**Expat Czech PX UCITS ETF**

**ISIN BGCZPX003174**

ANNUAL REPORT ON THE ACTIVITY AND

FINANCIAL STATEMENTS

31 December 2023

## Contents Table

**ANNUAL REPORT ON THE ACTIVITY**

**of "Expat Czech PX UCITS ETF" Exchange Traded Fund**

**for the year ended 31 December 2023 in**

**accordance with Art. 39 of the Accountancy Act**

"Expat Czech PX UCITS ETF" Exchange Traded Fund ("the Fund") is a collective open-ended investment scheme for security investments and other liquid financial assets, established and operating in accordance with the Collective Investment Schemes and Other Undertakings for Collective Investment Act (ACISOCIVA), the Public Offering of Securities Act and the regulations for its implementation, the Financial Instruments Markets Act, the Obligations and Contracts Law and the other applicable laws of the Republic of Bulgaria.

The Fund is a designated property for investment in securities and other liquid financial assets in view of achieving its investment objectives.

The Fund is a designated property for the purpose of collective investment in funds raised through public offering of units in transferable securities and other liquid financial assets under Art. 38, para. 1 of the ACISOCIVA carried out by the management company with the purpose of spreading risk.

The Fund is organised and managed by the management company "Expat Asset Management" EAD.

The management company is authorised to organise and manage the Fund by the Financial Supervision Commission under authorisation dated №165 – DF 11 December 2017. The Fund is organised in full compliance with the European Directives on UCITS.

No research and development activities were carried out during the reporting period. Expat Czech PX UCITS ETF has no branches.

The Fund is a passively managed exchange traded fund that follows the model of full physical replication of PX index of the Prague Stock Exchange. It is traded on the Bulgarian Stock Exchange and Frankfurt Stock Exchange (XETRA) having CZX as its ticker code.

In order to achieve the highest possible correlation with the performance of the Reference Index, the Fund invests solely in a basket of balance sheet assets comprised of shares of companies in the Reference Index. As a fund for direct replication, "Expat Czech PX UCITS ETF" may not necessarily invest in every company comprising the Reference Index, or with the exact weight of that company in the Reference Index. Successfully achieving the Fund's objective to directly replicate the Reference Index depends on the investment restrictions followed and the market conditions, including the liquidity of the Reference index.

**Net asset value of the Fund**

Net asset value of the Fund may not be less than BGN 100 000 in accordance with Art. 82, Paragraph 1 of Ordinance 44/2011 on the requirements towards the activities of the collective investment schemes, management companies, national investment funds and entities managing alternative investment funds.

As at 31.12.2023 the total value of the assets of Expat Czech PX UCITS ETF amounts to BGN 350 335. The liabilities amount to BGN 582. The net asset value is BGN 349 753. The number of outstanding units at the end of 2023 is 150 000 and by the end of 2022 the units are 270 000. The realized return from the beginning of the public offering is 19.23% and in 2023 it was 15.37%.

**Risk profile**

The risk profile of the Exchange Traded Fund represents the amount and type of risk that the Management company undertakes by investing the assets of the Fund, while seeking to replicate the Reference Index, which at the date of this statement is an index of shares of PX. In this respect, investing in units of "Expat Czech PX UCITS ETF" involves undertaking a high risk, given that the Reference Index comprises of stocks.

In its operation, "Expat Czech PX UCITS ETF" is exposed to various types of risks affecting its results. The main risks that investors shall face when they invest in units of "Expat Czech PX UCITS ETF" are:

*Market risk*

Probability of loss occurring from adverse changes in the securities prices, market interest rates, exchange rates and other factors. This market risk affects the net asset value of the Fund, which will also vary as a result of changes in market price of shares and other securities in which the Fund has invested.

Expat Asset Management's financial forecasts for the Fund reflect the results that management deems most likely, based on the information available at the date of signature of this financial statement.

In order to assess the Fund's flexibility towards less favorable performance, a sensitivity analysis was carried out to reflect a series of scenarios based on the main risks to the Fund and the prospects for a downturn in the economy in which it operates.

The Fund's performance (measured by the change in the "net asset value per share or per unit" parameter) is directly influenced by the movement of the prices of financial instruments in the Fund's portfolio.

*Extreme market movements*

The market price of the financial instruments in which the Fund invests may fluctuate due to changes in the economic and market environment, monetary policy of central banks, business activity of issuers, the sector in which the issuer operates and the demand and supply of securities market. At certain times, the market price of shares (stock exchange) can change substantially. In the event of major movements of the Index, including large daily movements, the performance of the Fund may depart from its investment objectives. The revaluation of the Fund will fluctuate as a result of changes in the value of the Fund's assets and the Reference Index.

*Inability of the Management Company to adapt to market changes*

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

*Liquidity risk*

The risk associated with the probability of losses or profits by mandatory or forced sale of assets in adverse market conditions (such as lower demand in the presence of over supply).

*Issue and redemptions*

In case the issue and redemption orders for units are received late or do not meet the requirements of the Prospectus and the Fund’s Rules, there will be a delay between the date of placing the order and the actual date of issue or redemption. Such postponements or delays may lead to a decrease in the number of units or the amount of redemption.

*Trading on a regular market*

There can be no assurances that the units of the Fund will be traded or that the criteria of admission to trading will not be changed. Moreover, trading of the units on a stock exchange may be suspended under the rules of the respective exchange due to market conditions and investors may not be able to sell their units until trading resumes.

*Regulatory risk*

The prospectus of the Fund has been prepared in compliance with the applicable laws and regulations. The Management Company and/ or the Fund and its investment objectives and policies may be affected by future changes in laws and regulations. New or modified laws, rules and regulations in Bulgaria or the European Union could prevent or significantly limit the Fund’s ability to invest in certain instruments. They could also impact conclusion of agreements with certain third countries. This may affect the ability of the Fund to perform the relevant investment objectives and policies. Applying such new or modified laws, rules and regulations could lead to an increase of any or all of the Fund’s costs and may require restructuring of the Fund, in order to meet the new rules. Such a probable restructuring may include restructuring costs. When restructuring is not possible, the Fund may proceed to termination. The assets of the Fund and the Reference index are subject to change in laws or regulations, and such a change might affect their value and/ or liquidity.

*Operational risk*

It is associated with the likelihood of loss resulting from errors or system failures in the organisation, insufficiently qualified personnel and unfavourable external events that are not financial in nature, incl. legal risk.

*Risk of error in tracking the Reference Index*

Tracking the Reference Index by investing in all positions of the index can be costly and difficult to implement. Portfolio managers can use optimisation techniques, such as selection of individual positions in the Index in proportions that differ from those in the Index. The use of such optimisation techniques can increase the error in tracking and lead to a different performance of the Fund towards the Index. Furthermore, existing restrictions or future changes in laws and regulations of the Exchange Traded Fund, related but not limited to the composition, concentration and method of measurement of assets, can lead to inability of the Fund to replicate the index in full. In addition, exchange traded funds on markets characterised by low liquidity are exposed to a greater risk of error in tracking an index.

*Reference index*

If there is an event that affects the Index, the Fund may be required to suspend the issue and redemption of units. The revaluation of the Fund may also be affected. In case of continuing problems with the Index, the Fund will take appropriate actions, which may reduce the net asset value of the Fund.

*Systematic risks*

Systematic risks depend on general fluctuations in the economy and the markets in general. The Fund is unable to influence the systematic risks but will take them into account and will comply with them. Risks arising from political and economic situation are a possible instability or military action in the region. Disasters and accidents are factors complicating any system of risk management. The consequences are hard to predict, but access to information and applying a system of forecasting and actions in extreme situations are possible ways to mitigate the negative effect.

*Sustainability risks*

Sustainability risks are events or conditions of an environmental, social or governance nature that, if they occur, could have a material adverse impact on the value of investments. In accordance with

Article 3 of Regulation (EU) 2019/2088, the Company has adopted and implemented a policy to integrate sustainability risks into the investment decision-making processes for all collective investment undertakings managed by the Company, including the Fund. A key principle of the policy on integrating sustainability risks into investment decision-making is to maximise the financial return on investments. However, to the extent that the Fund is passively managed and follows the Index in the manner set out in its Rules, the integration of sustainability risks into investment decision-making processes by the Management Company is not applicable to this Fund.

*Rising interest rates and recession risk*

In past years, there have been prolonged periods of historically low interest rates, which changed in the past year when some central banks globally began to raise them. Recently, global markets have experienced significant volatility with significant declines in both bond and equity markets. In addition, central banks around the world have raised interest rates in an attempt to curb rising inflation. Expat Asset Management's business is directly and indirectly affected by changes in global interest rates.

Changes in interest rates may affect the value of the securities in which we invest, which may affect the value of the assets managed by Expat Asset Management LLC and the Company's earnings. To manage this risk, Expat Asset Management EAD employs several strategies, such as investing in securities with shorter maturities and maintaining a diversified portfolio. Furthermore, in order to manage the risk, Expat Asset Management EAD prepares stress tests of the portfolios for potential interest rate scenarios.

Our business is affected by national and global economic conditions, which can change suddenly, as well as perceptions of these conditions and future economic prospects, such as concerns about a potential recession. If recessionary economic conditions develop, they are likely to have a negative impact on the entire financial services industry, including us. Changes in broader economic conditions are unpredictable and cannot be controlled. Negative consequences to our business could arise from low levels or declines in economic growth, reductions in private equity and venture capital investment, changes in customer spending, restrictions on the availability or increases in the cost of credit and capital, reductions in public capital investment, high levels of inflation, uncertainty regarding fiscal, monetary and political issues, and increases in benchmark interest rates.

