and technical factors that are specific to a given Fund.

The instruments in which the Fund invests shall be elected in a way ensuring that the investment portfolio can be diversified to the maximum extent and protected against unfavourable fluctuations in the prices on the financial markets, and against considerable exposure to an individual market sector/ Fund/ issue. With a view to achieving maximum diversification and optimum ratio between risk and yield, the investment decisions shall be based both on the expected yield on a certain financial instrument, and on the correlation between the daily yield on the financial instrument and the daily yield on the assets of the Fund.

In order to achieve the investment objectives of the Fund, the management Fund shall invest the raised financial resources of the Fund predominantly in companies' shares, tradable rights and other securities, equivalent to companies' shares, as well as in bonds and debt securities. In particular, the assets of the Fund shall be invested in the following groups of securities and instruments:

1. securities issued or guaranteed by the Bulgarian state;
2. mortgage bonds issued by Bulgarian banks;

3. corporate bonds issued by Bulgarian issuers;
4. debt securities issued by local municipalities;
5. foreign debt securities traded on internationally recognised regulated markets;
6. shares admitted to trading on a regulated market within the country and on internationally recognised regulated markets, as well as stocks or shares issued by other investment companies or funds;
7. securities other than those under subparas 1, 2 and 4 which are not traded on a regulated market, including those newly issued securities regarding which there exists an obligation – imposed either by law or by the terms and conditions of the issue – to be registered for trading on a regulated market of securities not later than one year following the issue thereof;
8. bank deposits which are either demand ones or have a term of up to 12 months.

There are two major factors that have their implication on the activity of the Fund: the dynamics of the prices of the assets on the Bulgarian capital market and, particularly, the prices of the securities within the Fund's portfolio, and the interest shown in its shares on the part of the investors.

It is expected that the investment focus in 2024 will be primarily targeted on the development of the military conflict between Russia and Ukraine, as well as on the economic challenges that will be faced by businesses in the coming dynamic months, given the double-digit level of inflation on a global scale, the growth of the main interest rates and the relative slowdown of the economy.

Preparations for the implementation of the Corporate Sustainability Reporting Directive (CSRD)

The first financial statements to be aligned with the Directive are those for the financial year 2024, which companies will publish in 2025. While the related European Sustainability Reporting Standards (ESARS) are still in the process of being adopted, in general it can be expected that issuers will have to allocate considerable time and resources to the implementation of the new requirements.

Directive (EU) 2022/2464 on corporate sustainability reporting, which we call CSRD for short, is not yet in force. It will gradually affect a large number of companies. POIs with more than 500 employees will be the first to apply it in 2025, when they publish their 2024 financial statements.

For financial statements 2023, as before, Directive (EU) 2014/95, known by its abbreviation NFRD, will be applied, but we believe that the process of introduction and implementation of the new requirements should start on a phased implementation.

We have structured our priorities for implementing the Directive into the following several positions:

Priorities related to financial information:

As reminded by the IASB, "International Financial Reporting Standards (IFRS) do not explicitly address climate-related issues. However, companies should consider climate-related issues when applying IFRS when the effect of those issues is material in the context of the financial statements as a whole." Therefore, IAS 1 "Presentation of Financial Statements" introduces requirements for disclosure of climate-related issues - Priority 1. Disclosures are required for:

- significant judgments and assumptions and sources of uncertainty
- useful life of assets
- expected credit losses
- carbon emissions and their trading
- impairment of non-financial assets
- provisions and contingent liabilities
- electricity purchase agreements, certificates for renewable sources
- green loans of banks (ESG-indexed loans of banks)

Priority 2 related to financial statements is the disclosure and analysis of the macroeconomic environment. Disclosures are required to:

• increase in interest rates
• liquidity risk and interest rates;
• the fair value of investment properties
• fair value of financial assets at amortised cost – IFRS 7 requires disclosure of the fair values of each class of financial assets and financial liabilities, including those measured at amortised cost. The European Securities and Markets Authority (ESMA) requires issuers to pay particular attention through the prism of macroeconomic conditions.

Priorities regarding non-financial information:
Priority 1: Disclosure of information in relation to Article 8 of the Taxonomy Regulation
Regarding Article 8 of the Taxonomy Regulation, there are two important points to consider in the 2023 non-financial statement.
Any entity that is required to disclose non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU shall include in its non-financial statement information on how and to what extent the activities of the entity are related to economic activities that qualify as environmentally sustainable in accordance with articles 3 and 9 of this Regulation.
Priority 2: Disclosure goals, actions and progress on climate issues

Objectives should **be measurable, time-bound and clarify:**
• the expected results in terms of mitigating or adapting to climate-related risks;
• all benefits arising from climate-related opportunities, or
• any impacts on people or the environment

Priority 3: Scope 3 Emissions:
- the corporate reporting and regulatory enforcement activities highlight that significant improvements can be made in a number of areas of non-financial disclosures, including in relation to scope 3 greenhouse gas (GHG) emissions.

Identification and consistent application of alternative financial indicators

New EU legislation and in particular the Corporate Sustainability Reporting Directive (CSRD) expands the mandate of audit committees to include environmental, social and governance (ESG) issues. In this regard, the draft amendment to Art. 108 of the Law on the Independent Financial Audit (IFA) stipulates that the Audit Committee (AC) monitors the process of financial reporting and, when applicable, sustainability reporting, as well as submits recommendations and proposals to ensure the credibility of the prepared and disclosed corporate reports.
The company is in the process of establishing a separate subsidiary advisory body whose purpose will be to oversee the environment, health and safety and all other elements of sustainability including ESG for risk management. This committee will be involved in the organization of non-financial reporting and monitoring of the preparation and audit of the sustainability report.
For example, the committee will have to:
• oversees the process of preparing the company's sustainability reports and related processes in relation to, but not limited to: identification, validation and reporting of information relevant to the company, according to the applicable European Sustainability Reporting Standards (ESRS);
• presents recommendations and proposals regarding the integrity of sustainability information through the lens of dual materiality assessment for its reporting;
• informs the management how the audit committee, in its capacity as an auxiliary body, has contributed to the credibility of the prepared sustainability reports and what was its role in this process;
• monitor the effectiveness of the enterprise's internal control and risk management systems, as well as the internal audit function, where one has been established in the enterprise, particularly with regard to the possibility of fraud related to the processes of financial and non-financial reporting by its management or staff (e.g. fraud in relation

to the tying of directors' variable remuneration to achievement of sustainability targets) or **greenwashing, green hushing, green wishing** and the like.

INFORMATION REGARDING THE RULES ON GOOD CORPORATE MANAGEMENT

The Rules of 'EF Principal ETF regarding the implementation of the internationally recognised standards on good corporate management shall be applied jointly with the management Fund 'EF ASSET MANAGEMENT'. The Rules pursue the following main objectives:

- establishment of a mechanism which ensures the effective compliance with the laws and the respective regulations;
- protection of the fundamental rights of the shareholders;
- equal treatment of the investors in the Fund;
- efficient control over the management and development of procedures that ensure the timely and accurate disclosure of information on any matters related to the Fund, including the financial position, the results of the activity, the ownership and the management of the Fund.

In the course of its activity in the year 2023, the managers' team of the management Fund 'EF ASSET MANAGEMENT' strictly adheres to the principles laid down in the Rules. The management Fund submits in due time and full volume all the statements and reports required by virtue of Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) and Ordinance No. 44 on the requirements for the activity of collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds.

The Rules of EF Principal ETF regarding the implementation of the internationally recognised standards on good corporate management give the opportunity for effective application of the principles laid down therein and provide a mechanism for the achievement of good results from the management of the Fund. At the present stage it is not necessary to make any changes in these Rules, therefore their content is preserved.

Executive Director:_____
(IVAN OVCHAROV)

Procurator:_____
(IVELINA IVANOVA)

25 March 2024
Sofia

INDEPENDENT AUDITOR'S REPORT

To
The Shareholders
Of "EF PRINCIPAL" EXCHANGE TRADED FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **"EF PRINCIPAL" EXCHANGE TRADED FUND (the Fund)**, which comprise the Statement of financial position as of 31 December 2023 and the Statement of profit or loss and other comprehensive income, Statement of changes in net assets belonging to shareholders and Statement of cash flows for the year then ended, as well as the explanatory notes to the financial statements, including material information about the accounting policies and other explanatory information..

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2023 and its financial performance and its cash flows for the year then ended that date, in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent from the Fund in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of the Independent Financial Audit Act (IFAA), applicable to our audit of the financial statements in Bulgaria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of greatest significance in the audit of the financial statements for the current period. These matters were considered as part of our audit of the financial statements as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these matters.
We fulfilled our responsibilities described in the section of our report "Auditor's Responsibilities for the Audit of the Financial Statements", including regarding these matters. Accordingly, our audit included performing procedures developed in response to our assessment of the risks of material misstatement of the financial statements. The results

INDEPENDENT AUDITOR'S REPORT – continued

of our audit procedures, including the procedures performed to address the matters below, provide a basis for our opinion on the audit of the accompanying financial statements.

Key audit matter	**How this key audit matter was addressed in our audit**
Balance sheet valuation of financial assets accounted at fair value in profit and loss As of December 31, 2023, the balance sheet value of financial assets, reported at fair value in profit or loss (detailed in note 5 of the financial statement) in the amount of BGN 56,355 thousand. The Fund's investment portfolio includes Bulgarian shares, Foreign shares, Shares in CIS and AIF, Bulgarian corporate bonds, Foreign corporate bonds The balance sheet value of the Fund's financial assets, reported at fair value in profit and loss, is a major factor in determining the value of its net assets at the reporting date and, accordingly, has a material impact on the financial indicators based on this value and changes in it. Due to the materiality of financial assets at fair value in profit and loss as an element of the Fund's financial statements, and as they are a key factor in determining the value of the Fund's net assets and its results of operations, we have identified this matter as a key audit matter.	In this area, our audit procedures included: ➢Understanding and navigating the valuation process of financial assets accounted at fair value. ➢ Verification of the existence of financial assets, reported at fair value in profit and loss, by receiving and comparing to a confirmation letter from the depository bank as of December 31, 2023. ➢ Verification of the fair value assessment of the financial assets reported at fair value in the profit and loss, by comparing the price quotations used by the Fund as of December 31, 2023. with publicly available market data and testing the mathematical accuracy of fair value calculations and changes reported in profit and loss for the reporting period. ➢ Assessment of the adequacy and appropriateness of the Fund's disclosures related to financial assets accounted for at fair value in profit and loss.

