

AUDITOR'S REPORT
FOR THE YEAR 2017

CAPITAL BREEDER
open-end investment fund
with public offering

Varaždin, April 2018

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Annual report – CAPITAL BREEDER open-end investment fund with public offering

CAPITAL BREEDER open-end investment fund with public offering (in further text: the Fund) is an open-end investment Fund with public offering – UCITS Fund. The Fund has been authorized by the Decision from Croatian Securities Commission, Klasa UP/I-450- 08/04-02/62, Ur.broj: 567-02/04-02, May 6, 2004. The Fund's duration is unlimited. The Croatian Financial Services Supervisory Agency (in further text: the Agency) is responsible for supervising the operations of the Fund.

Fund's business activities are regulated by the Act on open-end investment funds with public offering (in further text: the Act), sub-law regulations, Prospectus and the Fund's rules.

Management Board of the Management Company

Management Board of the management company (in further text: Company) represents the Fund towards third parties. When managing business activities, the Management Board especially takes care that the Fund operates in accordance with applicable legal regulations, internal risk management rules, and is responsible for systematic monitoring, evaluation and strategy for business activities. The Management Board is obliged to prepare financial statements, report to the Agency, and to realistically evaluate total assets and liabilities.

Darko Kosovec	President	member since 1 June 2016, President since 1 July 2016
Snježana Milovanović	member	since 18 March 2016

Fund's Supervisory Board

The Fund's Supervisory Board, in accordance with the legal regulations, is represented by the Company's Supervisory Board. The Supervisory Board, in addition to the regulations in accordance with the Law governing the establishment and business activities of companies, is also competent for granting approval to the Management Board for the determination of business policy, financial plan, organization of internal control systems and risk management system, annual plan of the Fund, changing the Fund's Rules, and it can review and examine business books and documentation as well as grant approval for other matters regulated by the Act, if there are any.

Members of the Supervisory Board must supervise the appropriateness of conducting internal audit and efficiency of the work of internal audit, give their opinion about the orders of the Agency in the procedures of supervision of the Company within 30 days from the day of delivery of the records about performed supervision, supervise the Company's actions in accordance with the orders and decisions of the Agency, submit a report to the general assembly of the Company on the orders of the Agency and the supervision of the Fund's activities with orders and decisions of the Agency, decide about granting approval for financial statements and inform the general assembly of the Company in writing regarding financial statements, explain their opinion to the Company's general assembly on the annual internal audit report and the annual Management Board report.

Lovorka Penavić,	president	member since 5 January 2015, appointed as the President on 7 January 2015
Zeqir Gashi,	deputy President	until 2 January 2016 mandate on hold, on 3 January 2016 mandate activated
Ante Župić,	member	since 16 January 2015

Fund's assembly

The Fund's assembly, in accordance with the legal regulations, is represented by the Company's assembly. The Company's assembly is constituted by the only member of the Company – its founder, and it is convened by the Management Board. The member of the Company – the founder, can make decisions outside the assembly in accordance with Article 440 of the Companies Act.

The assembly decides on the number, appointment and dismissal of the members of the Management Board, financial statements, usage of profit and coverage of losses, giving ratification to the members of the Management Board, appointment of the auditor, termination of the Fund and appointment of the liquidator of the Fund. The Company's assembly also makes other decisions which it is obliged and authorized to make and which are given to its competence based on law and other regulations.

Communicating with the public and unitholders

In accordance with the Company's legal obligations, business information can be found on the Company's website (www.globalinvest.hr), and with the Agency.

Activities regarding managing the Fund's assets

The net asset value of the Fund on 31 December 2017 was HRK 27.318.907, while, in the same period last year, it was HRK 19.175.311, which is an increase of 42,47%. The Fund's net asset value per unit was HRK 102,6736, while, in the same period last year, it was HRK 96,1764 which represents an increase of 6,76%.

Structure of investments in total assets of the Fund on 31 December 2017 was consisted of 38,86% of domestic stocks, 49,88% of foreign stocks, 1,19% of foreign closed-end investment funds and 10,56% of cash.