*Geopolitical issues*

Geopolitical issues, including the war in Ukraine, the conflict in Gaza, and the tensions in diplomatic relations affecting the US and other countries, and restrictions on international trade, may have impact on the stability of financial markets and the global economy. Geopolitical tensions, such as trade disputes or political instability, may affect the value of investments and may lead to increased market volatility. Ongoing conflicts between Russia and Ukraine, and between Israelis and Palestinians, have the potential to negatively impact global markets and affect the performance of certain sectors. The geopolitical risk management strategies employed by Expat Asset Management EAD, including the monitoring of global events, maintaining diversified portfolios and the use of risk management tools such as derivatives.

*Risk profile and risk management*

The Fund’s risk profile may be changed only with the approval of the Financial Supervision Commission as reflected in the Prospectus and Fund Rules. The risk profile of the Fund during the reporting period remains unchanged. The main risks associated with the Fund's operations are detailed in the Prospectus published on the Management Company's website. The management does not expect any other type of risks or uncertainties, other than those presented in the Prospectus, to affect the Fund's activities.

*Structure and percentage of key activity indicators*

*Structure of assets and liabilities*

The Fund's assets structure is presented in absolute value and as a percentage of total assets by the end of 2023 and 2022.

| **Assets** | **As of 31.12.2023** | **%** | **As of 31.12.2022** | **%** |
|---|---|---|---|---|
| Cash | 2 074 | 0,59% | 9 790 | 1,79% |
| Shares | 348 261 | 98,41% | 537 290 | 98,21% |
| **Total assets** | **350 335** | **100,00%** | **547 080** | **100,00%** |

The Fund's total liabilities at the end of 2023 amount to BGN 582, representing liabilities to the Custodian Bank (CB) and the Management Company (MC).

| **Liabilities** | **As of 31.12.2023** | **%** | **As of 31.12.2022** | **%** |
|---|---|---|---|---|
| Liabilities to CB | 276 | 0,08% | 315 | 0,06% |
| Liability to MC | 306 | 0,09% | 1 073 | 0,19% |
| **Total liabilities** | **582** | **0,17%** | **1 388** | **0,25%** |
| **Total liabilities and equity** | **350 335** | **100,00%** | **547 080** | **100,00%** |

The liabilities to Custodian Bank and Management Company are charged on a daily basis in accordance with the Fund's Portfolio Valuation Rules, which are approved by the FSC.

*Operating results*

The operating expenses of the Fund are shown in the following table:

| **Type of expenses** | **2023** | **%** | **2022** | **%** |
|---|---|---|---|---|
| Loss from operations and revaluation of financial assets | 1 850 | 1,48% | 126 185 | 35,76% |
| Expenses associated with foreign currency operations | 104 425 | 83,42% | 174 525 | 49,47% |
| Other financial expenses | 11 048 | 8.83% | 15 711 | 4.45% |
| External services expenses | 7 855 | 6,27% | 36 414 | 10,32% |
| **Total expenses** | **125 178** | **100,00%** | **352 835** | **100,00%** |

The operating income of the Fund is shown on the following table:

| **Type of income** | **2023** | **%** | **2022** | **%** |
|---|---|---|---|---|
| Income from dividends | 21 002 | 9,76% | 39 428 | 16,52% |

| | | | | |
|---|---|---|---|---|
| Income from operations and revaluation of financial assets | 94 752 | 46,08% | 11 325 | 4,74% |
| Income associated with foreign currency operations | 99 420 | 46,20% | 187 973 | 78,74% |
| **Total income** | **215 174** | **100,00%** | **238 726** | **100,00%** |

The operating results of the Fund for 2023 and 2022 are shown in the table below:

| | 2023 | 2022 |
|---|---|---|
| Income | 215 174 | 238 726 |
| Expenses | 125 178 | 352 835 |
| **Net result** | **89 996** | **(114 109)** |

During the reporting period, there were no internal events affecting the exchange traded fund and the Management Company's operations and results.

As a collective investment scheme, the Fund may not carry out and did not carry out transactions with group companies, according to the ACISOCIVA restrictions.

No repo transactions have been carried out by the Fund during the reporting period.

The main shareholder of "Expat Asset Management" EAD is "Expat Capital" AD.

As of 31.12.2023 members of the Board of Directors of Expat Asset Management EAD are:

1. Daniel Penov Donchev - Executive Director
2. Nikolay Vassilev Vassilev - Executive Director
3. Nikola Simeonov Yankov - Chairman of the Management Board
4. Konstantina Dimitrova Pergelova-Okoliyska - Member of the Board of Directors
5. Gloriya Martinova Nikolova - Member of the Board of Directors.

The term of office of the Board of Directors is until 04.03.2026.

The company is represented jointly by Daniel Penov Donchev and Nikolay Vassilev Vassilev.

The following information required under Art. 39 of the Accountancy Act does not apply to an exchange-traded fund:

- future development of the undertaking
- information under Art. 247 of the Commerce Act
- actions in the field of research and development and ecology
- information about buy-back of own units
- economic policy scheduled for the following year
- expected investments and staff development
- expected income from investments and company development
- forthcoming transactions that are essential for the Company's operations
- branches of the undertaking
- the Fund is not subject to the requirements of Art. 41 of the Accountancy Act and is not obliged to provide a non-financial statement.

*Information on pending court, administrative or arbitration proceedings referring to liabilities or receivables*

The management has no information on the existence of such receivables or liabilities.

*Events after the reporting date*

There are no events after the date of the reporting period requiring adjustment or disclosure in the Fund's annual financial statements that have occurred during the period from the reporting date to the date on which such financial statements were approved for issue by the Board of Directors of the Management Company.

*Report on tracking error according to Art. 82f of Ordinance No. 44 of October 20, 2011, on the Requirements to the Activities of Collective Investment Schemes, Management Companies, National Investment Funds and Alternative Investment Fund Managers.*

| **ISIN** | **Name of the exchange traded fund** | **Anticipated tracking error for 2024** | **Realized tracking error as of 31.12.2023** |
|---|---|---|---|
| BGCZPX003174 | Expat Czech PX UCITS ETF | up to 10% | 0.98%* |

| **ISIN** | **Name of the exchange traded fund** | **Return of ETF for 2023** | **Return of Index for 2023** | **Tracking difference for 2023** |
|---|---|---|---|---|
| BGCZPX003174 | Expat Czech PX UCITS ETF | (15.37%) | (17.67%) | (2.3%) |

*The realized tracking error is calculated on a weekly basis for 52 weeks prior to 31.12.2023.

For 2024, we expect the tracking error to not exceed 10% in view of the limited history of trading in exchange traded funds on the Bulgarian market and respectively on the Exchange Traded Fund "Expat Czech PX UCITS ETF".

Tracking error is the volatility (measured by the annualized standard deviation) of the difference between the annual return of the Fund and the annual return of the Index itself. A lower tracking error means a closer tracking of the Index. This is not the same as a difference in tracking, which is simply the difference between the return of the Fund and that of the Reference Index over a certain period. The difference in tracking shows how the Fund has performed relative to the Index, while the tracking error shows the sustainability of the difference in performance between the Fund and the Reference Index.

Date: 19.03.2024

Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV
Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:23:22 +02'00'

Daniel Donchev
CEO

DANIEL PENOV DONCHEV
Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:23:41 +02'00'

**CORPORATE GOVERNANCE STATEMENT**

This declaration is made on the basis of article 40 of the Accountancy Act, according to the requirements of the Public Offering of Securities Act

**General**

Expat Czech PX UCITS ETF (Fund) is a passively managed fund and adheres to the method of full physical replication of the PX index. It is admitted to trading on the Bulgarian Stock Exchange and Frankfurt Stock Exchange (XETRA) with a ticker code CZX. The Fund's activity covers the subscription and redemption of units entitling their holders to the same rights. The number of units of the Fund changes depending on the volume of sales and redemption of units. Under the Additional provisions of the Accountancy Act, the Funds is an entity of public interest. In this capacity the Fund presents the corporate governance statement as part of the annual financial statements.

The Fund is organized and managed by the Management Company Expat Asset Management EAD (the "Management Company"). The Fund is managed by following the Prospectus and the Rules of the Fund, as well as all the Rules, Policies and Internal provisions of the Management Company, and the Corporate governance code approved by the Chairman of the Bulgarian Financial Supervision Commission. The Fund does not possess its own administrative, management and supervisory bodies. The Fund is registered in the Bulstat Register at the Registry Agency under BULSTAT code 177233947. The registered office of the Fund and the Management Company is Sofia, Postal code 1000, 96A "Georgi S. Rakovski" str.

**Key features of internal control and risk management systems**

The internal control system applied by Expat Asset Management in the management of the Fund includes the following components:

- *Control environment* covers the following elements – organizational structure, conferral of powers and responsibilities, commitments of persons entrusted with general management, commitment to competence, policies and practices related to human resources, philosophy and operational style of leadership, values and ethical behavior
- *Risk assessment* – In managing the Fund, the Management Company uses strictly defined limits described in the Fund's Rules and Prospectus
- *Information system* – The information system related to the financial reporting of the Fund should be seen as a collection of all rules, processes and procedures of the Fund and the Management Company
- *Control activities* – Effective control over the preparation of the financial statements of the Fund, is one of the priorities of the management of the MC
- *Current monitoring of controls* – At Management company level there is an internal control department and compliance, which conducts reviews of the activities, ongoing and periodic reviews of the system and processes. Checks by the internal control are aimed at establishing compliance with the legal and the internal rules and procedures.