INDEPENDENT AUDITOR'S REPORT – continued

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises activity report, prepared by the management in accordance with Chapter Seven of the Accountancy Act and a report on the implementation of the remuneration policy, but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon, unless it is expressly stated in our report and to the extent, which is indicated.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so to consider whether that other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As of the date of issuing the auditor's report, we have not been provided by the company with a corporate governance statement and a report on the implementation of the remuneration policy, therefore we could not issue an opinion in relation to the Law on the Public Offering of Securities, (Art. 100n, Para. 10 and paragraph 13 of the Civil Code in connection with Article 100n, paragraph 8, items 3 and 4 of the Civil Code), applicable in Bulgaria.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, when applicable, matters related to the going concern assumption and using the going concern assumption basis of accounting, unless the management either intends to liquidate the Fund or to cease its operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an audit report which includes our audit opinion. Reasonable assurance is a high level of

INDEPENDENT AUDITOR'S REPORT – continued

assurance, but does not guarantee that an audit conducted in accordance with the Independent Financial Audit Act and ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material, if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement, resulting from fraud is higher than for one, resulting from error, as fraud may involve secret collusion, forgery, intentional omissions, misrepresentations, aiming to deceive the auditor as well as neglect or circumvention of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Reach a conclusion on the appropriateness of management's use of the accounting basis based on the going concern assumption and, on the basis of the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the disclosures in the financial statements related to this uncertainty or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other matters we communicate with management regarding the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have met applicable ethical requirements regarding independence and that we will communicate with them all relationships and other matters that could reasonably be considered relevant to our independence, and where applicable, and related safety measures.

Among the matters communicated with Management, we identify those matters that were of greatest significance in the audit of the financial statements for the current period and

INDEPENDENT AUDITOR'S REPORT – continued

which are therefore key audit matters. We describe these matters in our auditor's report, except where law or regulation prevents the public disclosure of information about that matter or when, in extremely rare cases, we determine that a matter should not be communicated in our report. as it could reasonably be expected that the adverse consequences of such action would outweigh the benefits in the public interest of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described in paragraph Information "Other than the Financial Statements and Auditor's Report Thereon in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines for new and extended audit reports and auditor communication" of the professional organisation of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in conjunction with Art. 37, para. 6 of the Accountancy Act

Based on the procedures performed, we are of the opinion that:

a. The information included in the activity report for the financial year, for which the financial statements have been prepared, is in line with the financial statements.
b. The activity report was prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Additional reporting regarding an audit of the financial statement in connection with Art. 100(n), para. 4, item 3 of the Law on the Public Offering of Securities Statement in connection with Art. 100(n), para. 4, item 3, "b" of the Law on the Public Offering of Securities:

Information regarding transactions with related parties is disclosed in Appendix No. 15 to the financial statement. Based on the audit procedures we performed on the related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information came to our attention on the basis of which we could conclude that the related party transactions did not disclosed in the attached financial statement for the year ending 31 December 2023, in all material respects, in accordance with the requirements of IAS 24 "Related Party Disclosures". The results of our audit procedures on related party transactions have been considered by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

INDEPENDENT AUDITOR'S REPORT – continued

Statement in connection with Art. 100(n), para. 4, item 3, "c" of the Law on the Public Offering of Securities:

Our responsibilities for an audit of the financial statements as a whole, described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report, include evaluating whether the financial statements present the material transactions and events in a manner that achieves fair presentation. On the basis of the audit procedures performed by us on the material transactions underlying the financial statement for the year ending on December 31, 2023, we have not become aware of any facts, circumstances or other information on the basis of which we can conclude that there are cases of material misstatement and disclosure in accordance with the applicable requirements of IFRS adopted by the European Union. The results of our audit procedures on the Fund's material financial statement transactions and events have been considered by us in the context of forming our opinion on the financial statement as a whole, and not for the purpose of expressing a separate opinion on these material transactions.

Reporting according to Art. 10 of Regulation (EU) No. 537/2014 in connection with the requirements of Art. 59 of the Law on the Independent Financial Audit

According to the requirements of the Law on the Independent Financial Audit in connection with Art. 10 of Regulation (EU) No. 537/2014, we additionally report the information set out below.
Brain Storm Consult-OD LTD. has been appointed as a mandatory auditor of the financial statement for the year ending on December 31, 2023 of the EF Principal ETF by the general meeting of shareholders held on June 28, 2023, for a period of one year .

The audit of the Fund's financial statements for the year ended 31 December 2023 represents the fourth year of a full, continuous statutory audit engagement of this entity by us.

We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of the Fund, in accordance with the requirements of Art. 60 of the Law on the Independent Financial Audit.

We confirm that we have not provided the specified in Art. 64 of the Independent Financial Audit Act prohibited non-audit services.

We confirm that in carrying out the audit we have maintained our independence from the Fund.

BRAIN STORM CONSULT - OD LTD
Audit Firm, reg. № 0148

Kameliya Terziyska – Manager ang
Registered auditor, responsible for the audit
Republic of Bulgaria, Sofia, March 25, 2024



Statement of Financial Position

Assets	Note	2023 BGN '000	2022 BGN '000
Current assets			
Financial assets at fair value through profit or loss	5	56 355	56 599
Receivables under repo transactions	7	2 071	2 543
Other receivables	8	30	157
Cash and cash equivalents	9	2 465	1 990
Current assets		**60 921**	**61 289**
Net assets belonging to unitholders	10		
Share capital		74	74
Premium reserve		3	2
Undistributed profit/(loss)		-	1 700
Total net assets belonging to unitholders		**77**	**1 776**
Liabilities			
Current liabilities			
Liabilities to related parties	15.2	74	84
Liabilities to custodian bank	11	2	2
Other liabilities		1 700	-
Current liabilities	11	**1 776**	86
Net assets belonging to unitholders and liabilities		**60 921**	**61 289**

Prepared by: _____ **Executive Director:** _____
(Ivelina Ivanova) **(Ivan Ovcharov)**

ЕФ Асет Мениджмънт АД
ef ASSET management
EF Asset management

Procurator: _____
(Ivelina Ivanova)

Date: 25 March 2024

Финансов отчет,
Върху който сме издали одиторски
доклад с дата:
25 -03- 2024
„Брейн Сторм Консулт – ОД" ООД
Регистриран одитор отговорен за одита:.....

The Financial Statements as at 31 December 2023 (including comparative information) are approved and adopted by the Board of Directors on 25 March 2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 148
БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

The explanatory notes from page 21 to page 46 from an integral part of the Financial Statements.
This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian text shall prevail.

Statement of Profit or Loss and Other Comprehensive Income for the year, ending 31 December

	Note	2023 BGN '000	2022 BGN '000
Net profit/(loss) from financial assets at fair value through profit or loss	12	(665)	1 334
Revenues from interest		851	660
Revenues from participation in the equity		21	46
Net Revenues from financial assets		**207**	**2 040**
Expenses on remuneration of the management Fund	15.1.3	(904)	(873)
Expenses on remuneration of the custodian bank	13	(28)	(28)
Other expenses	14	(41)	(49)
Total operating expenses		**(973)**	**(950)**
Net (loss)/profit for the year		**(766)**	**1 090**
Total comprehensive income/ (loss) for the year		**(766)**	**1 090**

Prepared by: _____ (Ivelina Ivanova)

ЕФ Асет Мениджмънт АД

Executive Director: _____ (Ivan Ovcharov)

Procurator: _____ (Ivelina Ivanova)

Date: 25 March 2024

The Financial Statements as at 31 December 2023 (including comparative information) are approved and adopted by the Board of Directors on 25 March 2024

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 148 БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

Финансов отчет, върху който сме издали одиторски доклад с дата: 25 -03- 2024 „Брейн Сторм Консулт – ОД" ООД Регистриран одитор, отговорен за одита:

The explanatory notes from page 21 to page 46 from an integral part of the Financial Statements.
This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian text shall prevail.

Statement of changes in net assets belonging to unitholders

	Notes	Registered capital	Share premium reserve	Accumulated profit/(loss)	Total net assets
		BGN '000	BGN '000	BGN '000	BGN '000
Balance as at 1 January 2023		**52 055**	**3 592**	**3 866**	**59 513**
Shares issued	10	1 830	269	-	2 099
Shares repurchased	10	(2)	-	-	(2)
Transactions with unitholders		1 828	269	-	2 097
Loss for the year		-	-	(766)	(766)
Total comprehensive income for the year		**-**	**-**	**(766)**	**(766)**
Balance as at 31 December 2023		**53 883**	**3 861**	**3 100**	**60 844**

Prepared by: _____ (Ivelina Ivanova)

ЕФ Асет Мениджмънт АД
EF Asset management

Executive Director: _____ (Ivan Ovcharov)

Procurator: _____ (Ivelina Ivanova)

Date: 25 March 2024

The Financial Statements as at 31 December 2023 (including comparative information) are approved and adopted by the Board of Directors on 25 March 2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 148
БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
25 -03- 2024
„Брейн Сторм Консулт – ОД" ООД
Регистриран одитор отговорен за одита:

Statement of changes in net assets belonging to unitholders

	Notes	Registered capital	Share premium reserve	Accumulated profit/(loss)	Total net assets
		BGN '000	BGN '000	BGN '000	BGN '000
Balance as at 1 January 2022		**47 357**	**3 029**	**2 776**	**53 162**
Shares issued	10	4 698	563	-	5 261
Transactions with unitholders		4 698	563	-	5 261
Profit for the year		-	-	1 090	1 090
Total comprehensive income for the year		**-**	**-**	**1 090**	**1 090**
Balance as at 31 December 2022		**52 055**	**3 592**	**3 866**	**59 513**

Prepared by: _____
(Ivelina Ivanova)

ЕФ Асет Мениджмънт АД
ef ASSET management it
EF Asset management JSC

Executive Director: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

Date: 25 March 2024

The Financial Statements as at 31 December 2023 (including comparative information) are approved and adopted by the Board of Directors on 25 March 2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 148
БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

Финансов отчет,
Върху който сме издали одиторски доклад с дата:
25 -03- 2024
„Брейн Сторм Консулт – ОД" ООД
Регистриран одитор, отговорен за одита

The explanatory notes from page 21 to page 46 from an integral part of the Financial Statements.
This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian text shall prevail.