In the course of 2017, the Fund realized revenues in the amount of HRK 25.119.250. Of the total revenues, the Fund has realized revenues from unrealized gains on financial instruments in the amount of HRK 21.933.697, revenues from positive exchange rate differences of financial instruments at fair value of HRK 1.439.862, dividend revenue of HRK 1.221.988, revenues from realized gains from financial instruments in the amount of HRK 440.106 and other revenues amounting to HRK 83.597 (interest revenue and other positive exchange rate differences). Likewise, in the same period the Fund realized expenses in the amount of HRK 23.793.499. Of the total expenses, the Fund realized expenses from unrealized losses of financial instruments of HRK 21.342.118, expenses from negative exchange rate differences of financial instruments at fair value of HRK 1.579.675, expenses based on relationship with the management company in the amount of HRK 597.517, expenses from realized financial losses of financial instruments in the amount of HRK 28.283, transaction costs in the amount of HRK 69.843 and other expenses in the amount of 176.063 HRK (other negative exchange rate differences, depository fee and other allowed costs of the UCITS Fund).

In the observed period, the Fund realized profit in the amount of HRK 1.325.751, while in the same period of the previous year it realized profit in the amount of HRK 1.257.348 which is an increase of 5,44%.

In 2016, the Fund increased its exposure towards the finance and banking sector by 3,07% (2016: 16,97%, 2017: 20,04%), energy sector by 0,36% (2016: 16,08%, 2017: 16,44%), industrial sector by 0,97% (2016: 9,90%, 2017: 10,87%), transportation sector by 3,16% (2016: 6,19%, 2017: 9,35%), automotive industry by 2,53% (2016: 4,30%, 2017: 6,83%) and real estate management sector by 0,19% (2016: 2,87%, 2015: 3,06%), while reducing exposure towards hospitality and tourism sector by 3,17% (2016: 31,45%, 2017: 28,28%), the food industry by 8,17% (2016: 11,65%, 2017: 3,48%), pharmaceutical industry by 0,71% (2016: 2,29%, 2017: 1,58%) and retail sector by 0,52% (2016: 1,08%, 2017: 0,56%) of the Fund's net asset value

Geographical exposure towards Croatia was reduced by 7,19% (2016: 56,61%, 2017: 49,42%), towards Slovenia by 0,96% (2016: 23,12%, 2017: 22,16%) and toward Bosnia and Herzegovina by 0,52% (2016: 1,08%, 2017: 0,56%) of the Fund's net asset value. Exposure towards Romania increased by 2,3% (2016: 17,68%, 2017: 19,98) and towards Germany by 2,53% (2016: 4,30%, 2017: 6,83%) of the Fund's net asset value. During 2017 exposure towards Hungary was opened in the amount of 1,54% of the Fund's net assets.

Fund's investment strategy and goals

The Fund's investment goal is to preserve the value of the investments and achieving a high yield rate over a longer period of time. In order to achieve this goal, the Company will invest the Fund's assets in financial instruments for which it is determined, on the basis of its own or external associates' analysis, to match the risk profile of the Fund and its investment policy. The Fund is an equity fund permanently exposed to the equity market in a ratio of not less than 70% of the Fund's net asset value. The Fund's investment strategy is an active strategy since the Fund is characterized by a daily cash flow in the form of payments and disbursements creating the need for trading on a daily basis.

Subject to the restriction of permanent exposure to equity markets in a ratio of not less than 70% of the Fund's net asset value, the Fund's assets will be invested in the following instruments:

1. equity securities traded on stock exchanges, without limitation in net assets of the Fund, whereby the total share of such securities in net assets of the Fund, in terms of the issuer's head office, must not exceed the following limits:

a) without limitation in equity securities issuer of which has its head office in the Republic of Croatia, other European Union member states and OECD member states;

b) up to 30% of the Fund's net assets in equity securities issuer of which has its head office in Serbia and Republic of Kosovo;

c) up to 20% of the Fund's net assets in equity securities issuer of which has its head office in Bosnia and Herzegovina;

d) up to 20% of the Fund's net assets in equity securities issuer of which has its head office in the CIS member states;

e) up to 10% of the Fund's net assets in equity securities issuer of which has its head office in Macedonia

f) up to 10% of the Fund's net assets in equity securities issuer of which has its head office in Montenegro