**Information under Art. 10 1, (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids**

- *Information on B. c)- Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:*
  During the reporting period, the Fund did not receive notifications of acquired or sold directly or through intermediary's partitions meeting the criteria specified in art. 89, par. 1 of Directive 2001/34/EC, relating to changes in voting rights held.
- *Information on B. d)- The holders of all securities with special control rights and a description of those rights*- There are no shareholders with special control rights.

- *Information on B. f)- Any restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for exercising the voting rights or systems through which, through Cooperation with the company, the financial rights granted to the securities are separate from the holding of the securities* - There are no restrictions on voting rights on partitions.

- *Information on the B. h)-The rules governing the appointment or replacement of board members and amendments to the Memorandum of Association*
  The fund does not have its own management bodies. The fund is organized and operated by the Management Company Expat Asset Management.

- *Information on B. i)-The powers of the members of the Board, and in particular the right to issue or buy back units.*

- The fund may issue and redeem units on a daily basis in accordance with the Rules and the Prospectus.

Date: 19.03.2024

Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV
Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:24:13 +02'00'

Daniel Donchev
CEO

DANIEL PENOV DONCHEV
Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:24:33 +02'00'

## INFORMATION ON REMUNERATION POLICY

In Accordance with Art. 73, Pt. 6 of Ordinance № 44

1. Information in accordance with Art. 73, Pt. 6, letter "a"

| Total remuneration amount for 2023 | Fixed remunerations | Variable remunerations | Number of receiving parties |
|---|---|---|---|
| BGN 1 789 495 | BGN 1 518 813 | BGN 270 682 | 21 |

2. Information in accordance with Art. 73, Pt. 6, letter "b"

| | Employee Categories | Remuneration Amount |
|---|---|---|
| i | Members of the Board of Directors and employees in management positions | BGN 1 068 387 |
| ii | Employees whose activity is linked to undertaking risks | - |
| iii | Employees with controlling functions | BGN 110 840 |
| iv | Other employees whose remunerations are comparable with the remunerations in points i) and ii) and whose activities impact the risk profile of Expat Asset Management EAD and the risk profile of the collective investment schemes managed by them | BGN 301 781 |
| | Total | BGN 1 481 008 |

3. Information in accordance with Art. 73, Pt. 6, letter "c"

The remunerations of the employees in accordance with letter "b" are categorized into fixed and variable respectively. The variable ones are the traditional remunerations such as Easter and Christmas bonuses, thirteenth and fourteenth salary, as well as other additional remunerations which are fixed and determined by criteria outlined in employment contracts and the Labour Code.

The fixed and variable remunerations for the different employee categories are determined as follows:

For members of the Board of Directors – with decision of the sole proprietor of the capital;

For all remaining employees – by the Executive director.

The labor market competition principle is followed in determining the fixed renumeration and needs of attracting highly qualified and adequately paid employees are also taken into account.

4. Information in accordance with Art. 73, Pt. 6, letter "d"

As a result of the assessments in accordance with Art. 108, Paragraphs 5 and 6 of ACISOCIVA the Managing company Expat Asset Management EAD concludes that there are no discovered violations and the renumeration policy is observed.

5. Information in accordance with Art. 73, Pt. 6, letter "e"

The Remuneration Policy has been developed by the Board of Directors in cooperation with the Internal Control Service and has been adopted by a Resolution of the Board of Directors of Expat Asset Management EAD dated 19.12.2016. Amendments to the policy are developed and adopted in the same manner. The Policy has been amended by Resolution of the Board of Directors of Expat Asset Management EAD dated 15.03.2018 , amended by Resolution of the Board of Directors of Expat Asset Management EAD dated 30.09.2020 and amended by Resolution of the Board of Directors of Expat Asset Management EAD No. 349 dated 10.03.2021.

The above amounts are charged in the financial year 2023 to the account of Expat Asset Management EAD , not to the account of the collective investment schemes managed by it schemes and are not linked to their performance.

Date: 19.03.2024

Nikolay Vassilev

CEO

NIKOLAY VASSILEV VASSILEV

Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:24:52 +02'00'

Daniel Donchev

CEO

DANIEL PENOV DONCHEV

Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:25:05 +02'00'

expatcapital

**Statement of Comprehensive Income**

**For the year ended 31 December 2023**

| *BGN'000* | ***Note*** | **01.01.2023 – 31.12.2023** | **01.01.2022 – 31.12.2022** |
|---|---|---|---|
| Other Income | *3* | 21 | 40 |
| Net profit / (loss) from financial assets, held at fair value through profit and loss | *6* | 93 | (115) |
| Net gain/(loss) from foreign currency transactions | | (5) | 13 |
| Operating expenses | *4* | (19) | (52) |
| **Operating profit / (loss) for the period** | | **90** | **(114)** |
| Tax expenses | *10* | - | - |
| **Profit / (loss) for the period** | | **90** | **(114)** |
| Other income | | - | - |
| **Total income for the period** | | **90** | **(114)** |
| Net income per unit | | | |
| Net profit / (loss) per unit (in BGN) | *8* | **0.500** | **(0.408)** |

Date: 19.03.2024

Approved by:

Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV
Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:25:44 +02'00'

Daniel Donchev
CEO

DANIEL PENOV DONCHEV
Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:26:01 +02'00'

Prepared by:

Tatyana Lazarova
Head of Accounting

TATYANA BOZHANOVA LAZAROVA
Digitally signed by TATYANA BOZHANOVA LAZAROVA
Date: 2024.10.31 16:25:25 +02'00'

The financial statements have been approved for issue by decision of the Board of Directors of the Management Company dated 19.03.2024.
The notes from page 16 to page 34 are integral part of the annual financial statements.

Financial statements on which the audit firm Kreston BulMar - Financial Audit OOD with registration number 119 has issued an auditor's report dated March 25, 2024, with the registered auditor responsible for the audit being Vyara Petrova Kukova.

Velichka Stoyanova Markova
Procurator

VELICHKA STOYANOVA MARKOVA
Digitally signed by VELICHKA STOYANOVA MARKOVA
Date: 2024.11.01 08:21:16 +02'00'

Vyara Petrova Kukova
Registered Auditor

Vyara Petrova Kukova
Digitally signed by Vyara Petrova Kukova

**Statement of Financial Position**

**As at 31.12.2023 г.**

| *BGN'000* | *Note* | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *5* | 2 | 10 |
| Financial assets held at fair value through profit and loss | *6* | 348 | 537 |
| **Total assets** | | **350** | **547** |
| **Equity and liabilities** | | | |
| Equity | | 293 | 528 |
| Unit premium account | | (537) | (486) |
| Accumulated profit | | 594 | 504 |
| **Total equity** | *7* | **350** | **546** |
| **Liabilities** | | | |
| Trade and other liabilities | *9* | - | 1 |
| **Total liabilities** | | **-** | **1** |
| **Total equity and liabilities** | | **350** | **547** |

Date: 19.03.2024

Approved by:

Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV Digitally signed by NIKOLAY VASSILEV VASSILEV Date: 2024.10.31 16:26:33 +02'00'

Daniel Donchev
CEO

DANIEL PENOV DONCHEV Digitally signed by DANIEL PENOV DONCHEV Date: 2024.10.31 16:26:47 +02'00'

Prepared by:

Tatyana Lazarova
Head of accounting

TATYANA BOZHANOVA LAZAROVA Digitally signed by TATYANA BOZHANOVA LAZAROVA Date: 2024.10.31 16:26:20 +02'00'

The financial statements have been approved for issue by decision of the Board of Directors of the Management Company dated 19.03.2024.
The notes from page 16 to page 34 are integral part of the annual financial statements.

Financial statements on which the audit firm Kreston BulMar - Financial Audit OOD with registration number 119 has issued an auditor's report dated March 25, 2024, with the registered auditor responsible for the audit being Vyara Petrova Kukova.

Velichka Stoyanova Markova
Procurator

VELICHKA STOYANOVA MARKOVA Digitally signed by VELICHKA STOYANOVA MARKOVA Date: 2024.11.01 08:21:36 +02'00'

Vyara Petrova Kukova
Registered Auditor

Vyara Petrova Kukova Digitally signed by Vyara Petrova Kukova

**Changes in Equity Statement**

**For the year ended 31st December 2023**

| *BGN'000* | Note | Share capital | Share premium account | Profit and Loss | Total |
|---|---|---|---|---|---|
| **On 1 January 2022** | | **430** | **(527)** | **618** | **521** |
| **Other income** | | | | | |
| Profit for the period | | - | - | (114) | (114) |
| **Total income** | | - | - | (114) | (114) |
| **Contributions from and allocations to owners** | | | | | |
| Issue of new units | | 391 | 72 | - | 463 |
| Redemption of units | | (293) | (31) | - | (324) |
| **Total contributions from and allocations to owners** | | 98 | 41 | - | 139 |
| **On 31 December 2022** | 7 | **528** | **(486)** | **504** | **546** |
| **On 1 January 2023** | | **528** | **(486)** | **504** | **546** |
| **Other income** | | | | | |
| Profit for the period | | - | - | 90 | 90 |
| **Total income** | | - | - | 90 | 90 |
| **Contributions from and allocations to owners** | | | | - | |
| Issue of new units | | 156 | 30 | - | 186 |
| Redemption of units | | (391) | (81) | - | (472) |
| **Total contributions from and allocations to owners** | | (235) | (51) | - | (286) |
| **Balance on 31 December 2023** | 7 | **293** | **(537)** | **594** | **350** |

Date: 19.03.2024
Approved by:
Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV
Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:27:20 +02'00'

Prepared by:
Tatyana Lazarova
Head of Accounting

Daniel Donchev
CEO

DANIEL PENOV DONCHEV
Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:27:35 +02'00'

TATYANA BOZHANOVA LAZAROVA
Digitally signed by TATYANA BOZHANOVA LAZAROVA
Date: 2024.10.31 16:27:06 +02'00'

The financial statements have been approved for issue by decision of the Board of Directors of the Management Company dated 19.03.2024.