Statement of Cash Flows for the year, ending 31 December

	Note	2023 BGN '000	2022 BGN '000
Cash flow from operating activity			
Proceeds from operations in financial assets		13 252	16 421
Payments for acquisition of financial assets		(13 047)	(23 118)
Interest received		789	461
Dividends received		21	33
Payments for operating expenses and other expenses		(938)	(921)
Cash flow from operating activity		**77**	**(7 124)**
Cash flow from financial activity			
Proceeds from issues of shares	10	400	6 960
Share redemption payments	10	(2)	-
Cash flow from financial activity		**398**	**6 960**
Net change in cash and cash equivalents		**475**	**(164)**
Cash and cash equivalents at the beginning of the year		1 990	2 154
Cash and cash equivalents at the end of the year	**9**	**2 465**	**1 990**

Prepared by: _____ **Executive Director:** _____
(Ivelina Ivanova) **(Ivan Ovcharov)**

ЕФ Асет Мениджмънт АД
EF Asset management JSC

Procurator: _____
(Ivelina Ivanova)

Date: 25 March 2024

The Financial Statements as at 31 December 2023 (including comparative information) are approved and adopted by the Board of Directors on 25 March 2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 148
БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
25 -03- 2024
„Брейн Сторм Консулт – ОД" ООД
Регистриран одитор, отговорен за одита

The explanatory notes from page 21 to page 46 from an integral part of the Financial Statements.
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Notes to the financial statements

1. General information

The Exchange Traded Fund 'EF Principal ETF' ('the Fund') is organised and managed by the management Fund 'EF Asset Management' AD, Sofia, 43 Christopher Columbus Blvd., floor 5, on the grounds of a decision of the Board of Directors and the General Meeting of the shareholders of the management Fund held on 16 June 2005. The Fund has a licence issued by the Financial Supervision Commission under No. 526-ДФ dated 17 August 2005, the scope of activities under the licence being: 'Collective investment in transferable securities and other liquid financial assets under Art. 38, para. 1 of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) of pecuniary resources raised by way of public offering of shares, which is performed following the principle of distribution of risk'.

ETF EF Principal ETF' is not a separate legal Fund and has neither legal personality, nor governing bodies. The Fund represents property intended for collective investment in securities of the pecuniary resources that have been raised. All the assets acquired for the Fund are under the common ownership of the persons who have invested therein. The profits/losses of the Fund shall be received/covered by the investors in proportion to their part in the property of the Fund.

ETF 'EF Principal ETF' issues shares which give rights over the respective part of the property of the Fund, including the event of liquidation, the right to repurchase as well as other rights provided for in the Rules of the Fund.

TheFund does not have any registered initial capital.

The profile of the Fund is a moderate to a high risk one. The Fund invests predominantly in Bulgarian and foreign stocks and shares in collective investment schemes (CIS), corporate bonds and mortgage bonds, which are traded on regulated markets. The objective of the Fund consists in the realisation of capital profits from securities, revenues from dividends/income from share securities as well as current income from debt securities and other financial instruments. For achieving the investment objectives, a strategy of active management of the portfolio of securities, financial assets and pecuniary resources is implemented.

2. Basis for preparation of financial statements

The financial statement of the Fund was prepared in conformity with the International Financial Reporting Standards (IFRS), elaborated and published by the International Accounting Standards Board (IASB) and verified by the European Union (EU). Within the meaning of paragraph 1, item 8 of the Additional Provisions of the Accounting Act applied in Bulgaria, the term "IFRS adopted by the EU" represents the International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 and of the Council.

The financial statement was prepared in BGN, being the functional currency of the Fund. All sums are presented in thousand BGN ('000 BGN), including the comparative information about 2023, unless otherwise specified.

The financial statement was prepared in conformity with the going concern principle.

As of the date of drawing the present financial statement, the management Fund assessed Fund's capacity to keep doing its business according to the going concern principle based on the available information for the foreseeable future. After the performed review of the Fund operations, the Management expects it would have sufficient financial resources to keep doing its operational business in the near future and keep implementing the going concern principle when drawing the financial statement.

3. Changes in the accounting policy

3.1. New standards, clarifications and amendments effective from 1 January 2023:

The Fund has applied the following new standards, amendments and clarifications to IFRS, developed and published by the International Accounting Standards Board, which are mandatory for the annual period starting on January 1, 2023, but do not have a material effect of their application on the financial result and the financial situation of the Fund:

• Amendment of IAS 1 Financial Statement Presentation and IFRS Practice Statement 2 Making Materiality Judgments - Disclosure of Accounting Policies.

- ✓ It was published by the International Accounting Standards Board (IASB) on 02.02.2021.
- ✓ It has been adopted for application in the EU according to Regulation (EU) No. 2022/357 of March 2nd, 2022 (Official Journal, No. L 68 of 03/03/2022).

These changes relate to the refinement of the definition of "materiality" specified in the two standards. The requirement for companies to disclose in the explanatory annexes to the AFS their "material accounting policies" is replaced by the disclosure of "material information about the accounting policy".
Other Related Amendments:
o IFRS 7 Financial Instruments: Disclosure
o IAS 26 Accounting and Reporting of Pension Plans
o IAS 34 Interim Financial Reporting
o IFRS 8 Operating Segments – Application Guidelines
o IAS 1 Presentation of Financial Statements – Application Guidelines

The amendments apply to annual reporting periods beginning on or after January 1, 2023.

• Amendments to IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

- ✓ It was published by the International Accounting Standards Board (IASB) on 12.02.2021.
- ✓ It has been adopted for application in the EU according to Regulation (EU) No. 2022/357 of March 2nd, 2022 (Official Journal, No. L 68 of 03/03/2022).

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policy and the correction of errors. In addition, they clarify how businesses can use techniques to measure and evaluate inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.

• Amendments to IAS 12 Income Taxes - Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction

- ✓ It was published by the International Accounting Standards Board (IASB) on 07.05.2021.
- ✓ It has been adopted for application in the EU according to Regulation (EU) No. 2022/1392 of August 11th , 2022 (Official Journal, No. L 211 of 12.08.2022).

The amendment requires enterprises to recognize deferred tax assets and liabilities from transactions and operations that, upon initial recognition, give rise to taxable and deductible (decreasing) temporary differences of the same value.

Following the amendments to IAS 12, an Fund is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset subject to the recovery criteria in IAS 12.

As a result of the amendment to IAS 12, and depending on the applicable tax legislation, equal taxable and deductible temporary differences may arise on the initial recognition of an asset and a liability from an operation or transaction that is not a business combination and does not affect either the accounting or the taxable profit.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.
The Fund recognizes *at the beginning of the earliest comparative period presented*:

• a deferred tax asset – to the extent that it is probable that there will be taxable profit against which the deductible temporary difference can be utilised – and

• deferred tax liability - for all deductible and taxable temporary differences related to:

a) right-of-use assets and lease liabilities; as well as

b) obligations for decommissioning, recovery and similar obligations and the corresponding amounts recognized as part of the acquisition price of the relevant asset.

The cumulative effect of the initial application of the amendment is accounted for as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) as of that date.

• IFRS 17 Insurance contracts

- ✓ It was published by the International Accounting Standards Board (IASB) on 18.05.2017.
- ✓ It has been adopted for application in the EU according to Regulation (EU) No. 2021/2036 of November 19th , 2021 (Official Journal, No. L 416 of 23.11.2021).

IFRS 17 Insurance Contracts **applies** in relation to:
– insurance contracts, including reinsurance contracts, that the enterprise issues;
– reinsurance contracts that the enterprise owns; and
– investment contracts with additional non-guaranteed income that the enterprise issues, provided that it also issues insurance contracts.

IFRS 17 applies to all insurance and reinsurance contracts, regardless of whether they are issued by an insurer or another type of Fund or legal Fund.

IFRS 17 requires entities to identify portfolios and groups of insurance contracts. The groups are formed at initial recognition and are not subsequently revised.
The Fund recognizes a group of insurance contracts that it issues on the earliest of the following dates:
a) the beginning of the coverage period of the contract group;
b) the date on which the first payment becomes due from the policyholder in the group;
(c) for a group of onerous covenants, when the group becomes onerous.

The Fund issuing insurance contracts estimates the rights and obligations arising from groups of contracts and presents them as a net amount in the statement of financial position on a discounted basis. **On initial recognition** of a group of insurance contracts, the contracted service margin is estimated *at the present value of the risk-adjusted future cash inflows minus the present value of the risk-adjusted future cash outflows*.

The requirements of IFRS 17 for the ex-post valuation of insurance contracts are differentiated into three approaches:
– common model;
– premium distribution approach (right to choose);
– variable remuneration/fee approach (required).

The balance sheet value of the insurance liability for a given group of insurance contracts at the end of each reporting period is **the sum of**:
(a) a residual coverage liability comprising:
(i) performance cash flows related to future services allocated to the group at the end of the reporting period; and
(ii) the Group's contracted service margin as of that date;
(b) a claim liability comprising performance cash flows related to past services allocated to the group as of that date.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is effective for annual reporting periods beginning on or after 01.01.2023.
The insurer shall apply IFRS 17 retroactively at the date of transition, accounting for its insurance and reinsurance contracts as if IFRS 17 had always been applied

- **Amendment to IAS 12 Income Taxes - International Tax Reform - Second Pillar Model Rules**

  ✓ It has been adopted for application in the EU according to Regulation (EU) No. 2023/2468 of November 8th , 2023 (Official Journal, No. L of 09.11.2023; effective from 10.11.2023).

The amendment introduces a mandatory temporary exception from the accounting treatment of deferred taxes resulting from the application of the Model Rules under the Second Pillar in the relevant jurisdiction. As a result, when calculating the deferred taxes as of 31.12.2023, the existing tax rate (according to Art. 20 of the Tax Code) of 10% should be applied.

The amendment requires disclosure by relevant enterprises of their income tax exposure under the Second Pillar Model Rules, based on available or reasonably estimable qualitative and quantitative information.