2. long-term debt securities traded on exchanges, up to 30% of the net assets of the Fund, whereby the total share of such securities in the Fund's assets, in terms of the issuer's head office, must not exceed the following limits:

a) up to 30% of the Fund's net assets in long-term debt securities issuer of which has its head office in the Republic of Croatia, other European Union member states and OECD member states;

b) up to 10% in long-term debt securities issuer of which has its head office in Serbia, Republic of Kosovo, Bosnia and Herzegovina, Montenegro, Macedonia and CIS member states

3. money market instruments traded on regulated markets, up to 30% of the Fund's net assets, whereby the total share of such securities in the Fund's assets, in terms of the issuer's head office, must not exceed the following limits:

a) up to 30% of the Fund's net assets in money market instruments issuer of which has its head office in the Republic of Croatia, other European Union member states and OECD member states

b) up to 10% of the Fund's net assets in money market instruments issuer of which has its head office in Serbia and Republic of Kosovo, Bosnia and Herzegovina, the CIS member states, Macedonia and Montenegro

4. the right to acquire stocks, up to 30% of the Fund's net assets;

5. units of UCITS funds or shares of investment funds which have been authorized in the Republic of Croatia, other EU member states, units of open-end investment funds with public offering or shares of investment funds authorized in third country, up to 10% of the Fund's net assets under the following conditions:

a) such investment funds are licensed by the Agency or a competent authority of a Member State or a competent authority of a third country with which cooperation with the Agency is ensured, and are subject to supervision which the Agency considers to be equivalent to that prescribed by the Act,

b) the level of protection for unitholders in such investment funds must be the same as that prescribed for the unitholders of UCITS funds, and that the regulations regarding asset separation, borrowing, lending and selling transferable securities and money market instruments without coverage, are identical to those prescribed by the Act,

c) operations of such investment funds must be reported in semi-annual and audited annual reports to enable valuation of assets and liabilities, profit and business activities during the reporting period,

d) prospectus of the investment fund, whose units or stocks the Fund will invest in, prescribed that a total of up to 10% of net assets of that investment fund may be invested in units or stocks of other investment funds,

e) management fee may not be higher than 3,5%.

6. option and term contracts and other financial derivatives, solely for the purpose of securing claims and protecting the assets

7. deposits with credit institutions, which are payable on demand and which have a maturity of maximally 12 months, provided that the credit institution has a registered head office in the Republic of Croatia or another Member State or, if the credit institution has a registered head office in a third country, provided that it is subject to supervision which the Agency considers to be equivalent to that prescribed by the European Union legislation;

8. unlisted securities, up to 10% of the Fund's net assets, under following conditions:

a) unlisted securities which are not officially listed for sale on a stock exchange or sold on some other regulated market may only be acquired up to 10% of the Fund's net assets

b) unlisted securities - newly issued transferable securities – the listing of newly issued transferable securities into an official list of a stock exchange or in a regulated market that operates regularly must be made within one year of the issuance, otherwise the securities will be considered as unlisted

c) the conditions of listing, referred to in point b) above, shall not apply to treasury notes issued by the Republic of Croatia and the Croatian National Bank, the European Union member state, the OECD and non-member states of the European Union and their central banks.

The Fund's assets will be invested without limitation in equity securities issuer of which has its head office in the Republic of Croatia, other European Union member states and OECD member states.

Risk management

The Company manages the risks related to the Fund's assets in accordance with the basic investment goal - to increase the value of the Fund's assets by investing in stocks. The characteristics of the portfolio and the Fund's investment strategy imply increased risk appetite.

In accordance with the investment strategy, the Company will conduct a high-risk policy of investing its assets, which is characteristic of investing in funds that primarily invest in stocks but, due to investment dispersion, the risk is lower than in the case of a stand-alone investment in individual stocks. Such investment strategy is suitable for investors who wish to diversify the structure of their investments in order to increase yield.

The Fund is trying to reduce the risks associated with the investment strategy by diversifying and a more conservative investment approach based on the „buy and hold” approach to stocks which are evaluated to be underestimated by observing factors such as assets, revenue, profit, growth potential or cash flow or that they are underestimated in relation to peer companies in the same industry. The Company regularly monitors changes in market, macroeconomic and political factors and, if needed, makes short-term adjustments, i.e. liquidation of individual investments for which it is estimated that the expected return is not in accordance with the assumed risk as well as investing in stocks that correspond to the Fund's strategy and offer an attractive potential yield compared to the risk.