The notes from page 16 to page 34 are integral part of the annual financial statements.

Financial statements on which the audit firm Kreston BulMar - Financial Audit OOD with registration number 119 has issued an auditor's report dated March 25, 2024, with the registered auditor responsible for the audit being Vyara Petrova Kukova.

Velichka Stoyanova Markova
Procurator

VELICHKA STOYANOVA MARKOVA
Digitally signed by VELICHKA STOYANOVA MARKOVA
Date: 2024.11.01 08:21:53 +02'00'

Vyara Petrova Kukova
Registered Auditor

Vyara Petrova Kukova
Digitally signed by Vyara Petrova Kukova

## Cash Flow Statement

**For the year ended 31st December 2023**

| *BGN'000* | **Note** | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
|---|---|---|---|
| **OPERATING CASH FLOW** | | | |
| Dividends received | | 21 | 40 |
| Income associated with financial assets held at fair value through profit and loss | | 305 | 337 |
| Payments associated with financial assets held at fair value through profit and loss | | (28) | (468) |
| Payments to counterparties | | (16) | (46) |
| Other operating payments | | - | (12) |
| **Net operating cash flow** | | **282** | **(149)** |
| **CASH FLOW FROM FINANCING ACTIVITY** | | | |
| Income from issue of units | | 186 | 464 |
| Payments for redemption of units | | (472) | (324) |
| Payments to counterparties for financing activity | | (4) | (6) |
| **Net cash flow from financing activity** | | **(290)** | **134** |
| **Net decrease/increase of cash and cash equivalents** | | **(8)** | **(15)** |
| Cash and cash equivalents on 1 January | | 10 | 25 |
| Cash and cash equivalent on 31 December | *5* | **2** | **10** |

Date: 19.03.2024
Approved by:
Nikolay Vassilev
CEO

NIKOLAY VASSILEV VASSILEV
Digitally signed by NIKOLAY VASSILEV VASSILEV
Date: 2024.10.31 16:28:27 +02'00'

Prepared by:
Tatyana Lazarova
Head of Accounting

Daniel Donchev
CEO

DANIEL PENOV DONCHEV
Digitally signed by DANIEL PENOV DONCHEV
Date: 2024.10.31 16:28:41 +02'00'

TATYANA BOZHANOVA LAZAROVA
Digitally signed by TATYANA BOZHANOVA LAZAROVA
Date: 2024.10.31 16:27:59 +02'00'

The financial statements have been approved for issue by decision of the Board of Directors of the Management Company dated 19.03.2024.

The notes from page 16 to page 34 are integral part of the annual financial statements.

Financial statements on which the audit firm Kreston BulMar - Financial Audit OOD with registration number 119 has issued an auditor's report dated March 25, 2024, with the registered auditor responsible for the audit being Vyara Petrova Kukova.

Velichka Stoyanova Markova
Procurator

VELICHKA STOYANOVA MARKOVA
Digitally signed by VELICHKA STOYANOVA MARKOVA
Date: 2024.11.01 08:22:11 +02'00'

Vyara Petrova Kukova
Registered Auditor

Vyara Petrova Kukova
Digitally signed by Vyara Petrova Kukova

**Notes to the Annual financial statements**

**1. Status and scope of activity**

Expat Czech PX UCITS ETF ("the Fund") is an exchange-traded fund organised and managed by the Management Company "Expat Asset Management" EAD (the "Management Company"). The Fund is registered in the Bulstat Register at the Registry Agency under BULSTAT code 177233947. The registered office of the Fund and the Management Company is in Sofia, Postal code 1000, 96A, "Georgi S. Rakovski" St.

Expat Czech PX UCITS ETF is a passively managed fund and adheres to the method of full physical replication of the PX index. It is registered for trading on the Bulgarian Stock Exchange - Sofia, the London Stock Exchange and the Frankfurt Stock Exchange (XETRA) under CZX stock exchange ticker. The Fund's activity covers the issue and sale of units offering the same rights to their holders. The number of units in the Fund changes depending on the volume of sales and redemption of units.

Units of the Fund may be redeemed at the request of investors.

Since the Fund does not have its own management bodies, the persons charged with the governance of the Fund are the members of the Board of Directors of the Management Company.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS, adopted by EU). The IFRS Accounting Framework adopted by the EU is essentially the defined national accounting IAS adopted by the EU, regulated by the Accountancy Act and defined in paragraph 8 of its Additional Provisions.

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

These financial statements are prepared using the historical cost method except for financial assets at fair value through profit or loss that are measured at fair value.

**(b) Active company**

The Management company has prepared financial forecasts for the forward twelve months as of date of approval of the current financial report while taking into account the future estimate of the continuing effects of the COVID-19 pandemic over the business. The management of Expat Asset Management EAD has reached the conclusion that there is no significant uncertainty as to the operation of the Fund which could cause significant doubts as to its ability to continue to function as an active company, and respectively, that it is appropriate to prepare the financial report on the basis of the assumption for an active company.

The Fund has prepared its financial report for the year ended 31 December 2023 on the basis of the assumption that it is an active company, which presumes the continuation of the current activity and realization of its assets and settlement of its liabilities within the normal pace of its operations. Future financial performance of the Fund depends on the broader economic context within which it operates.

**(c) Functional and reporting currency**

The units of the Fund are issued in EUR, the net asset value per share and redemption price are calculated in EUR. For this reason, the functional currency of the Fund is EUR.

These financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the Fund. All financial information in BGN is rounded to one thousand unless otherwise stated.

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

**(d) Estimates and judgements**

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

The review of the accounting estimates is recognised in the period in which the measurement is reviewed when the review affects that period, and in future periods if the review affects future periods.

***Judgements***

Information on significant judgments made in applying the accounting policies that have the most significant effect on the presentation of the amounts in the financial statements is included in the following notes:

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

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

Companies that meet the definition of an IFRS 10 Investment entity are required to report investments in subsidiaries at fair value instead of consolidating them. The criteria that define an Investment entity are:

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

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

The management company believes that the Fund meets the above criteria and characteristics and falls within the definition of an investment entity. The judgment is reviewed regularly in case of change in circumstances.

The Management Company believes that the Fund does not control the investments in shares and therefore does not consolidate them.

***Fair values and measurement***

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

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

- Level 1: quoted prices (uncorrected) in active markets for similar assets or liabilities.

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the level of the fair value hierarchy whose input is relevant to the overall measurement.

Information on significant items that are affected by estimates and assumptions when applying the accounting policies that have the most significant effect on the amounts recognised in these financial statements is included in Note 12 Financial Instruments.

### 3. Income

| *BGN'000* | **01.01.2023 – 31.12.2023** | **01.01.2022 - 31.12.2022** |
|---|---|---|
| Income from dividends | 21 | 40 |
| **Total income** | **21** | **40** |

### 4. Operating expenses

| *BGN'000* | **01.01.2023 - 31.12.2023** | **01.01.2022 - 31.12.2022** |
|---|---|---|
| Fees to stock exchanges and regulators | 8 | 32 |
| Fees and commissions to custodian bank | 6 | 9 |
| Fees and commissions to Management Company | 4 | 6 |
| Audit | 1 | 2 |
| Software maintenance | - | 2 |
| Other expenses | - | 1 |
| **Total operating expenses** | **19** | **52** |

The management has incurred expenses for the organisation and administration of the fund at the amount of BGN 24 000, which are not included in the net asset value on 31.12.2023. These expenses are recoverable from the management and will be included in the NAV for a future date. The management has adopted such a policy to minimise the fund's total expense burden in the initial period of its development, in which it is relatively small.

### 5. Cash and cash equivalents

| *BGN'000* | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Cash in BGN in bank accounts | 2 | 10 |
| **Cash and Cash equivalents** | **2** | **10** |
| **Cash and cash equivalents in Cash flow statement** | **2** | **10** |

The Fund's cash is kept with the custodian bank – Eurobank Bulgaria AD.

***Changes in liabilities, arising from financial activities***

The Fund does not have changes in liabilities including changes associated with cash flows as well as non-monetary changes for the year ending on 31 December 2023 and 31 December 2022.