3.2. Standards, amendments and clarifications not yet effective and not applied from an earlier date by the Fund.

At the date of approval of this financial statement, new standards, amendments and clarifications to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial period starting on 1 January 2023 and have not been implemented from an earlier date than the Fund. They are not expected to have a material effect on the Fund's financial statements. Management expects that all standards and amendments to the Fund's accounting policy will be adopted during the first period beginning after the date of their effective date.

The changes are related to the following standards:
- **Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current, as well as Non-current liabilities with contractual clauses - effective from 1 January 2024**.

The amendments affect the presentation of liabilities as current or non-current in the statement of financial position. Liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the Fund's expectations or events after the reporting date (e.g. receipt of a waiver or breach of contract).
The amendments are applied retrospectively to annual periods beginning on or after January 1, 2024, with earlier application possible.
The Fund's management is in the process of evaluating the possible effects of the application of the amendments and their impact on the Fund's financial statements in the future.

- **Amendments to IFRS 16 Leases: Lease liability on sale with leaseback - effective from January 1, 2024**.

The amendments address how a seller-lessee should measure the right-of-use asset arising from a leaseback and, as a result, how it should determine the gain or loss on a sale and leaseback transaction that qualifies as a "sale" under IFRS 15 and lease payments include variable lease payments that are not index or rate dependent.
The amendments are applied retrospectively to annual periods beginning on or after January 1, 2024.
The Fund evaluates the impact the amendments will have on the financial statements.

- **Amendments to IAS 7 Cash Flows Statements and IFRS 7 Financial Instruments - Disclosure: Supplier Financing Arrangements - effective from 1 January 2024**.

The International Accounting Standards Board has issued new disclosure requirements regarding supplier financing arrangements. The arrangements typically provide the Fund with extended payment terms or the Fund's suppliers with early payment terms compared to the corresponding invoice payment date.

The purpose of the new disclosures is to provide information about supplier financing arrangements that enables investors to assess the effects on an Fund's liabilities, cash flows and liquidity risk exposure.
The International Accounting Standards Board provides transitional relief by not requiring comparative information in the first year and also not requiring disclosure of certain opening balances. In addition, the required disclosures are only applicable for annual periods in the first year of implementation. Therefore, the new disclosures will have to be provided in the annual financial statements for 31 December 2024 at the earliest.
The Fund assesses the impact that the amendments will have on the financial statements.

- **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 - the effective date of the amendments has not yet been determined by IASB.**

The amendments clarify the accounting treatment of sales or port of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture, constitute a "business" (as defined in IFRS 3 Business Combinations).

The Fund's management is in the process of evaluating the possible effects of the application of the amendments and their impact on the fund's financial statements in the future.

4. Accounting policy

4.1. General provisions

The most significant accounting policies applied in the course of preparation of these financial statements are shown here below.

The financial statements have been prepared following the principles of measurement of all types of assets, liabilities, revenues and expenses in compliance with the ISFRs. The bases of measurement are shown in detail in the accounting policy to the financial statements. The financial statements have been drawn up in compliance with the going concern principle.

It must be pointed out that, when preparing these financial statements, certain accounting assessments and assumptions have been used. Although they are based on information submitted by the governing body as at the date of preparation of the financial statements, the real results may differ from the said assessments and assumptions.

All valuations of assets, liabilities, income and expenses were performed in accordance with the Rules on the measurement of the assets and determination of the net value of the assets and no methods or approximations were used outside the normatively determined for the activity of the Fund.

4.2. Presentation of financial statements

The financial statements are presented in compliance with IAS 1 'Presentation of financial statements'.
The Fund has taken the decision to present the statements of the comprehensive income in a consolidated statement.

The statement of financial position presents two comparative periods in those cases where the Fund applies the accounting policy retrospectively, retrospectively restates items in the financial statements; or reclassifies items in the financial statements and this has a significant effect on the information in the statement of financial position as at the beginning of the previous period.

4.3. Transactions in foreign currency

The transactions in foreign currency are accounted for in the functional currency of the Fund in accordance with the official currency exchange rate as at the date of the transaction (the announced exchange rate of the Bulgarian National Bank). The foreign exchange gains and losses which arise in the course of settlement of these transactions and the revaluation of foreign currency monetary items as at the end of the reporting period are recognised in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional exchange rate at the reporting date.

The non-monetary items carried at historical cost in foreign currency are assessed in accordance with the currency rate of exchange as at the date of the transaction (with no revaluation). The non-monetary items carried at fair value in foreign currency are accounted for in accordance with the currency rate of exchange as at the date on which the fair value is determine.

The gains and losses with financial instruments in foreign currency, classified as accounting at fair value through profit or loss are included in profit or loss in the statement of profit or loss and other comprehensive income as part of the net gain or loss on financial assets and liabilities at fair value through profit or loss.

4.4. Financial instruments under IFRS 9

4.4.1. Recognition and derecognition

The financial assets and liabilities are recognised in those cases where the Fund is a party to contractual agreements which involve financial instruments.

The financial assets are written-off when the rights to receive cash flows from the asset have expired; or the rights to receive cash flows from the asset have been transferred or the Fund is responsible to pay in full received cash flows without significant delay to a third party through a transfer agreement and the Fund has:

a) transferred substantially all the risks and benefits of ownership of the asset; or;

б) neither transferred nor retained substantially all the risks and benefits of ownership of the asset but has not retained the control on it;

When the Fund has transferred its rights to receive cash flows from the asset (or has entered into a transfer agreement) and has neither transferred, nor retained substantially all the risks and benefits of the ownership of the financial asset, nor transferred control of the financial asset, it continues to recognise the transferred asset to the extent of its continuing involvement in the financial asset. In this case, the Fund also recognises the related liability. The transferred asset and the related liability
are measured on a basis that reflects the rights and liabilities that the Fund has retained.

The financial liabilities are written off upon its discharge or repayment, or cancellation of the transaction, or expiration of the limitation period.

4.4.2. Clasification and initial measurement of financial assets

Financial assets are initially measured at fair value plus the expenses under the transaction, with the exception of those financial assets carried at fair value in the profit or loss and trade receivables that do not contain a significant financial component. The initial measured of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses.

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities on initial recognition in the categories of financial assets and financial liabilities discussed below.

Depending on the method of subsequent measurement, the financial assets are classified in the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value in the profit or loss;
- Financial assets at fair value through other comprehesive income whit or whitout reclassification to profit or loss depending on whether they are debt or equity instruments.

The classification is determined by both:

- The Fund's business model for managing the financial assets;
- The contractual cash flows characteristics of the financial assets.

The Fund classifies its investments on the basis of both the business model for their management and the characteristics of the contractual cash flows on the financial assets. The investment portfolio of the Fund is managed and its performance

is evaluated on the basis of fair value information. The management of the Fund's Management Fund concentrates on information about the fair values of its financial assets and uses this information to make decisions and evaluate the performance of the assets.

The Fund has not chosen once and irrevocably to designate equity instruments as measured at fair value through other comprehensive income.

All investments of the Fund are reported subsequently at fair value through profit or loss.

4.4.3. Subsequent measurent of financial assets

Debt instruments at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as fair value through profit or loss:

- the Fund manages the assets within a business model whose objective is to hold the financial assets and collect their contractual cash flows;
- according to the contractual terms of the financial asset give rise to cash flows arise on specific dates, which are only payments on principal and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets like receivables with fixed or determinable payments that are nor quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's receivables and cash and cash equivalents fall into this category of financial instruments.

The effective interest method is a method that used in the calculation of the amortized cost of a financial asset or a financial liability and in allocation and recognition of interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows taking into account all contractual terms of the financial instruments, but does not take into account expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts.

The Fund's receivables arise mainly from declared dividends and from matured principal and interest on bonds. These financial assets are classified as debt instruments at amortized cost because the Fund holds them to collect the contractual cash flows thereon, which consist only of principal payments and interest on outstanding principal.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model "held to collect the contractual cash flows" or "held to collect and sell", and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for a financial assets at fair value through profit or loss. All derivative financial instruments are accounted in that category with the exception of those that are defined as effectively hedging instruments and for which are applied the requirements for reporting of the hedging (see below).

After the initial measurement, the Fund measures financial instruments that are classified at fair value through profit or loss at fair value. The subsequent changes in the fair value of these financial instruments are recognized in net profit or loss of financial assets at fair value through profit or loss in the income statement and other comprehensive income. The interest and dividends received or paid on these instruments are reported separately in interest income or expense and dividend income or expense in the income statement and other comprehensive income.

Changes in the fair value of the assets in this category are recognized in profit and loss. The fair value of financial assets in this category are determined by quoted prices in an active market or using valuation techniques in case there is no active market.

The Fund uses various methods and makes assessments based on market conditions existing at for every reporting date. The used techniques for valuation include the use of comparable recent ordinary transactions between market participants,

references to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants who use maximum the market entry and relying as little as possible on enterprise specific data.

Regarding assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by revaluing the categorization (based on the lowest level of input, which is important for fair value measurement as a whole), and considers that the transfers occurred at the beginning of each reporting period.

The Fund has no debt instruments or equity instruments at fair value through other comprehensive income. Therefore, the above policy does not further discuss such a classification.

The main measurement methods used are listed below, depending on the type of instrument:

Shares, tradable rights and other securities equivalent to shares, at fair value in the profit or loss

The subsequent assessment of Bulgarian and foreign shares and rights admitted to trading on a regulated market of securities in the Republic of Bulgaria and of Bulgarian shares and rights admitted to trading on a regulated market in the Member States is carried out:

- at the average weighted price of the transactions contracted therein during the last working day, the said price being announced either through the trading system or in the stock exchange bulletin, provided that the amount of the transactions contracted therein during the day is not lower than 0,02 per cent of the amount of the respective issue.
- Where it is impossible to determine the price under the preceding item, the price of the shares, and respectively, the price of the rights is determined as the arithmetic mean of the highest bid price of the orders valid as at the closing time of the regulated market on the last working day, and the average weighted price of the transactions contracted in the respective securities during the same day. The price is determined in accordance with this procedure in the event that transactions have been contracted and orders have been placed at the bid price.
- In those cases where the preceding item cannot be applied, the price of the shares, and respectively, the price of the rights is the average weighted price of the transactions contracted therein during the closest day within the last 30 days' period preceding the day of the assessment, this being a period during which transactions were contracted. In the event that an increase in capital was made, or division of the shares of the issuer or payment of a dividend was announced during the preceding 30 days' period, the average weighted price under the first sentence is adjusted by the ratio of the capital increase, respectively, the division of the shares or the amount of dividend, provided that the closest day during the last 30 days' period prior to the assessment date in which transactions were contracted precedes the day following which the shareholders are not entitled to take part in the increase of capital, or, respectively, the day of division, or the day following which the shareholders have no right to a dividend.