When choosing the stocks to invest into, care will be taken on the correlation between existing stocks in the Fund in order to achieve optimal diversification. Doing so, the Company will try to reduce the risk and the costs of frequent trading to the lowest possible level.

Financial instruments correlate with risks, most commonly with market risk, liquidity risk, credit risk arising as a result of assets allocation, market trends, foreign investment, economic, legislative and political changes, and risks related to the issuer.

Operational risk also has an effect on the Company's business activities, but escalation of this risk can easily be transferred to the Fund's business activities.

In the process of identifying and measuring risks, the risk ratings for each type of risk the Fund is exposed to are determined and, consequently, the current risk profile of the Fund is also determined. The Company has defined the level of influence of each risk by a five-degree scale: very low, low, moderate, high and very high impact.

Main risks established in the Fund's business activities are:

Issuer risks

Issuer risk is the risk of loss to the Fund that may arise due to the circumstances and characteristics of the issuer of the financial instrument. Issuer risk can be divided into a credit risk associated with the issuer's ability to completely fulfill its obligations and to transparency and correctness risk in terms of data and financial reporting in entities to which the Fund invests.

Credit risk

Credit risk is the possibility that the financial instrument issuer will not be able to fully or partially settle its obligations at the time of their maturity. If an issuer of securities fails to meet their obligations, it would affect the liquidity of the Fund and reduce the value of that part of the Fund's assets. Credit risk will be managed by investing primarily in renowned issuers of long-term debt securities, deposits will be deposited in renowned Croatian banks, respecting the limits prescribed by the Act and bylaws. The Company will reduce the credit risk by diversifying investments and the credit risk will be one of the factors in the analysis which will be used as a basis for making investment decisions.

Counterparty risk

The counterparty risk is the risk that the other party will bankrupt or fail to fulfill their obligations which can lead to decline of the investment value in the Fund. The risk is managed in a way that financial reports of the issuer of the financial instruments are continuously monitored.

Transparency and correctness of data risk and financial reporting risk in entities in which the Fund invests

This risk presents a possibility that the issuers, whose financial instruments the Fund invests into, do not report on their financial condition, operations, etc. sufficiently transparent or incorrectly and such incomplete or inaccurate data can lead to below-average or negative Fund yield. The Company will be extremely cautious when selecting a financial instrument issuer and will select those issuers who have a history of transparent reporting and who use the services of renowned audit firms when auditing public financial statements.

Risks caused by market trends

Net value of a unit of the Fund depends on the market value of securities and other financial instruments in the Fund's portfolio. As the market value of an investment is influenced by a number of real and perceived factors such as economic and political circumstances, the Company cannot guarantee its investors the realization of a specific yield on a given investment period.

Market risks

Market risk is the risk of loss to the Fund due to fluctuations of the Fund's assets prices as a result of various market circumstances and factors (such as interest rates, exchange rates, equity securities prices, issuer's creditworthiness, etc.). Market risk presents a possibility of financial instruments prices going down which can lead to decrease in yield or loss of the value of the investment portfolio. Exposure to market risk as a potential loss (decrease in the Fund's assets value) due to exchange rate fluctuations, interest rate changes and prices of securities fluctuations is measured using the parametric method of Value at Risk. For the purpose of managing market risks, the Company will conduct activities such as analyzing the portfolio structure, analyzing price movements of securities and trends in the real estate market. The Fund manages market risk by diversifying its investment portfolio. Market risk includes position risk, currency risk and interest rate risk.

Position risk

Position risk is the risk of loss due to price changes of financial instruments or, in case of derivatives, the change in price of the related variable. To measure position risk, the Company uses the value at risk method. Position risk is divided into general and specific risk.

The general position risk is the risk of loss due to price changes of a financial instrument which can change due to interest rates changes or major changes in the capital market unrelated to any specific characteristics of that investment. The Company manages general position risk by allocating assets between different classes of assets of different risk.

The specific position risk is the risk of loss due to price changes of a financial instrument which can change due to factors related to its issuer or, in case of derivatives, issuer of the basic financial instrument. The Company manages specific position risk by diversifying its investments.