**6. Financial assets held at fair value through profit and loss**

| *BGN'000* | **2023** | **2022** |
|---|---|---|
| ***Financial assets at fair value through profit and loss*** | | |
| Quoted shares | *348* | *537* |
| ***Financial assets held at fair value in other income*** | | |
| Unquoted shares | - | - |
| Quoted debt instruments | - | - |
| **Total financial assets at fair value** | **348** | **537** |

*Financial assets at fair value through profit or loss* in Expat Czech PX UCITS ETF include noncontrolling interests in public companies operating in the Czech Republic. Expat Czech PX UCITS ETF is a passively managed fund and adheres to the method of full physical replication of the PX index. The reference index is PX, consisting of shares denominated and traded in Czech koruna. The fair values of those shares in equity are determined by reference to published price quotations in active market.

When measuring the fair value of an asset or liability, the Fund uses observable data as far as possible. Fair values are categorised in Level 1 (Quoted Market Prices in Active Markets) in the fair value hierarchy based on inputs in measurement techniques.

The value of the financial assets in the balance sheet at the reporting date is determined as the closing price of the respective asset on the Prague Stock Exchange on the last working day of the respective reporting period.

The structure of the Fund's financial assets measured at fair value through profit and loss as at 31 December 2023 and 31 December 2022 is as follows:

| | |
|---|---|
| **Financial instrument type** | Shares |
| **Regulated market on which they are traded** | Prague Stock exchange |

| **Issuer** | **Number** | **Amount at the end of reporting period, BGN** | **Percentage of the total amount of assets** |
|---|---|---|---|
| Vienna Insurance Group AG | 986 | 50 699 | 14.47% |
| Erste Group Bank AG | 1 091 | 77 856 | 22,22% |
| Cez AS | 876 | 66 421 | 18.96% |
| Komercni Banka AS | 1 151 | 65 967 | 18.83% |
| Moneta Money Bank AS | 7 953 | 58 887 | 16.81% |
| PHILIP MORRIS CR AS | 14 | 17 299 | 4.94% |
| COLT CZ GROUP | 265 | 11 132 | 3.18% |
| **TOTAL** | **12 336** | **348 261** | **99.41%** |

**Financial instrument type** Shares
**Regulated market on which they are traded** Prague Stock exchange

| Issuer | Number | Amount at the end of reporting period BGN | Percentage of the total amount of assets |
|---|---|---|---|
| Vienna Insurance Group AG | 1 735 | 76 406 | 13.97% |
| Erste Group Bank AG | 2 207 | 128 336 | 23.46% |
| Cez AS | 1 419 | 88 613 | 16.20% |
| Komercni Banka AS | 2 004 | 106 455 | 19.46% |
| Moneta Money Bank AS | 14 158 | 87 265 | 15.95% |
| PHILIP MORRIS CR AS | 30 | 40 680 | 7.44% |
| COLT CZ GROUP | 213 | 9 535 | 1.73% |
| **TOTAL** | **21 766** | **537 290** | **98.21%** |

***Net profit/(loss) from financial assets held at fair value through profit and loss***

| *BGN'000* | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
|---|---|---|
| Income /(expenses) from revaluation of financial assets held through profit and loss | 91 | (107) |
| Income /(expenses) from transactions with financial assets held through profit and loss | 2 | (8) |
| **Net profit/(loss) from financial assets held at fair value through profit and loss** | **93** | **(115)** |
| Net loss from currency transactions | (5) | 13 |
| **Net loss from financial assets** | **88** | **(102)** |

**7. Equity**

The Fund's equity is equal to its Net Asset Value (NAV). The movement of units and NAV of the Fund at the beginning and the end of the reporting period is as follows:

| *BGN'000* | **Number of units** | **Amount (*BGN'000*) 31.12.2023** | **Number of units** | **Amount (*BGN'000*) 31.12.2022** |
|---|---|---|---|---|
| **As of 1st January** | **270 000** | **546** | **220 000** | **521** |
| Issued new units | 80 000 | 186 | 200 000 | 463 |
| Redeemed units | (200 000) | (472) | (150 000) | (324) |
| Profit for the period | - | 90 | - | (114) |
| **As at 31st December** | **150 000** | **350** | **270 000** | **546** |

| *BGN* | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Net asset value per share | 2.3317 | 2.0212 |

*Equity*

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

- Units entitle its holder to a proportional share of the Fund's net assets at any time and in the event of the Fund being dissolved;

- Units issued by the Fund would not take precedence over other financial instruments in case of dissolution of the Fund;
- Except for the contractual obligation of the Fund for redemption, the units issued by the Fund do not impose any other contractual obligation to the Fund to provide cash or other financial assets or to exchange financial assets or financial liabilities;
- The total amount of anticipated cash flow attributable to units issued by the Fund at any time is based on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and written-off net assets of the Fund;
- The Fund does not issue financial instruments other than units.

***Share premium account***

The Fund's assets are divided into units. The nominal value of the units is 1 (one) euro. The units of the Fund are acquired at issue price. The number of Fund's units changes as a result of their sale or redemption. The difference between the issue and nominal value of the units in case of sale or redemption is recorded as share premium account.

***Capital management***

The Fund's own equity is equal to the net asset value (NAV), which may not be less than BGN 100,000 in accordance with Art. 82, Paragraph 1 of Ordinance 44/2011 on the requirements towards the activities of the collective investment schemes, management companies, national investment funds and entities managing alternative investment funds. The Fund has reached its minimum equity amount.

Admission of the Fund to trading on a regulated market requires the minimum net asset value to be not less than BGN 100 000 or its Euro equivalent.

***Dividend policy***

The policy of the Fund is not to pay dividends. The dividends paid out of the shares in which the Fund has invested, and the capital gains realised in trading of the shares in the Fund, are reinvested.

**8. Net income per share**

| | **01.01.2023 – 31.12.2023** | **01.12.2022 – 31.12.2022** |
|---|---|---|
| Net profit/(loss) per share in BGN | 0.500 | (0.408) |

Net profit/(loss) per share is calculated by dividing the profit or loss for the period to be distributed among the shareholders (numerator) to the weighted average number of outstanding units for the period (denominator).

The weighted average number of outstanding units in 2023 is 180 000 (2022 – 280 000). The weighted average number is calculated by taking the arithmetic value of the outstanding units for each day of the period.

**9. Trade and other liabilities**

| *BGN,000* | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Liabilities to Custodian Bank | - | 1 |
| **Total liabilities** | **-** | **1** |

**10. Income taxes**

The profit of the Fund is not subject to corporate tax.

**11. Group companies**

The Fund is a designated property without management bodies and the Management Company "Expat Asset Management" EAD carries out its management. The sole shareholder of the MC is "Expat Capital" AD. As at 31.12.2023, the Fund's group companies are the Management Company Expat Asset Management EAD and Expat Capital AD. Transactions with group companies are based on contractual terms and no guarantees are provided or received.

The expenses charged to the Management Company "Expat Asset Management" EAD (Note 4), accrued under the contracts concluded during the reporting period are:

- Remuneration under Management contract.

The following table provides information on the investment of Expat Mutual Funds in Expat Czech PX UCITS ETF:

As at 31st December 2023:

| Mutual Fund | Investment in: | Units | Value at the end of the reporting period, BGN |
|---|---|---|---|
| MF Expat Global Bonds | Expat Czech PX UCITS ETF | 1 434 | 3 344 |
| MF Expat Developed Markets | Expat Czech PX UCITS ETF | 29 784 | 69 447 |
| MF Expat Emerging Markets | Expat Czech PX UCITS ETF | 16 870 | 39 336 |

As of 31st December 2022:

| Mutual Fund | Investment in: | Units | Value at the end of the reporting period, BGN |
|---|---|---|---|
| MF Expat Global Bonds | Expat Czech PX UCITS ETF | 1 434 | 2 898 |
| MF Expat Developed Markets | Expat Czech PX UCITS ETF | 22 184 | 44 920 |
| MF Expat Emerging Markets | Expat Czech PX UCITS ETF | 16 870 | 34 097 |

**12. Financial instruments**

***Fair values measurement***

The fair value of the Fund's financial instruments is determined as the price that would have been received from the sale of a financial asset or paid upon transfer of a financial liability in a regular transaction between market participants as of the measurement date. The following methods and assumptions are used in measuring the fair value:

- Closing price in an active market on the reporting date is used for quoted shares.
- Cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities, due to the short-term maturity of these financial instruments, their fair value approximates to the corresponding book value.

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

**As at 31st December 2023**

| *In BGN* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Instruments** | | | | |
| Vienna Insurance Group Ag | 50 699 | - | - | 50 699 |
| Erste Group Bank Ag | 77 856 | - | - | 77 856 |
| Cez As | 66 421 | - | - | 66 421 |
| Komercni Banka As | 65 967 | - | - | 65 967 |
| Moneta Money Bank As | 58 887 | - | - | 58 887 |
| PHILIP MORRIS CR AS | 17 299 | | | 17 299 |
| COLT CZ GROUP | 11 132 | - | - | 11 132 |
| **TOTAL** | **348 261** | - | - | **348 261** |

**As of 31st December 2022**

| *In BGN* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Instruments** | | | | |
| Vienna Insurance Group Ag | 76 406 | - | - | 76 406 |
| Erste Group Bank Ag | 128 336 | - | - | 128 336 |
| Cez As | 88 613 | - | - | 88 613 |
| Komercni Banka AS | 106 455 | - | - | 106 455 |
| Moneta Money Bank As | 87 265 | - | - | 87 265 |
| Avast Plc | 40 680 | - | - | 40 680 |
| COLT CZ GROUP | 9 535 | | | 9 535 |
| **TOTAL** | **537 290** | - | - | **537 290** |

***Risk profile and risk management***

***Risk profile***

The risk profile of the Exchange Traded Fund represents the amount and type of risk that the Management Company undertakes by investing the assets of the Fund, while seeking to replicate the Reference Index, which at the date of this Prospectus is the PX index of shares. In this respect, investing in units of "Expat Czech PX UCITS ETF" involves undertaking a high risk, given that the Reference Index is comprised of stocks.