As for shares which are not traded on regulated markets as well as where it is impossible to apply the above methods to certain shares, the assessment is carried out by the following methods:

- the method of price/profit ratio of similar companies;
- the method of net carrying value of the assets;
- the method of discounted net cash flows.

Bulgarian and foreign bonds at fair value in the profit or loss

The subsequent assessment of Bulgarian and foreign bonds admitted to trading on a regulated market of securities in the Republic of Bulgaria and of Bulgarian bonds admitted to trading on a regulated market in the Member States is carried out:

- at the average weighted price of the transactions contracted therein during the last working day, the said price being announced either through the trading system or in the stock exchange bulletin, provided that the amount of the transactions contracted therein during the day is not lower than 0,01 per cent of the amount of the respective issue;

- In those cases where it is impossible to determine a price by way of applying the procedure set out in the preceding item, the subsequent assessment of bonds is carried out at the average weighted price of the transactions contracted therein during the closest day within the last 30 days' period preceding the day of the assessment, this being a period in which transactions were contracted. In the event that it is impossible to determine a price by way of applying the procedure set out in the preceding items, the assessment is carried out by the method of discounted cash flows, the same method being also used for bonds that are not traded on regulated markets.

The fair value of shares in collective investment schemes having an authorisation for carrying out activity according to Directive 2009/65/EC of the European Parliament and of the Council and/or of other undertakings for collective investment under Art. 38, para. 1, subpara. 5 of the LACISOUCI is determined at the latest announced repurchase price. In the cases of temporary suspension of the repurchase of shares in the collective investment scheme, their subsequent assessment is carried out either at the latest determined and announced repurchase price, or at the fair value of a share. In the event that the temporary suspension of the repurchase of shares lasts longer than 30 days, their subsequent assessment is carried out at the fair value of a share by applying the method of net carrying value of the assets.

Where it is impossible to determine a price in accordance with the procedure set out in the preceding items, the measurement of a given type of securities is made on the basis of application of subparas 5, 6 or 9 of the Rules on portfolio assessment and determination of the net value of assets.

4.4.4. Impairment of financial assets

Policy effective from 1 January 2018 (IFRS 9)

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses - the "expected credit loss" model, which replaces the "incurred loss model" presented in IAS 39.

Instruments within the scope of the new requirements include receivables and other debt financial assets measured at amortised cost, as well as debt instruments measured at fair value through other comprehensive income.

Recognition of credit losses is no longer dependent on the occurrence of an event of credit losses. Instead the Fund considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportive forecasts that affect the expected collection of future cash flows of the instrument.

The Fund's approach to expected credit losses reflects the weighted result, the time value of money and reasonable and maintenanceable information that is available without undue expense or effort at the reporting date for past events, current conditions and forecasts of future economic conditions.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1), and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2), and
- "Stage 3" whould covers financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets falls into this category.

12-month expected credit losses are recognized for the first category, while expected losses for the entire term of the financial instruments are recognized for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Fund and the cash flows it actually expects to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments.

The Fund uses its experience, external indicators and long-term information to calculate the expected credit losses on assets carried at amortized cost.

4.4.5. Classification, recognition and subsequent measurement of financial liabilities

The financial liabilities of the Fund include liabilities to related parties and other liabilities.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability as at fair value through profit or loss.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for derivatives and financial liabilities that are designated at fair value through profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest expenses and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in financial expenses or financial income.

The Fund has not determined its liabilities as at fair value through profit or loss.

4.4.6. Contracts for sale and repurchase of securities

Securities can be rented or sold with a repurchase commitment (repo transaction). These securities continue to be recognized in the statement of financial position when all significant risks and rewards of ownership remain at the expense of the Fund. In this case the liability is to the other side of the contract in the financial statement when the fund receives the monetary payment.

Similarly, when the Fund rents or buys securities with a commitment to resell them (reverse repo transaction) but does not acquire the risks and rewards of ownership, transactions are treated as collateralised loans where the remuneration is paid. The securities are not recognized in the statement of financial position.

The difference between the sale price and the repurchase price is recognized in installments over the contract period using the effective interest method. Leased securities continue to be recognized in the statement of financial position. Borrowed securities are not recognized in the statement of financial position unless they are sold to third parties, whereby the repurchase obligation is recognized as a trade liability at fair value and the subsequent gain or loss is included in net operating result.

4.5. Income from interest and dividend payments

The income from interest is due to the bank deposits and the securities that have interest yields. They are accounted through the method of the effective interest according to the requirements of IFSR 9 'Financial instruments'.

Dividend income is recognized when the right to receive payment is established.

4.6. Interest expenses

Interest expenses are reported on the effective interest method.

4.7. Net profit/(loss) from financial assets at fair value through profit or loss

Net profit or loss from financial assets at fair value through profit or loss are changes in the fair value of financial assets and liabilities or determined on initial recognition at fair value through profit or loss, and exclude income and expenses on interest and dividends.

4.8. Operating expenses

The expenses related to the activity of the Fund are recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, with due regard for the principle of current accrual. The expenses related to the activity of the Fund ("Operating expenses") which are indirectly payable by all its shareholders are accrued daily, and so is the remuneration of the management Fund and remuneration of the Custodian Bank in accordance with the concluded agreements with the Management Fund and the Custodian Bank.

The annual operating expenses of the Fund may not exceed 3% of the annual average net value of the assets of the Fund. Those operating expenses related to the activity of the Fund which are indirectly payable by all its shareholders are accrued daily, and so is the remuneration of the management Fund.

The investors shall pay no fees or commission upon the issues or repurchase of shares.

4.9. Cash and cash equivalents

The cash and cash equivalenets consist from the current cash, cash held at bank accounts, non-maturity deposits, short-term and highly liquid investments which are easily convertible to monetary sums and contain insignificant risk from a change in value.

4.10. Income taxes

According to Art. 174 of the Law on Corporate Income Taxation, those collective investment schemes which are admitted to public offering in the Republic of Bulgaria and the national investment funds under the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investment are not subject to corporate tax.

4.11. Net assets belonging to unitholders

Classification of shares subject to redemption

Units Redeemable be classified as an equity instrument when:

- The units to be repurchased entitle the holder to a proportional share of the Fund's net assets in the event of liquidation of the Fund;
- The units to be repurchased are in the instrument class, which is subordinate to all other instrument classes;
- All units to be repurchased in the instrument class that are subordinated to all other instrument classes have identical characteristics;
- The units to be repurchased do not include a contractual obligation to pay cash or deliver another financial asset, other than the holder's rights, for a proportionate share of the Fund's net assets;
- The total expected cash flows that relate to units to be redeemed during the life of the instrument are based primarily on profit or loss, the change in recognized net assets or the change in the fair value of the Fund's recognized and unrecognized net assets in tool life.

Apart from the units to be repurchased, having all the characteristics listed above, the Fund must not have any other financial instrument or contract that has:

- Total cash flows based primarily on profit or loss, change in recognized net assets or change in fair value of recognized and unrecognized net assets of the Fund;
- An effect from a significant restriction of the remaining return of units to be repurchased.

At the Statement on Profit or Loss and Other Comprehensive Income are not accounted profit or loss from share issuing, redemption or annulling of units of the Fund.

The Fund is a exchange traded fund which issues its 'capital' instruments and has the obligation to repurchase them thereafter. The financial resources raised – the nominal and the issue reserves and the achieved financial result determine the net value of the assets owned by the investors.

The objectives, policies and processes related to the management of the Fund's obligation to repurchase the instruments in those cases where the holders of the said instruments request so, are specified in explanatory note 'Risks related to financial instruments'.

The net value of the assets of the Fund is determined in accordance with the Rules on portfolio assessment and determination of the net value of assets, these Rules being approved by the Financial Supervision Commission. The methodology of determining the net value of the assets of the Fund is based on:

- the provisions of accountancy legislation;
- the provisions of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) promulgated on October 04, 2011;
- Ordinance No. 44 on the requirements for the activity of collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds;
- the Rules and the Prospectus of the Fund;

The net value of the assets per share is the basis for determining the issue price and the repurchase price of the shares of the Fund for every working day.

The net value of the assets value otf the Fund is obtained by reducing the value of all assets from the value of liabilities.

The undistributed profit/accumulated loss consists of the current financial result and the accumulated profits and outstanding losses of previous years.

4.12. Provisions, contingent liabilities and contingent assets

Provisions are recognised in those cases where it is probable that a present obligation resulting from a past event may bring about an outgoing flow of resources of the Fund, and the amount of the said obligation can be reliably assessed. It may happen that the term or the amount of the outgoing cash flow is uncertain. The present obligation arises from the presence of a legal or constructive obligation as a consequence of past events, for instance legal disputes. The provisions regarding restructuring shall only be recognised if a detailed formal plan for restructuring has been developed and applied, or the governing body has announced the main points of the restructuring plan to those that would be affected. No provisions for future losses from the activity shall be recognised.

The amount which is recognised as a provision is calculated on the basis of the most reliable assessment of those expenses which are necessary for settling the present obligation as at the end of the reporting period, taking into consideration the risks and uncertainty related to the present obligation. Where there are a number of similar obligations, the probable need of an outgoing flow for discharging the obligation is determined by way of taking into account the group of obligations as a whole. The provisions are discounted in those cases where the effect of the differences in the time value of money is considerable.

Those indemnities due by third parties related to a certain obligation which the Fund shall certainly receive are recognised as a separate asset. This asset may not exceed the value of the respective provision.

Provisions are reconsidered as at the end of each reporting period and the value thereof is adjusted in order to reflect the best estimate.

In those cases where it is considered unlikely for an outgoing flow of economic resources to result from a current obligation, no liability is recognised.

Those probable incoming flows of economic benefits which do not yet conform to the criteria for asset recognition shall be regarded as contingent assets.