Currency risk

The risk of loss due to currency exchange rate fluctuations. It occurs when investing in financial instruments purchased on foreign markets that are issued and traded in foreign currencies. As a result, exchange rate fluctuations between Croatian kuna and other currencies, as well as fluctuations between two foreign currencies can have an influence on the value of those financial instruments. The Company manages the exchange rate risk by tracking total exposure to individual currencies, domestic currency movements in relation to other currencies, and tries to match cash flow in the same currency. The Company intends to reduce the exchange rate risk by diversifying the portfolio on the instruments of different denominations and also by carefully selecting instruments with respect to the currency of their denomination.

Settlement risk

Settlement risk is the risk of loss due to other party not fulfilling their obligations. Settlement risk may arise in the event that the person with whom the Company enters into affairs in the financial markets cannot or will not fully or partially meet its obligations to the Fund. The Company will reduce this risk by negotiating transactions in such a way that both parties simultaneously fulfill their obligation (Delivery Versus Payment) whenever this is an option during settlement. Whenever possible, the settlement risk is minimized by negotiating transactions in financial markets under which the transfer of ownership of the securities and the amount of money contracted by an individual transaction is simultaneously carried out. In some segments of the market (e.g. FX), making a transaction using settlement with payment is not possible. In such cases, the Company selects institutions with which it conducts transactions by carefully choosing the other party, while respecting the principles of security and profitability.

Liquidity risk

Liquidity risk is the risk that, in the event of a rapid and significant redemption of the investor's units of the Fund, the Company is unable to sell the Fund's assets at an expected price. This risk is managed by taking care that the Company is investing in highly liquid financial instruments when making a decision on an investment. When approving a purchase decision, the Company manages the risk by controlling several aspects of securities liquidity. These are the following controls: the trading segment, the period required for the liquidation of the securities from the portfolio, checking the continuity of trading, the ex post control of liquidity of all securities of the portfolio. The Company actively manages the liquidity of the Fund by adjusting the maturity structure so that the Fund has sufficient liquid assets to redeem the investor's unit at all times. The Company regularly monitors the liquidity of individual financial instruments in the portfolio.

Interest rate risk

Interest rate risk is the risk of a decrease in the value of the Fund's units due to changes in the market interest rates that affect the market value of the instruments the Fund invests into. The Company has developed a system of internal controls through a set of processes and procedures that are established for appropriate risk control and for compliance with regulations, internal regulations, standards and codes. And through that system the Company monitors exposure to the interest rate risk. The Company will manage interest rate risk by diversifying investments in instruments of different maturity and by managing the level of duration of the part of the portfolio invested in fixed income instruments. To measure the risk of interest rate changes, the Company will use the Value at Risk method (VaR) as well as measures of sensitivity to changes in the price of debt securities due to interest rate changes.

Economic environment risk

Risk of changes in tax and other regulations

The risk of changes in tax regulations is a significant risk for investors of the Fund. It presents a possibility that legislative authorities will change tax laws in a manner that will negatively affect the profitability of investor's investment in the Fund. The Company will make investments in markets with stable tax systems, where the possibility of changes with a negative impact on the yield of the Fund is small.

Macroeconomic risk

All investors who invest in stocks are exposed to capital market risk and significant price fluctuations. If the capital market value goes down, the fund portfolio loses its value. When investing in financial instruments, the Company recognizes the possibility of negative changes in macroeconomic trends and uses the annual analysis of macroeconomic trends from renowned analytical companies and monitors statistical data of the Central Bureau of Statistics at the level of the Republic of Croatia.

Risks of investing abroad

Political risk

Political risk presents the risk that decisions of public sector or the central government of the country in which the Fund invests may have effect on the value of the assets. This is primarily about the possibility of political crisis developing in these countries, as well as possible changes in tax regulations and monetary policy or any other decisions that may have negative influence on the value of the Fund's assets. When choosing the country to which the Fund's assets will be invested, the Company will choose countries with a stable political system.

Geographical risk

This type of risk refers to the risks that are typical for particular geographical areas. This is primarily regarding developing markets in which the Company can invest to in accordance with the investment strategy described above. Investments in developing markets in relation to developed markets typically carry a higher level of all the risks already described, and therefore such investments may have significant changes in value compared to developed markets. Along with the mentioned risks, there are additional risks that are characteristic of these markets.