In its operations, "Expat Czech PX UCITS ETF" is exposed to various types of risks, affecting its results.

***Credit risk***

The Fund owns cash and quoted shares and the level of exposure to credit risk mainly relates to cash held in current bank accounts. The credit risk associated with quoted shares is part of the total investment risk that shareholders of the fund are facing.

The main risks that investors face when they invest in units "Expat Czech PX UCITS ETF" are:

***Market risk***

Probability of loss occurring from adverse changes in the securities prices, market interest rates, exchange rates and other. This market risk affects the net asset value of the Fund, which also varies due to changes in market prices of shares and other securities in which the Fund has invested. The Fund is not at risk of changes in market interest rates, as its financial assets are quoted shares.

***Currency risk***

The Fund is created and traded in EUR and the reference index PX comprises of shares denominated and traded in Czech koruna. For this reason, the value of the financial assets of the Fund depends on the change in the rate of the Czech koruna versus euro and BGN respectively.

From 1 January 1999 the exchange rate of the Bulgarian lev (BGN) is pegged to the euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

It is not a policy of the Fund to hedge the currency risk. The currency risk is part of the total investment risk.

A 5% change in the currency rate of euro vs. Czech koruna would have the following effect on the net asset value of the Fund, based on the Fund's portfolio as at 31.12.2023 and 31.12.2022:

| **Effect on Profit/(Loss)** *(BGN'000)* | **As at 31.12.2023** | **As at 31.12.2022** |
|---|---|---|
| 5% increase of Czech koruna vs. euro | 17 | 27 |
| 5% decrease of Czech koruna vs. euro | (17) | (27) |

***Extreme market movements***

The market price of the financial instruments in which the Fund invests may fluctuate due to changes in the economic and market environment, monetary policy of central banks, business activity of issuers, the sector in which the issuer operates and the demand and supply of the securities market. At certain times, the price of the shares on the market (stock exchange) can change substantially. In the event of major movements of the Index incl. large daily movements, the performance of the Fund may depart from its investment objectives. The revaluation of the Fund fluctuates due to changes in the value of the Fund's assets and the Reference Index.

A 5% change in market prices of assets would have the following effect on the net asset value of the Fund, based on the Fund's portfolio as at 31.12.2023 and 31.12.2022:

| **Effect on Profit/(Loss)** *(BGN'000)* | **As at 31.12.2023** | **As at 31.12.2022** |
|---|---|---|
| 5% increase of market prices | 17 | 27 |
| 5% decrease of market prices | (17) | (27) |

***Inability of the Management Company to adapt to market changes***

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

***Liquidity risk***

The risk associated with the probability of losses or profits by mandatory or forced sales of assets in adverse market conditions (such as lower demand in the presence of over supply). Liquidity risk is also in place when the Fund may need to redeemed the units of the investors. The Fund invests in quoted shares, which under normal market conditions are quickly and easily saleable, which substantially reduces the exposure to this risk.

***Purchase and redemptions***

In case the purchase and redemption orders for units are received late or do not meet the requirements of the Prospectus and the Fund Rules, there will be a delay between the date of placing the order and the actual date of purchase or redemption. Such postponements or delays may lead to a decrease in the number of units or the amount of redemptions.

***Trading on a regular market***

There can be no assurances that trading units of the Fund will be maintained or that the criteria of admission to trading will not be changed. Moreover, trading of the units on a stock exchange may be suspended under the rules of the respective exchange due to market conditions and investors may not be able to sell their units until trading resumes.

***Regulatory risk***

The prospectus has been prepared in compliance with the applicable laws and regulations. The Management Company and/ or the Fund and its investment objectives and policies may be affected by future changes in laws and regulations. New or modified laws, rules and regulations in Bulgaria or the European Union could prevent or significantly limit the Fund’s ability to invest in certain instruments. They could also affect conclusion of agreements with certain third countries. This may impair the Fund's ability to perform its relevant investment objectives and policies. The implementation of such new or modified laws, rules and regulations may result in an increase in all or some of the Fund’s expenses and may require restructuring of the Fund to comply with the new rules. Such a restructuring may involve restructuring costs. Where restructuring is not possible, the Fund may be terminated.

The assets of the Fund and the Reference Index are subject to change due to laws and regulations and/or such a change may affect their value and/or liquidity.

***Operational risk***

A prospect of loss resulting from errors or system failures in the organisation, insufficiently qualified personnel and unfavourable external events that are not financial in nature (including legal risk). The Management Company defines short- and long-term strategies for managing operational risks which occur during management of the operations and the portfolio of the Fund as described in the Risk Assessment and Management Rules of the Fund.

***Risk of error in tracking the Reference Index***

Tracking the Reference Index by investing in all positions of the index can be costly and difficult to implement. Portfolio managers can use optimisation techniques such as selection of individual positions in the Index in proportions that differ from those in the Index. The use of such optimisation techniques can increase the error in tracking and lead to a different performance of the Fund in contrast to the Index. Furthermore, existing restrictions or future changes in laws and regulations of the Exchange-Traded Fund towards, but not limited to the composition, concentration and method of measurement of assets, can lead to inability of the Fund to replicate the index in full. In addition, exchange traded funds on markets characterised by low liquidity are exposed to a greater risk of error in tracking an index.

***Reference index***

If there is an event that affects the Index, the Fund may be required to suspend the purchase and redemption of units. The revaluation of the Fund may also be affected. In case of continuing problems with the Index, the Fund will take appropriate actions, which may reduce the net asset value of the Fund.

***Systematic risks***

Systematic risks depend on general fluctuations in the economy and the markets in general. The Fund is unable to influence the systematic risks but will take them into account and will comply with them. Risks arising from political and economic situation are a possible instability or military action in the region. Disasters and accidents are factors complicating any system of risk management. The consequences are hard to predict, but access to information and applying a system of forecasting and actions in extreme situations are possible ways to mitigate the negative effect.

***Sustainability risks***

Sustainability risks represent events or conditions from environmental, social or of a managerial nature, which, if they occur, may have a material adverse effect impact on investment value. Pursuant to Art. 3 of Regulation (EU) 2019/2088 the company has adopted and applies a policy for the integration of risks for sustainability in investment decision-making processes for all managed from the collective investment company, including and for the Fund. Main principle of the policy for the integration of sustainability risks in the processes of taking investment decisions is the achievement of the maximum financial return of the investments. However, to the extent that the Fund is passively managed and follows the index in the manner provided in its Rules, the integration of sustainability risks in the processes of making investment decisions by the Management Company is not applicable for this fund.

***Rising interest rates and risk of recession***

In past years, there have been prolonged periods of historically low interest rates, which has changed over the past year when some central banks worldwide scale began to increase them. Recently, global markets have experienced significant volatility with significant declines in both bond and equity markets. In addition, central banks around the world have raised interest rates in an attempt to limit rising inflation. The business of Expat Asset Management EAD is affected directly and indirectly from changes in global interest rates.

Changes in interest rates can affect the value of securities in which we invest in, which may affect the value of assets managed by Expat Asset Management EAD and the company's earnings. To manage this risk, Expat Asset Management EAD uses several strategies, such as investing in securities with shorter maturities maturity and maintaining diversified portfolios. In addition, for the purpose of risk management, Expat Asset Management EAD prepares portfolio stress tests for potential scenarios with the movement in interest rates.

Our business is affected by national and global economic conditions, which may change suddenly, as do perceptions of these conditions and future economic prospects, such as concerns about a potential recession. If recessions economic conditions develop, they are likely to have a negative impact on the entire sector of financial services, including on us. Changes in the broader economic conditions are unpredictable and cannot be controlled. Negative consequences for our business can arise from low levels or a decline in economic growth, a reduction in private equity and venture capital investments, changes in customer spending, restrictions on the availability or increase in the cost of loans and capital, a decrease in public capital investment, high levels of inflation, uncertainty about fiscal, monetary and political issues, raising in benchmark interest rates percentages.

***Geopolitical issues***

Geopolitical issues, including the war in Ukraine, the conflict in the Gaza Strip, as well and the strain in diplomatic relations affecting the United States and other countries, and restrictions on international trade can have an impact on stability financial markets and the global economy. The geopolitical tension, as trade disputes or political instability can affect the value of investments and lead to increased market volatility. The ongoing conflicts between Russia and Ukraine, and between Israelis and Palestinians have the potential to impact negatively on global markets and affect the performance of certain sectors.The geopolitical risk management strategies that Expat Asset Management EAD apply include monitoring global events, maintaining diversified portfolios and use of risk management tools such as derivatives.

13. **Accounting policies and disclosures**

The Fund has applied continuously the significant accounting policies, presented below, for the period presented in this financial statement.

The accounting policies adopted in the preparation of the annual financial statements are consistent with the International Financial Reporting Standards (IFRS) adopted by the European Union. The Fund has not previously adopted other standards, interpretations or amendments that have been published but have not yet entered into force.13. Accounting policies and disclosures (continued)

The Fund recognizes a financial asset or financial liability in the Statement of Financial Position only when the Fund enters into a contract on this instrument.