4.13. Significant assumptions made by the governing body in the course of application of the accounting policy

Those significant assumptions of the governing body made in the course of application of the accounting policies of the Fund which have had the most important influence on the financial assets are described below:

- The issue price and the repurchase price of the shares of the Fund are based on the net value of the assets of the Fund as at the date of determining these prices. The management Fund carries out an assessment of the portfolio of the Fund, determines the net value of the assets of the Fund and the net value of the assets per share,

and calculates the issue price and the repurchase price under the supervision of the depository bank, in accordance with the statutory requirements;

- The management Fund invests the assets of the Fund in securities, the ratios being in compliance with those set out in Arts. 45-50 of the LACISOUCI;
- Any subsequent measurements of the assets of the Fund are carried out in compliance with the Rules of the Fund and for determining NAV and Ordinance 44 dated 20 October 2011 on the requirements for the activity of collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds;
- According to the contracts concluded with the management Fund and the depository bank, the fees collected shall be charged on a daily basis;
- The management of the activity of the Fund has been carried out by the management Fund. In addition, the activity of the Fund has its regulatory constraints. For these reasons, the Fund has no tangible or intangible assets, or any investment property, neither does it have any right to conclude lease contracts; therefore, the Fund has not adopted an accounting policy regarding the measurement of this type of assets.
- The Fund has no personnel of its own; therefore, the Fund has not adopted an accounting policy regarding the accounting for pension liabilities and other liabilities to the personnel, or any remuneration due to the personnel on the basis of shares.

4.14. Uncertainty of the accounting estimates

When preparing the financial statements management undertakes a number of judgements estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual result may differ from judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates, and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income, and expense are discussed bellow.

4.14.1. Fair value of financial instruments

The Fund uses techniques to measure the fair value of financial instruments in the absence of quoted prices in an active market. Details of the assumptions used are provided in the notes on financial assets and liabilities.

In applying the valuation techniques, the Fund makes maximum use of market data and assumptions that market participans would use in pricing the financial instruments. Where applicable data, the Fund uses its best estimate of assumptions that market participants would make. These estimates may differ from the actual prices that would be determined in a fair market transaction between knowledgeable and willing parties in the end of the reporting period.

4.14.2. Measurement of expected credit losses

The credit losses are the difference between all contractual cash flows due to the Fund and all cash flows that the Fund expects to receive. Expected credit losses are a probability-weighted estimate of credit losses that require the Fund's judgement.

Expected credit losses are discounted at the original efective interest rate (or the credit-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

5. Financial assets at fair value through profit or loss

	2023 BGN '000	2022 BGN '000
Financial assets at fair value through profit or loss		
Investments in shares	31 548	29 856
Investments in bonds	16 530	18 632
Investments in shares in UCITs and AIF	8 277	8 111
	56 355	**56 599**

There are no blocked investments during the reporting periods.

According to the valuation model used in accordance with the Fund's Valuation Rules, financial assets at fair value through profit or loss are categorized as follows:

In thousands BGN, to 31.12.2023	Fair value determined by quotations from active markets	Fair value - determined by other observable market data	Fair value - discounted cash flow method	Net asset value as an approximation of fair value	Total
Bulgarian Shares	25 301	1 916	-	1 301	28 518
Foreign shares	3 030	-	-	-	3 030
Shares in UCITs and AIF	-	8 277	-	-	8 277
Bulgarian corporative bonds	3 968	1 253	2 520	-	7 741
Foreign corporative bonds	-	-	8 789	-	8 789
Total	**32 299**	**11 446**	**11 309**	**1 301**	**56 355**
% of assets	**57.31%**	**20.31%**	**20.07%**	**2.31%**	**100.00%**

When determining the fair value as at 31 December 2023 of the shares of OZOK Ins AD andBiovet AD issue, a technique of assessing the net carrying value of the assets was used.

The subsequent assessment of Bulgarian shares and rights admitted to trading on a regulated market or traded on another regulated market in the Republic of Bulgaria:

- at the average weighted price of the transactions contracted therein during the last working day, provided that the amount of the transactions contracted therein during the day is not lower than 0,02 per cent of the amount of the respective issue;
- the arithmetic mean of the highest bid price of the orders valid as at the closing time of the regulated market on the last working day, and the average weighted price of the transactions contracted in the respective securities during the same day;
- the average weighted price of the transactions contracted therein during the closest day within the last 30 days' period preceding the day of the assessment when there have been deals made.

As where it is impossible to apply the above methods to certain shares laid down in p. 4 above, as well as for shares which are not traded on regulated markets, the assessment is carried out by the net carrying value of the assets.

The fair value of the foreign securities abroad traded at active market is valued through the bid price at the closure of the market at the last working day announced in the system for pricing information.

A fair value of share and other collective investment schemes at art 38, para 1, poitn 5 from LACISOUCI including the cases of temporary cesation of share repurchases announced at the end of the day preceding the day of the valuation.

The fair value of Bulgarian bonds and other debt instruments allowed to be traded on a regulated market or another place for trade in Republic of Bulgaria is defined as following:

- at an average price of the deals made for the last working day, if the volume of the deals that have ben made is not less than 0,01 from 100 of the volume for this share emission;

- at the average weighted price of the deals made therein during the closest day within the last 30 days' period preceding the day of the valuation when there have been deals made.

When it is impossible to apply the abovedetailed methods to define the fair value of bonds and other shares allowed to be traded at regulated market or other place for trade and also when defining the fair value of bonds and other securities which are note traded on regulated markets or other places for trade the discounted net cash flows method has been used.

6. Valuation through fair value of financial instruments

The Fund holds in its portfolio financial assets which are accounted through the mehthod of the fair value through profit or loss according to the already applied accounting policy. This accounting policy is used to evaluate the same specific methods, according to the Rules for valuation of the assets and applied normative regulation.

As at 31 December 2023 the carrying amount of financial assets at fair value through profit or loss (presented in detail in Note 5 to the financial statements) amounts to BGN 56 355 thousand (2022: BGN 56 599 thousand) is their fair value.

The following table presents the financial assets and liabilities, valued through their fair value in the report for the financial statement in accordance with the hierarchy of fair value.

This hierarchy groups the financial assets and liabilities by three levels according to their data, used to define the fair value of balance sheet assets and liabilities. The hierarchy of the fair value includes the following levels:

- 1 level: market prices (uncorrected) of active markets for identical assets and liabilities;
- 2 level: incoming information different from level 1 which chould be seen to relate to information for a set of assets or liabilities or directly (through prices) or indirectly (based on prices)
- 3 level: incoming information for a given asset or liability which is not based on observable market data.

A financial asset or liability could be classed to its lowest level at a significant incoming information used for the definition of the fair value.

The following table analyses the hierarchy of the fair value of the assets and liabilities of the Fund, measured at fair value as of 31 December 2023

	Level 1 '000 BGN	Level 2 '000 BGN	Level 3 '000 BGN	Total '000 BGN
Groups of financial assets at fair value through profit or loss				
Bulgarian shares	25 301	1 916	1 301	28 518
Foreign shares	3 030	-	-	3 030
Shares in CIS and AIF	-	8 277	-	8 277
Bulgarian corporate bonds	3 968	1 253	2 520	7 741
Foreign corporate bonds	-	-	8 789	8 789
Total	**32 299**	**11 446**	**12 610**	**56 355**

The following table analyses the hierarchy of the fair value of the assets and liabilities of the Fund, measured at fair value as of 31 December 2022.

	Level 1 '000 BGN	Level 2 '000 BGN	Level 3 '000 BGN	Total '000 BGN
Groups of financial assets at fair value through profit or loss				
Bulgarian shares	20 620	2 359	1 215	24 194
Foreign shares	5 662	-	-	5 662
Shares in CIS and AIF	-	8 111	-	8 111
Bulgarian corporate bonds	114	3 543	6 186	9 843
Foreign corporate bonds	-	-	8 789	8 789
Total	**26 396**	**14 013**	**16 190**	**56 599**

Defining the fair value

The fair value of the assets traded on active markets (for example publicly traded securities) is based on market prices at the last date for trading during the year. A financial asset is considered traded on an active market if the market prices are existing from stock markets, dealers, brokers etc. These prices are presented and regularly traded market deals.

Defining the fair value at level 3

For financial assets and liabilities of the Fund, classed on level 3, fair value of the financial asset is valued through using techniques for valuation. The Fund uses different methods for valuation and guesses, based on market developments existing to the end of the year (see Note 4.4)

The following table presents the techniques used when assessing the fair value at level 3 as well as significant unobservable incoming data:

Type of financial instrument	Fair value as of 31.12.2023 ('000 BGN)	Techniques for valuation	Significant unobservable incoming data	Relation between the unobservable data and fair value
Bulgarian corporate bonds	2 520	Discounted cash flows	Discounted percent corrected to the risk above the risk-free premium	Significant increase above the risk-freee interest percent could lead to lower fair value
Foreign corporate bonds	8 789	Discounted cash flows	Discounted percent corrected for the risk above the risk-free premium	Significant increase above the risk-free interest would lead to a lower fair value
Bulgarian and foreign shares	1 301	Net value of the assets	-	-

7. Receivables under repo transactions

Issuer	Interest	Maturity	Currency	BGN '000
				2023
Synthetica AD-Sofia	3.928631	11.04.2024	BGN	524
Synthetica AD-Sofia	4.033149	11.06.2024	BGN	1 547
				2 071

Issuer	Interest	Maturity	Currency	BGN '000
				2022
Synthetica AD-Sofia	3.967391	23.02.2023	BGN	211
Synthetica AD-Sofia	4.319527	21.04.2023	BGN	503
Synthetica AD-Sofia	4.343391	04.05.2023	BGN	129
VF Alternative Fund JSC - Sofia	4.404518	30.06.2023	BGN	725
Intercapital Property Development ADSIC	4.391594	30.06.2023	BGN	154
EUROHOLD BULGARIA JSC	4.400115	30.06.2023	BGN	821
				2 543

8. Other receivables

	2023 BGN '000	2022 BGN '000
Receivables from accrued interest, dividends and matured issues, gross amount before impairment	161	164
Receivables from transactions in financial instruments	-	118
Expected credit losses and impairment losses on trade receivables	(131)	(125)
Total	**30**	**157**

All receivables are short-term. The net carrying amount of trade and other receivables is considered a reasonable estimate of their fair value.