Risks specific to the Fund

In addition to the above-mentioned general risks related to general investment in investment funds, the following risks are specific to the Fund itself.

Operational risk

Operational risk refers to the risk of loss that occurs as a result of inadequate or unsuccessful internal processes, human resources or external influences, and includes both legal risk and the risk of IT equipment and infrastructure failure. The following actions are considered to be a part of operational risk management: determination, assessment, control and monitoring and reporting on operational risk.

The Company will ensure that the operational risk management system takes into account the fact that operational risk is inherent to all activities and processes.

For investors of the Fund, the operational risk is significantly reduced by using the Fund's depository, which minimizes the operational risk by daily transaction control and the determination of net asset value of the Fund.

The Company has a developed system of internal controls through a set of processes and procedures which are established for adequate risk control and compliance with regulations, internal regulations, standards and codes and through it, the Company monitors operational risk exposure. The Management Board will be informed about events that can qualify as operational risk.

Asset manager risk

Asset manager risk refers to the risk that the Fund's poor asset allocation results in below average or negative yield of the Fund.

When making an investment decision on an investment in a particular financial instrument, the fund manager may make a decision on their own and grant its approval if he buys or sells securities that do not exceed 5% of the net

asset value of the portfolio. The Company will try to reduce this risk through continuous personnel education and professional and conscientious approach.

Geographic concentration risk

The geographic concentration risk refers to investments in certain countries or geographical regions that may be subject to economic, political and regulatory changes occurring in a particular country or region. The Company manages this risk by diversifying the portfolio and making sure investments are in accordance with restrictions defined by the Rules of the Fund.

Industry concentration risk

This is the risk of investment exposure to a particular industry, but the Fund can be significantly exposed to only one particular company that makes a significant portion of the Fund. In that case, the Fund is more sensitive to the risks associated with that particular company. The Company manages this risk by diversifying portfolio it terms of choosing sectors and industries.

Assets concentration risk (non-diversification risk)

The non-diversification risk is noticeable in funds that concentrate their investments in a relatively small number of securities, which results in a greater sensitivity of the Fund to individual economic, political and regulatory changes. The Company will reduce this risk by diversifying the portfolio.

The risk profile reflects a measure, i.e. the estimate of all the risks the Fund is exposed to and it currently indicates an increased risk appetite.

The following table contains an overview of the risks identified in the Fund's business activities with risk ratings and overall rating:

CAPITAL BREEDER open-end investment fund with public offering					
CAUSE OF RISK	TYPE OF RISK			Level of influence	Risk rating
Issuer risk	Credit risk			HIGH	4
	Counterparty risk			MODERATE	3
	Transparency and correctness risk regarding data and financial reporting in entities in which the Fund invests to			HIGH	4
Risks caused by movements in market prices	Market risks	Positions risk	General	HIGH	4
			Specific	VERY HIGH	5
	Currency risk			HIGH	4
	Settlement risk			MODERATE	3
	Liquidity risk			VERY HIGH	5
	Interest rate risk			MODERATE	3
	Taxation and regulatory risk			MODERATE	3
	Macroeconomic risk			HIGH	4
Risks of investing in foreign markets	Political risk			MODERATE	3
	Geographical risk			MODERATE	3
Risks specific to the Fund	Operational risk			MODERATE	3
	Asset manager risk			MODERATE	3
	Geographic concentration risk			HIGH	4
	Industry concentration risk			HIGH	4
	Assets concentration risk			MODERATE	3
				Risk profile	4
				Overall rating	C - HIGH RISK

The Company also regularly measures and estimates the risks it has identified in its business activities.

The Company especially monitors the following risks: strategic risk, reputation risk, operational risk, continuous appropriateness and suitability risk, risk of non-compliance with relevant regulations, risk of conflict of interest and the liquidity risk.