Contracts for the purchase or sale of financial assets that require settlement transactions within the usual timeframe, established by market rules or an agreement, are recognised in statement of financial position at the settlement date.

***Classification***

Under IFRS 9, after initial recognition, debt instruments are reported at fair value through profit or loss, amortised cost or at fair value in other comprehensive income. The classification is based on two criteria: asset management business model of the fund and whether the contractual cash flows of the instrument represent 'only payments of principal and interest' on the outstanding amount of the principal.

The assessment of the Fund's business model is performed at the date of initial application. The assessment whether contractual cash flows on debt instruments consist only of principal and interest, is made based on the facts and circumstances of the initial recognition of assets.

The requirements for classification and measurement of IFRS 9 do not have a material impact on the Fund and it continues to recognise at fair value all financial assets previously reported at fair value under IAS 39.

In order to determine the classification and measurement category under IFRS 9, all financial assets, except for equity instruments and derivatives, should be valued based on a combination of the asset management business model and the contractual cash flow characteristics of the instruments.

The categories of financial asset valuation are as follows:

Trade receivables and Other non-current receivables (i.e. receivables from group companies, receivables on credits, etc.) classified as Trade receivables and Trade and other non-current receivables are held for the purpose of obtaining the contractual cash flows and lead to cash flows representing only principal and interest payments and are classified and measured as Debt instruments at amortised cost.

**13.1. Financial instruments**

- Quoted capital investments are classified as financial instruments at fair value through profit or loss.

***Business Model Assessment***

The Fund defines the following business models for the management of financial assets:

- A business model that aims to hold assets to match contractual cash flows. It includes assets that are managed with intention to collect the contractual payments throughout the term of the instrument;
- A business model that aims to realise cash flows by selling the asset. The model includes financial assets, whose current fair value the Fund intends to monitor and the current fair value is the basis of the decisions to execute sale and purchase transactions; there is evidence of active purchase and sale activity; the contractual cash flows from the asset are not composed solely of principal and interest payments; the collection of contractual cash flows from such assets is only in addition to achieving the principal objective of realising cash flows from sales.

***Categories of measurement of financial assets and liabilities***

The Fund classifies and measures its portfolio at fair value through profit or loss as it is held in a business model within which a fair value measurement is made through profit or loss, and the Fund manages the financial assets for the purpose of realising cash flows through sale of assets.

The Fund classifies its receivables at amortised cost as they are held within a business model whose purpose is to hold assets in order to collect the contractual cash flows. The Fund classifies its financial liabilities as trade payables measured at amortised cost.

***Financial assets and liabilities***

***Trade receivables and liabilities (amortised cost)***

Trade receivables and payables include non-derivative financial assets with fixed or determinable payments that were not quoted in an active market other than those:

- which the Fund intends to sell immediately or in the near future;
- which the Fund has, at initial recognition, determined at fair value through profit or loss; or
- available for sale; for which the Fund cannot substantially recover all of its initial investment for reasons unrelated to a deterioration in the exposure designated as available for sale.

***Financial assets and financial liabilities at fair value through profit or loss***

Financial assets and financial liabilities in this category are those that are not held for trading or are required to be measured at fair value through profit or loss under IFRS 9. Upon initial recognition, the Management Company determines an instrument at fair value through profit or loss when one of the following criteria is met. This categorisation is defined at instrument level:

- This determination eliminates or significantly reduces inconsistent measurement that would otherwise arise from measuring assets or liabilities, or from recognising gains or losses on a different basis, or;
- Liabilities are part of a group of financial liabilities (or financial assets or both) that are managed and their performance is measured on a fair value basis in accordance with documented risk management or investment strategy, or;
- Liabilities that contain one or more embedded derivatives, unless they significantly change the cash flows that would otherwise be required under contract or it is clear that such a division of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at fair value through profit or loss are recognised in the balance sheet at fair value. Changes in fair value are recognised in profit or loss.

Income from dividends from equity instruments at fair value through profit or loss is recognised in profit or loss as income when the payment entitlement is established.

***Impairment of financial assets***

IFRS 9 requires the Fund to report an adjustment for expected credit losses for all financial assets that are not held at fair value through profit or loss. The adjustment is based on the expected losses associated with the probability of default over the next twelve months unless there has been a significant increase in credit risk after the asset has been acquired.

The Management Company performs periodic review of indications for impairment of the book value of the Fund's assets as follows:

- receivables - at the end of each month when preparing the monthly financial statements for the management;

The Fund applies a simplified impairment approach for trade receivables where the credit loss adjustment is determined based on the anticipated credit loss for the entire duration of the instrument. The choice of the Simplified Approach is a consequence of the specificities of these financial assets and the matrix for determining the anticipated credit loss for these financial assets is mainly based on default arrears in terms of loss in default.

Financial assets are classified into three phases, which changes in the credit quality of the counterparty/ instrument:

- Phase 1 ("regular") - classified financial assets with no indication of an increase in credit risk over the original valuation.
- Phase 2 (“impaired service”) - classifies financial assets with a significant increase in credit risk but without objective evidences of impairment/ loss basis ('in default');
- Phase 3 (“in default”) - it classifies financial activity with a significant increase in credit risk and with actual evidences of impairment ('default' activated).

The recoverable amount of the asset is calculated where there is indication of impairment. Impairment loss is determined as a difference between the carrying amount of the financial asset and its estimated recoverable amount and are recognised in profit or loss. When subsequent events result in reduction in previously recognised impairment loss, the adjustment is reported through profit or loss.

***Derivatives measured at fair value through profit or loss***

The Fund does not enter into derivative transactions.

***Financial assets or financial liabilities held for trading***

The Fund does not report financial assets or financial liabilities as held for trading.

***Date of recognition***

Financial assets and liabilities, with the exception of loans and advances, are initially recognised at the date of transaction, i.e. on the date on which the Fund becomes a party to the contractual provisions of the instrument.

Contracts for purchase or sale of financial assets which require settlement of deals within the normal time frame as defined by the market rules, or agreement, are recognized in the financial position report as at the date of settlement.

***Initial recognition of financial instruments***

Upon initial recognition, the fund's financial assets are classified as such that are subsequently measured at fair value through profit or loss.

The financial asset management business model of the Fund refers to the way it replicates the PX Reference index, regardless of its direction. The business model determines whether cash flows will arise as a result of the collection of contractual cash flows, sale of financial assets, or both.

The purchase or sale of financial assets, whose conditions require delivery of the assets within a given period of time, usually established by a regulation or current practice in the relevant market (regular purchases), are recognised at the date of the transaction (trade), i.e. the date on which the Fund committed to buy or sell the asset.

Upon initial recognition, the Fund measures the receivables that do not have a significant financing component at the relevant transaction price.

***Subsequent measurement***

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at their initial recognition as such at fair value through profit or loss, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for sale or re-acquisition within a short period. Financial assets with cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments that are to be classified at amortised cost or at fair value in other comprehensive income, as described above, debt instruments may be designated as such at fair value through profit or loss on initial recognition, if the accounting mismatch is eliminated or significantly reduced.

Financial assets at fair value through profit or loss are reported in the balance sheet at fair value, with net changes in fair value being recognised in the profit and loss account.

This category includes derivative instruments and equity instruments listed on stock exchanges that the Fund has not irrevocably chosen to classify as such at fair value in other comprehensive income. Dividends on such equity instruments are also recognised as other income in the profit and loss account when the entitlement of receiving the payment has been established.

***Write-off of financial assets and liabilities***

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written-off (i.e. removed from balance sheet of the Company), mainly 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, under which either (a) the Fund has transferred substantially all the risks and benefits of ownership of the asset; or (b) the Fund has neither transferred nor retained substantially all the risks and benefits of ownership of the asset but has not retained the control on it.

Where the Fund has transferred its rights to receive cash flows from the asset or has entered into a transfer agreement, it shall assess whether and to what extent it retains the risks and benefits of the ownership.

When the Fund 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.

Continued interest in the form of a guarantee on the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of consideration that the Fund may be required to pay.

***Compensation of financial assets and liabilities***

Financial assets and liabilities are netted and the net amount is recognised in the balance sheet when the Fund has a legally enforceable right to net the recognised amounts and the transactions are intended to be settled on a net basis.

**13.2. Fair value valuation**

The Fund measures its investments in financial instruments, such as equity instruments, bonds and other interest-bearing investments at fair value at each reporting date.

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is based on the assumption that the sale of the asset or the transfer of the liability is made either on the principal market of the asset or liability or, in the absence of a principal market, on the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Fund. The fair value of an asset or liability is measured considering the assumptions that a market participant, acting in their economic best interest, would use when pricing the asset or a liability.

The fair value of financial instruments traded in active markets is based on their quoted price, gross of transaction costs. For all other financial instruments that are not traded in an active market. For all other financial instruments that are not traded in an active market, fair value is determined using valuation techniques that are considered appropriate in the circumstances. Valuation techniques include the market approach (i.e. with the help of latest market transactions adjusted for the needs and referring to the current market value of another instrument, which is the same in essence) and income approach (i.e. discounted cash flows analysis and option pricing models which make use of existing and confirming market data).

For assets and liabilities that are measured at fair value on a periodic basis, the Fund determines transfers between levels in the hierarchy through a revaluation of the categorisation (based on the lowest level that is important for measuring fair value as a whole) and considers, that the transfers occurred at the beginning of each reporting period.