All other receivables of the Fund have been reviewed for indications of impairment. Some receivables were impaired on an individual basis and the corresponding impairment in the amount of BGN 6 thousand. (2022: BGN 6 thousand) is recognized in the income statement and other comprehensive income under "Other expenses". Impaired receivables are related to maturing interest and principal receivables on bonds.

The change in the impairment of other receivables can be presented as follows:

	2023 BGN '000	2022 BGN '000
As at 1 January, recalculated	125	119
Impairment loss	6	6
As at 31 December	**131**	**125**

9. Cash and cash equivalents

	2023 BGN '000	2022 BGN '000
Current account with the depository bank:		
- in BGN	765	211
- in USD	143	125

This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian text shall prevail.

- in EUR	1 557	1 654
Fixed-term bank deposits	765	211
Total	**2 465**	**1 990**

The Fund has evaluated the expected credit losses on cash and cash equivalents. The estimated value is amount is less than 0.2% of the gross amount of cash deposited with financial institutions, which is therefore considered to be immaterial and has not been accrued for in the financial statements of the Fund.

The Fund does not have any frozen cash or cash equivalents.

10. Net assets, belongin to unitholders

10.1. Number of units issued

During the presented period, the number of units in circulation is are follows:

	2023		2022	
			Number of units	
	Number of units	Nominal value		Nominal value
As at 1 January	**52 054 453.00**	**1 BGN/unit**	**47 356 743.74**	**1 BGN/unit**
Units issued	1 830 605.00	1 BGN/unit	4 697 709.26	1 BGN/unit
Shares repurchased	(1 866.00)		-	
As at 31 December	**53 883 192.00**	**1 BGN/unit**	**52 054 453.00**	**1 BGN/unit**

As at 31 December 2023, EF Principal ETF has 53 883 192 units in circulation. Their total value is in the amount of BGN 53 883 192 (each share has a par value of BGN 1), which is the amount of the outstanding shares under the balance sheet of the Fund.

10.2. Units issued at net value of the assets per unit

	2023	2022
	BGN '000	BGN '000
Registered capital	53 883	52 055
Premiums related to the issue of capital	3 861	3 592
	57 744	**55 647**

10.3. Net asset value per unit

The net value of the assets per unit as at 31 December 2023 is BGN 1.1292 . It is calculated for the purposes of these financial statements, in compliance with the principles of the ISFRs. As at 31 December 2023 the value of the net assets of the Fund amounts to BGN 60 844 040.

The net value of the assets of the Fund is the basis for determining the issue price and the repurchase price of the units. It is calculated on a daily basis. The net value of the assets of the Fund is equal to the aggregate of the carrying value of the securities within the portfolio of the Fund, the receivables of interest and dividends from these securities, the financial

resources in the bank accounts, and other assets decreased by the carrying value of the payables for management, depository services, loans received and others. The net value per unit is calculated by way of dividing the net value of the assets by the number of units.

11. Other liabilities

	2023 BGN '000	2022 BGN '000
Liabilities to custodian bank	3	2
Liabilities for subscription of shares	-	1 700
	3	**1 702**

12. Net profit/(loss) from financial assets at fair value through profit or loss

	2023 BGN '000	2022 BGN '000
Profit from foreign exchange revaluation of financial assets at fair value through profit or loss	7	6
Losses from foreign exchange revaluation of financial assets at fair value through profit or loss	-	(6)
Profit from a change in the fair value of the financial assets at fair value through profit or loss	37 678	31 746
Loss from a change in the fair value of the financial assets at fair value through profit or loss	(38 350)	(30 412)
	(665)	**1 334**

13. Remuneration expenses of the Custodian Bank

All expenses for the custodian bank Unicredit Bulbank AD, where the fund's assets are stored, are BGN 28 thousand, and for 2022 they are BGN 28 thousand. The expenses related to the custodian bank are calculated based on the average annual net value of the assets and additional fees related to the safekeeping of securities, income collection fees and corporate events.

14. Other expenses

The other expenses incurred by the Fund in the amount of BGN 41 thousand (2022: BGN 499 thousand) are mainly related to impairment of receivables at matured interest and principal on bonds, fees to the Financial Supervision Commission, Central Depository AD, audit fees, etc.

15. Related parties

The Fund's related parties include the management Fund, the owners of the management Fund and other key management staff.

15.1. Transactions during the year

Unless explicitly specified, the transactions with related parties are not regarded as being carried out under special conditions.

15.1.1. Transactions with the owners of the management Fund

The owners of the management Fund have not carried out transactions involving the Fund's shares.

15.1.2. Transactions with key management staff of the management Fund

The key management staff of the management Fund consists of the members of the Board of Directors. The indicated persons have not carried out transactions involving the Fund's shares.

15.1.3. Transactions with the management Fund

	2023 BGN '000	2022 BGN '000
Management fee	(904)	(873)
	(904)	**(873)**

The commission of the management Fund for the management of the Fund is calculated on a daily basis and is in the amount of 1.50 %. As for the year 2023, the amount of these commission fees is in the amount of BGN 903 710.

The structure of the annual remuneration payable to the management Fund can be presented as follows:

- annual management fee:
  - 1.50 % - management Fund remuneration
  - 0.10% - other operating expenses

15.2. Accounts receivable from or payable to related parties as at the end of the year

	2023 BGN '000	2022 BGN '000
Liabilities to the management Fund	74	74
	74	**74**

As at 31 December 2023, EF Principal ETF has liabilities to the management Fund 'EF ASSET MANAGEMENT' AD in the amount of BGN 74 295.

16. Non-cash transactions

During the accounting period, the Fund did not carry out investment or financial transactions involving cash or cash equivalents that are not accounted for in the statement of cash flows.

17. Contingent assets and contingent liabilities

During the period the Fund has no contingent assets.

During the year no legal claims were brought.

The Fund does not have other liabilities assumed.

18. Categories financial assets and financial liabilities.

The carrying amounts presented in the statement of financial position relate to the following categories assets and liabilities:

Financial assets	Note	2023 BGN '000	2022 BGN '000
Debts instruments at amortized cost:			
Receivables under repo transactions	7	2 071	2 543
Other receivables	8	30	157
Cash and cash equivalents	9	2 465	1 990
		4 566	**4 690**
Financial assets at fair value through profit or loss:	5		
Corporate bonds		16 530	18 632
Equity instruments		31 548	29 856
Shares in UCITs and AIF		8 277	8 111
		56 355	**56 599**

Financial liabilities	Note	2023 BGN '000	2022 BGN '000
Financial liabilities, instruments at amortized cost:			
Liabilities to related parties	15.2	74	74
Liabilities to custodian bank	11	3	2
Liabilities for subscription of shares	11	-	1 700
		77	**1 776**

See note 4.4 about information related to the accounting policy for each category financial instruments. The metods which are used for assessment of fair value are presented in note 4.4. Description of the risk management objectives and policies of the Fund related to the financial instruments is presented in note 19.

19. Risks related to financial instruments

Objectives and policy of the governing body as regards risk management

The risk associated with the activity of managing the Fund's portfolio is connected with the possibility of having the actual proceeds from a given investment not corresponding to the estimated ones, and with the Fund's obligation to the shareholders to repurchase the financial instruments in those cases where so required by the shareholders.

The specific of the management of Funds' portfolios brings about the necessity of applying adequate systems for timely identification and management of different types of risk, the procedures for risk management, the mechanisms of keeping the risks within acceptable limits, the optimum liquidity and diversification of the portfolio being extremely important.

The greatest financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

19.1 Analysis of market risk

Market risk is the risk of loss of value of balance sheet items and off-balance sheet ones, the said loss arising from changes in the market prices of investment instruments. The main components of market risk which the management Fund keeps track of are the following ones: stock exchange risk; interest risk; currency risk.

Stock exchange risk is the risk of loss resulting from a change in the prices of shares which are traded on a regulated market. According to modern portfolio theory and especially the Capital Assets Pricing Model (CAPM), this risk consists of two components: systematic and specific risk.

Systematic risk concerns the sensitivity of the investment instrument or the value of the portfolio to the changes in the levels of the principal market index.

Non-systematic (specific) risk concerns the portion of changeability of an instrument and is determined by the specific characteristics of the Fund. It is only the non-systematic risk that can be eliminated through diversification.
However, because of the specifics of Bulgarian market, the monitoring of these two types of stock exchange risk is not sufficiently effective. This is conditioned by the nature of the market as a newly emerging one. As far as newly emerging markets are concerned, it is established that the sensitivity of assets with respect to the market levels is not clearly expressed; it is greatly changeable and of uncertain value. This fact gives rise to the need for applying other models of assessment of stock exchange risk which go beyond the capacity of the CAPM.

Owing to that, apart from the systematic and non-systematic risk, the management Fund also keeps track of the general risk and the changes in the risk associated with each separate asset which forms part of the portfolio of the Fund. The monitoring of the unsteadiness of general risk (i.e. the risk of the risk) is of extreme importance.

19.1.1. Currency risk

The currency risk which is attributable to the shares of the Fund is mainly connected with the currency risk posed by the investment instruments of its portfolio. The investment policy and strategy of the Fund is based on the fact that the country has the so-called 'monetary board' ('currency board') and the BGN/EUR currency exchange rate is a fixed one, which, in practice, eliminates the risk of a change in the ratio between the two currencies. When investing in securities, shares and debt securities denominated in a currency other than BGN or EUR, there shall be applied standard techniques of insurance (hedging) against currency risk: purchase of currency options, forward transactions, purchase or sale of currency through spot transactions, and purchase or sale of futures contracts.

As at 31 December, the assets structure by types of currency is as follows:

31 December 2023	Polish zloty BGN '000	EUR BGN '000	BGN BGN '000	Total BGN '000
Shares	21	3 008	28 519	31 548
Corporate bonds	-	14 230	2 300	16 530
Units in UCITs and AIF	-	-	8 277	8 277
Receivables	-	27	2 074	2 101
Cash and cash equivalents	-	143	2 322	2 465
Total exposure to short-term risk	**21**	**17 408**	**43 492**	**60 921**

31 December 2022	Polish zloty BGN '000	EUR BGN '000	BGN BGN '000	Total BGN '000
Shares	15	5 647	24 194	29 856
Corporate bonds	-	14 763	3 869	18 632
Units in UCITs and AIF	-	-	8 111	8 111
Receivables	-	153	2 547	2 700
Cash and cash equivalents	-	125	1 865	1 990
Total exposure to short-term risk	**15**	**20 688**	**40 586**	**61 289**

The value of the assets in Polish zloty and USD of the Fund related to the total assets is minimal, and the limited movement of the exchange rate of Polish zloty to the Bulgarian lev does not require calculation of currency risk due to insignificance.