The established risk levels and the current risk profile of the Company are presented in the following table:

GLOBAL INVEST LLC - Risk profile		
Type of risk	Level of influence	Risk rating
Liquidity risk	MODERATE	3
Price risk	LOW	2
Currency risk	LOW	2
Settlement risk	LOW	2
Counterparty risk	MODERATE	3
Concentration risk	MODERATE	3
Interest rate risk	MODERATE	3
Operational risk	MODERATE	3
Strategic risk	LOW	2
Risk of changes in tax and other regulations	MODERATE	3
Reputation risk	MODERATE	3
Position risk	LOW	2
Credit risk	LOW	2
Financial leverage risk	MODERATE	3
Continuous appropriateness and suitability risk	MODERATE	3
Risk of non-compliance with relevant regulations	MODERATE	3
Risk of conflict of interest	LOW	2
	RISK PROFILE	3
	OVERALL RATING	B- MODERATE RISK

Probable future development of the Fund

Considering the portfolio structure, the development of the Fund in the future will primarily depend on movements in the capital market. The Management Board's objective in the forthcoming period is to ensure the Fund's stable performance of business activities, and in that sense, the activities will be primarily directed towards achieving additional value for the Fund's unitholders.

Investment structure of the investment fund on 31 December 2017

Name of the investment fund: Capital Breeder open-end investment fund

	Value in HRK	Percent
CASH	2.883.842,72	10,56
RECEIVABLES	0,00	0,00
Securities and deposits	24.566.947,78	89,93
DOMESTIC	10.616.242,52	38,86
Shares and GDRs	10.616.242,52	38,86
Government bonds	0,00	0,00
Municipal bonds	0,00	0,00
Corporate bonds	0,00	0,00
Closed-end funds	0,00	0,00
Open-end funds	0,00	0,00
Short-term securities	0,00	0,00
Deposits	0,00	0,00
FOREIGN	13.950.705,26	51,07
Shares and GDRs	13.626.362,18	49,88
Government bonds	0,00	0,00
Municipal bonds	0,00	0,00
Corporate bonds	0,00	0,00
Closed-end funds	324.343,08	1,19
Open-end funds	0,00	0,00
Short-term securities	0,00	0,00
Deposits	0,00	0,00
OTHER ASSETS	0,00	0,00
TOTAL ASSETS	27.450.790,50	100,48
TOTAL LIABILITIES	131.883,84	0,48
NET ASSETS	27.318.906,66	100,00
TOTAL UNITS HELD	266.075,3352	
NET ASSET VALUE PER UNIT	102,6736	

Corporate Governance Code

The Fund is an open-end investment fund with public offering whose units are not quoted in a regulated market. The Company voluntarily applies the recommendations of the Corporate Governance Code developed by the Agency. Corporate governance rules are implemented in the Company that manages the Fund.

The bodies of the Company, and therefore the Fund are: the General Assembly, the Supervisory Board and the Management Board. The authorities and responsibilities of these bodies are regulated by the Act, Prospectus and Fund Rules, as well as other legal regulations and internal acts of the Company and the Fund. The Supervisory Board did not establish a nomination committee and a remuneration committee, while in accordance with the Audit Act, it established an Audit Committee. Given that the Supervisory Board has three members in accordance with the Company's Articles of association, the Audit Committee is composed of one member of the Supervisory Board and two external members appointed by the Supervisory Board.

The Management Board and the Supervisory Board make efforts to establish adequate corporate governance and transparent information, while respecting the structure and organization of the Company, its strategy and business objectives, the allocation of powers and responsibilities with special emphasis on effective procedures for identifying, measuring, monitoring and reporting on business risks, as well as the establishment of appropriate internal control mechanisms and the provision of the necessary infrastructure. The Company has also established committees to consider additional issues related to the operations of the Fund (Securities Investment Committee).

The Fund prepares the financial statements. In the process of preparing the financial statements, there is Company's complete control over the income, expenses, assets and liabilities of the Fund.

In accordance with the legal regulations, the Company publicly discloses financial statements and legal and business events related to the Fund in an effort to increase the transparency of information for existing and potential investors, and thus regulate equality and treatment of all interested parties.

On 21 April 2018, a meeting of the Supervisory Board of the Company was held, which, among other activities, presented, reviewed and established the audited financial statements and presented and reviewed the Management's report on the condition of the Fund. The Supervisory Board meets several times a year, in accordance with the legal regulations and the needs of the Fund and the Company.