**13.3. Functional and reporting currency**

The functional currency is the currency of the primary economic environment in which the Fund operates. The units of the Fund are issued in Euros (EUR), and the net asset value of one share and the redemption price are calculated in Euros. For this reason, the functional currency of the Fund is Euro (EUR).

**13.4. Transactions in foreign currency**

This financial statement is presented in Bulgarian Leva (BGN). All financial information presented in Leva is rounded to the nearest thousand, unless otherwise specified.

Since January 1, 1999, the exchange rate of the Bulgarian Lev (BGN) has been fixed to the Euro (EUR). Therefore, in this financial statement, there is no accounting effect from foreign exchange differences resulting from using the Bulgarian Lev as the presentation currency. The exchange rate is BGN 1.95583 / EUR 1.0.

Transactions conducted in foreign currencies are converted to Leva using the official exchange rates of the Bulgarian National Bank (BNB) on the day of the transaction. All assets and liabilities denominated in foreign currencies are revalued daily.

**13.5. Rules for Determining the Net asset value of the Fund**

The net asset value is the total value of all portfolio assets less all liabilities. The Fund applies rules for determining the net asset value, and the developed methodology for determining the net asset value is based on:

- the relevant provisions of the Fund's rules and prospectus;
- the relevant legal provisions and regulations for their implementation;
- the relevant provisions of the accounting legislation;
- the application of generally accepted measurement methods.

The net asset value per share is the basis for determining the subscription and redemption value per share of the Fund. Issued units are reported at nominal value. The Fund's net asset value per share is calculated as the net asset value divided by the number of units issued.

**13.6. Expenses**

Expenses are recognised in profit or loss for the period in which they arise, regardless of cash payments. All expenses related to the Fund's activities, including the remuneration of the Management Company and the Custodian Bank, are recognised in profit or loss on an accrual basis.

The direct costs of shareholders related to the purchase and redemption of units of the Fund are specified in the Prospectus of the Fund.

***Fees and commissions***

Fees and commissions expenses are recognised in profit or loss when the corresponding services are performed.

### 13.7. Taxes

The Fund, as a collective investment scheme, admitted to public offering in the Republic of Bulgaria, enjoys preferential tax treatment and its profits are not subject to corporate tax.

### 13.8. Share capital. Issue and redemption of units

The share capital is represented at the nominal value of the Fund's issued and paid units.

The Fund issues units at issue value every business day. The issue value per share is formed by the net asset value per share plus the issue costs. The difference between the net asset value per share and the nominal value per share is reported as share premium reserves. Depending on whether the Fund issues its share below or above nominal value, the difference to the nominal value is indicated respectively as a discount or a positive share issue premium. The Fund has the obligation to buy back its units from their unitholders.

### 13.9. Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash in bank accounts, cash and shortterm deposits with an initial maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above.

## 14. **Changes in accounting policies and disclosures**

The Fund has applied the following new standards, amendments and interpretations of the IFRS, developed and issued by the International Accounting Standards Board, which are mandatory for application from the annual period beginning on January 1, 2023, but do not have material effect of their application on the financial result and financial position of the Fund:

**Amendment to IAS 1 Presentation of financial statements**

On February 12, 2021, the IASB issued "Disclosure of accounting policies (Amendments of IAS 1 and IFRS Practice Statement 2)' with amendments intended to assist preparers to decide which accounting policies to disclose in their financials reports.

**Amendment of IAS 8 Accounting policy, changes in accounting approximations and errors**

On February 12, 2021, the IASB issued "Definition of Accounting Estimates (Amendments to IAS 8)' to help companies and financial users statements to distinguish between changes in accounting estimates and changes in accounting policies.

**Amendment to IAS 12 Income Taxes**
**Amendment to IFRS 17 Insurance Contracts**
**Amendment to IFRS 17 Insurance Contracts – Initial Application of**
**IFRS 17 and IFRS 9 — comparative information**

**Standards, amendments and clarifications that have not yet entered into force and are not apply from an earlier date than the Fund. These amendments are effective for the annual accounting periods beginning on or after January 1, 2024.**

As of the date of approval of this financial statement, new standards, amendments have been published and clarifications to standards that already exist but have not entered into force or have not been adopted by EU for the financial year starting on 1 January 2023 and have not been implemented from an earlier date by the Fund. They are not expected to have a material impact on the financials reports of the Fund. Management expects all standards and amendments to be adopted in the accounting policy of the Fund during the first period starting after the entry date them in force. Below is a list of changes to the standards:

- **Amendment to IAS 1 Presentation of financial statements**
- **Amendment of IAS 7 Cash Flow Statements and IFRS 7 Financial tools: disclosures**
- **Amendment to IAS 21 Effects of Changes in Exchange Rates**
- **Amendment of IFRS 16 Leasing**

**15. Contingent Liabilities and Assets**

The Fund does not recognize contingent liabilities and contingent assets in its financial statements because they do not represent possible obligations for which it is uncertain whether the Fund has current obligations. Recognizing them might lead to the recognition of income that may never be realized.

**16. Events After the Reporting Date**

There are no events occurring after the reporting date that require adjustments or disclosures in the Fund's annual financial statements for the period from the reporting date to the date when these financial statements are approved for issuance by the Board of Directors of the Management Company.

# REPORT OF THE INDEPENDENT AUDITOR

To Unitholders
in an exchange traded fund
**"Expat Czech PX UCITS ETF"**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Exchange-traded Fund "Expat Czech PX UCITS ETF" (the Fund), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, as well as the explanatory notes to the financial statements, which contain significant information about the accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as 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 the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. 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 most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Book value of financial assets at Fair value through profit and loss<br><br>The Fund’s disclosures about the financial assets at fair value through profit and loss are included in Note 6 to the financial statements.</td></tr>
<tr><td>As at 31 December 2023 the Fund reports BGN 348 thousand financial assets at Fair value through profit and loss comprising of non-controlling equity participations in public companies, as disclosed in Note 6 to the financial statements. They are owned by the Fund as a result of replication of the index PX and the fair value is determined by reference to published price quotations.<br><br>The book value of the financial assets at Fair value through profit and loss is a main factor in the determination of the Fund’s net assets value as at the reporting date and therefore has a significant effect on the financial parameters which are based on its movement.<br><br>Due to the significant amount of the financial assets at Fair value through profit and loss in relation to the financial statements as a whole, and the fact that the valuation of the assets is the key driver for the Fund’s net assets value, and the financial result for the year, we consider this matter as key audit matter.</td><td>In this area, our audit procedures included, amongst others:<br>➢ We obtained understanding and performed walk throughs of the process for valuation of financial assets at fair value through profit and loss.<br><br>➢ We performed check for the existence of the financial assets through profit and loss by comparison to the obtained confirmation letter from the Bank depositary as at 31 December 2023.<br><br>➢ We performed check for the valuation of the financial assets through profit and loss by Independent check of the prices in the portfolio as at 31 December 2023 to publicly available market data, as well as by testing of the mathematical accuracy of the calculations of the fair value and the movements, reported in the profit and loss for the period.<br><br>➢ We assessed the adequacy and relevance of the financial statement disclosures related to the financial assets at fair value through profit and loss.</td></tr>
</table>

**Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor’s report, comprises the management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor’s 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 and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the 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.

We have nothing to report in this regard

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and presentation of the financial statements that give a true and fair view in accordance with IFRS, as 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 misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process..

**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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 collusion, forgery, intentional omissions, misrepresentations, or the override 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on 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 related disclosures in the financial statements 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 the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the Information Other than the Financial Statements and Auditor's Report Thereon section, in relation to the management report, including the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. 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 opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

### Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.

b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act and of Article 73, item 6, of Ordinance 44 of 20/10/2011 on the requirements of the activity of collective investment schemes, management companies, national investment funds and persons managing alternative investment funds.

c) The corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

**Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act**

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

**Additional Reporting on the Audit of the Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act**

***Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act***

The information about related party transactions is disclosed in Note 11 to the financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 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 were addressed 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.

***Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act***

Our responsibilities for the 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 an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves true and fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the financial statements for the year ended 31 December 2023, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Fund's transactions and events significant for the financial statements were addressed 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 those significant transactions

***Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act***

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- „Kreston BulMar – Financial Audit "LTD was appointed as a statutory auditor of the financial statements of Exchange-traded Fund "Expat Czech PX UCITS ETF" (the Fund) for the year ended 31 December 2023 by decision of the Sole owner of the capital of Expat Asset Management EAD for a period of one year.

- The audit of the financial statements of the Fund for the year ended 31 December 2023 represents third total uninterrupted statutory audit engagement for that Fund carried out by us.

- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to those charged with governance of the Fund, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

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

- We hereby confirm that in conducting the audit we have remained independent of the Fund.

- For the period covered by our statutory audit, in addition to the audit, we have not provided any other services to the Fund

**Auditing company „Kreston BulMar - Financial Audit" Ltd with registration number 119**

**Vyara Petrova Kukova, CPA**
**Registered auditor, responsible for the audit**

Vyara Petrova Kukova

Digitally signed by Vyara Petrova Kukova

**Velichka Stoyanova Markova**
**Procurator**

VELICHKA STOYANOVA MARKOVA

Digitally signed by VELICHKA STOYANOVA MARKOVA
Date: 2024.11.01 08:22:30 +02'00'

**172, Naycho Tsanov Str**
**Sofia 1309, Bulgaria**

**March 25, 2024**