19.1.2. Interest risk

Interest risk arises from a change in the value of securities resulting from a change in the interest rates. The effect of interest risk mainly concerns debt securities. In general, in those cases where the interest percentage increases, the price of the respective instruments decreases and vice versa. The bonds of longer maturity, as well as those of lower percentage of coupon payment are more sensitive to the fluctuations in interest rates.

An increase in the average interest rates may have its implication on the increase in the interest expenses of the companies in which the Fund has invested. The increase in interest expenses may lower the rate of return for the said companies, which may exercise an influence over the stock quotes of their shares. In order to decrease this risk, a regular analysis of market conditions is carried out for preventing against the unfavourable fluctuations in the prices of those securities in which the Fund has invested.

The following table shows information about the nominal interest rates of the Fund's assets:

31 December 2023	Interest %	Interest-bearing	Interest-free	Total
		BGN '000	BGN '000	BGN '000
Shares	-	-	31 548	31 548
Corporate bonds	3.25% up to 6.5%	16 530	-	16 530
Units in UCITs and AIF	-	-	8 277	8 277
Receivables under repo transactions and other receivables	0.3 % up to 4.5%	2 071	30	2 101
Cash and cash equivalents	0% up to 1%	2 465	-	2 465
Total assets		**21 066**	**39 855**	**60 921**

31 December 2022	Interest %	Interest-bearing	Interest-free	Total
		BGN '000	BGN '000	BGN '000
Shares	-	-	29 856	29 856
Corporate bonds	3.25% up to 6.5%	18 632	-	18 632
Units in UCITs and AIF	-	-	8 111	8 111
Receivables under repo transactions and other receivables	4% up to 4.5%	2 543	157	2 700
Cash and cash equivalents	0% up to 1%	1 990	-	1 990
Total assets		**23 165**	**38 124**	**61 289**

19.1.3. Price risk

Price risk is the risk of unfavourable changes occurring in the prices of the Fund's shares as a result of changes in the measurement of net assets. The management Fund shall restate the value of the assets on a daily basis, doing so under the supervision of the depository bank. A change in the price may be either in the direction of an increase or in the direction of a decrease. There is no guarantee that the investors shall realise a positive income from the shares they hold in the Fund, neither is there any guarantee that they shall preserve the initial value of the investments they have made. The value of the assets of the Fund depends on the decisions of the management Fund's portfolio managers, the indicated decisions being taken after a preliminary analysis and an examination of the factors influencing the value of the investments made. This is the risk of a change occurring in the price of shares as a result of changes in the prices of the assets of the investment portfolio of the Fund. This type of risk is also associated with an unfavourable change in the financial position of the Fund. A change in the price can be either in the direction of a decrease or in the direction of an increase.

The price risk of the Fund's shares which is caused by a change in the financial position of the Fund is considerably limited because of the statutory requirements regarding the structuring of its investment portfolio, the additional restrictions provided for in the Fund's rules and the legal limitations on the Fund's expenses. In addition to the control on the part of the management Fund, both the Financial Supervision Commission and the depository bank exercise constant control over the activity of the Fund as well as on the activity of the Fund that manages it.

For the calculation of the total risk exposure, the Fund uses the Commitment method recommended in the CESR Risk Measurement Guidelines and the calculation of the total risk exposure and counterparty risk at collective investment schemes (CESR/10-788.).

19.2Analysis of credit risk

Credit risk is the risk that it might be impossible for the issuer of debt securities, or respectively, for the person that has furnished the security, to perform his obligations, and particularly, to pay in due time the principal and/or the interest due. As for repurchase contracts, if the contractor of the Fund is unable to perform his obligation to repurchase the securities, the Fund may sustain a loss inasmuch as the revenues from the sale of the security are lower compared to the price of the repurchase in those cases where the latter is a fixed one. Should the specific securities have their credit rating, the credit risk also reflects the possibility of a decrease in the credit rating of those securities which the Fund has invested in.

The credit risk exposure of the Fund is limited to the amount of the carrying value of the financial assets recognized as at the date of the statements, as shown below:

	2023 BGN'000	2022 BGN'000
Classes of financial assets - carrying amounts:		
Other Receivables	30	157
Receivables under repo transactions	2 071	2 543
Cash and cash equivalents	2 465	1 990
Financial assets at fair value through profit or loss	56 355	56 599
Carrying amounts	**60 921**	**61 289**

The credit risk on cash and cash equivalents is considered insignificant, as the counterparties are banks with a good reputation and a high external credit rating.

The management of the Management Fund believes that all the above financial assets that are not impaired during the reporting periods are financial assets with high credit quality.

The Fund regularly monitors the timely receipt of amounts due, and the information is used to analyze the credit risk of counterparties.

The Fund has no collateral held as a guarantee for its financial assets, except for the assets that are pledge on receivables from repo transactions.

19.3Analysis of liquidity risk

Liquidity risk is the realization of possible losses from the sale of assets at unfavorable conditions in relation to short term liabilities. For the Fund, this risk would arise at the time of redemption of shares by investors with greater participation in the Fund's units, which would reduce the free cash. Protection against this risk is realized by maintaining a certain balance on the current account and investment securities with relatively good rate of liquidity.

The liquidity of the Fund is subject to supervision on a daily basis. The management Fund considers the combination of any other basis - weekly, monthly or otherwise, for non-functional because of the possibility given for presenting units for redemption on any business day when the offices of the management Fund are open.

The management Fund and the Fund are bound by the liquidity obligations ensuing from Ordinance 44 dated 20 October 2011 on the requirements regarding the activity of collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds as regards the minimum liquid assets that must constantly be available to the Fund.

For the purpose of avoiding liquidity problems, control is exercised and assessment is made of the Fund's liquidity and cash flows.

The liquidity of the Fund is subject to supervision on a daily basis. In view of the obligation regarding the daily presentment of shares for repurchase, the management Fund monitors the outgoing and incoming cash flows on a daily base.

During the reporting period the liquid assets kept being over 2.5 % of the net value of the assets, which is indicative of the fact that during the said period the Fund was not exposed to a significant decrease in its liquid assets.

Since the start of the Fund's activity, no deficiency of liquid assets or difficulties in discharging its liabilities have been established.

During the reporting period the Fund has not made use of external sources for the provision of liquid assets, and performed its current liabilities in due time.

All the current liabilities of the Fund are non-interest bearing ones and have residual maturity not exceeding 3 months.

The maturity structure for the residual term at book value of assets and liabilities is prepared according to the contractual maturities for deposits and securities:

As at 31.12.2023	up to 3 months	up to 1 years	from 1 to 5 years	over 5 years	No maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	351	1 206	-	-	908	2 465
Other Receivables	30	2 071	-	-	-	2 101
Shares	-	-	-	-	31 548	31 548
Shares in UCITs and AIF	-	-	-	-	8 277	8 277
Corporate bonds	339	409	8 611	7 171	-	16 530
Total assets	**720**	**3 686**	**8 611**	**7 171**	**40 733**	**60 921**
Current liabilities	77	-	-	-	-	77
Total liabilities	**77**	**-**	**-**	**-**	**-**	**77**

The Management Fund and the Fund follow the liquidity obligations according to the regulations for liquid assets, which the Fund must have at its disposal at all times. In 2023, the liquid funds were always above the normative minimum and no external sources of liquid funds were used.

As of December 31, 2023 the liabilities of the Fund are current and amount to BGN 3 thousand due to the custodian bank and BGN 74 thousand due to the management Fund.

The maturity structure for the residual term at book value of assets and liabilities is prepared according to the contractual maturities for deposits and securities

As at 31.12.2022	up to 3 months	up to 1 years	from 1 to 5 years	over 5 years	No maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	-	1 654	-	-	336	1 990
Receivables	338	2 362	-	-	-	2 700
Shares	-	-	-	-	29 856	29 856
Shares in UCITs and AIF	-	-	-	-	8 111	8 111

Corporate bonds	-	14	9 300	9 318	-	18 632
Total assets	**338**	**4 030**	**9 300**	**9 318**	**38 303**	**61 289**
Current liabilities	1 776	-	-	-	-	1 776
Total liabilities	**1 776**	**-**	**-**	**-**	**-**	**1 776**

The Management Fund and the Fund follow the liquidity obligations according to the regulations for liquid assets, which the Fund must have at its disposal at all times. In 2022, the liquid funds were always above the normative minimum and no external sources of liquid funds were used.

As of December 31, 2022 the liabilities of the Fund are current and amount to BGN 2 thousand due to the custodian bank, BGN 74 thousand due to the management Fund and BGN 1 700 thousand - liabilities related to issuing.

20. Policy and procedures for capital management

According to the Rules of the Fund, the management Fund manages theFund, taking the necessary decisions related to its organisation, operation and winding up. The said decisions are taken by the Board of Directors of the management Fund. The decisions regarding the investment of the assets of theFund are taken by the investment consultant, who is an employee of the management Fund, in compliance with the investment objectives, strategy and restrictions of the Fund. The decisions related to the current operative management of the Fund are taken by the Executive Member of the Board of Directors (Executive Director) and the Procurator of the management Fund.

The objectives of the Management Fund regarding the management of the net asset value belonging to the investors are:
- achieve profitability with minimum risk for investors;
- maintain high liquidity for timely repay repayment of obligations to investors that could arise when repurchasing shares;
- adequate ratio between cash invested in securities and cash instruments.

The management of the net value of the assets belonging to the investors - the use and for generating income is performed by the investment consultant of the Management Fund in accordance with the regulations, the Prospectus and the Rules of the Fund.

21. Events occurring after the end of the reporting period

No adjusting events or considerable non-adjusting events occurred between the date of the Statement of Financial Position and the date of the Board of Directors' approval of the said Statement.

22. Approval of the Financial Statements

The financial statement as of December 31, 2023 (including comparative information) was approved and adopted by the board of directors on March 25, 2024.