Responsibility of the Company's Management Board for preparation and approval of annual financial statements and annual report

Based on the Accounting Act of the Republic of Croatia, the Management Board is obliged to ensure that the financial statements for each financial year are prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union so as to provide a true and fair view of the financial position and results of the CAPITAL BREEDER open-end investment fund with public offering ("the Fund") for that period.

After conducting the research, the Management Board reasonably expects that the Fund has adequate resources to continue its operations in the foreseeable future. For this reason, the Management Board continues to accept the going concern principle in the preparation of financial statements.

When preparing the financial statements, the Management Board is responsible for:

- selecting and consistently applying appropriate accounting policies;
- making judgments and evaluations reasonable and cautious;
- applying valid accounting standards and disclosing and explaining any significant material deviation in financial statements;
- preparing financial statements on the going concern principle unless it is inappropriate to assume that the Fund will continue its business activities

The Management Board is responsible for keeping the correct accounting records, which at any time, with acceptable accuracy, reflect the financial position of the Fund as well as their compliance with the Croatian Accounting Act. The Management Board is also responsible for preservation of the Fund's assets, and therefore for taking reasonable measures to prevent and detect embezzlement and other illegalities.

The financial statements presented on pages 17 through 20 as well as the forms prepared in accordance with the Ordinance on the structure and the content of the annual and semi-annual and other reports of the UCITS fund (NN No 41/17), and information delivered in annual report of AIF in accordance with the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 together with the associated adjustments shown on pages 46 through 52, are approved by the Company on 16 April 2018, which is confirmed with the signature below.

The Management Board of the Company is also responsible for the composition and content of the annual report, in accordance with the requirements of Article 21 of the Accounting Act. The annual report is presented on pages 1 through 12 and approved by the Management Board on 16 April 2018, and has been signed accordingly.

Darko Kosovec,

President of the Management Board

Snježana Milovanović,

member of the Management Board

Independent Auditor's Report

For the owners of the units of the CAPITAL BREEDER open-end investment fund with public offering

Report on audit of annual financial statements

Opinion

We have audited the annual financial statements of the CAPITAL BREEDER open-end investment fund with public offering that includes the Statement of Financial Position (Balance Sheet) on 31 December 2017 and the Statement of comprehensive income, changes in net assets and cash flow for that year, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the submitted annual financial statements present the financial position of the Fund on 31 December 2017 honestly and fairly, as well as its success and cash flows for that year in accordance with International Financial Reporting Standards that have been adopted in the European Union and are published in the Official Gazette of the European Union.

The basis for opinion

We have conducted our audit in accordance with the Accounting Act, Audit Act and International Standards on Auditing (ISA). Our responsibilities according to these standards are described in more detail in the chapter regarding auditor's responsibilities. We are independent of the Fund's managing Company in accordance with the International Ethics Standards Board for Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have received are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that were, in our professional judgment, of the utmost importance for our audit of the annual financial statements of the current period and it includes recognized most important risks of significant misrepresentation due to mistakes or frauds with most effect on our auditing strategy, allocation of our available resources and time consumption of engaged audit team. We have dealt with those matters in the context of our audit of the annual financial statements as a whole and in the formation of our opinion about them, and we do not give a separate opinion on these matters.

In managing the business activities, the Management Board of the managing company shall especially ensure that the Fund's business activities are performed in accordance with the applicable legal regulations, internal risk management rules, and is also responsible for systematic monitoring, evaluation and strategy of business activities. It is of the utmost importance that the established system of internal controls and risk management are applied orderly and promptly by the employees and Company's the Management Board, in such a way that the investment strategy and the limits of risk exposure are properly implemented and consistently applied in each decision on investing the fund's assets, for each investment separately and in relation to existing portfolio risks. Analysis and supervising prior to approval of the transaction and after the conclusion of the transaction, as well as information and reporting on it is of utmost importance for the protection of the fund's assets, for which the same examination has been identified as a key auditing matter.

Our audit procedures included, among other things, review of activities in the operational department (Front Office) and the supervision and managing department (Middle Office), whether the decisions on buying, selling and transferring of securities were verified by all members of the Investment Committee and whether they contain full details about minimum and maximum quantities and prices at which they have been decided to sell and purchase, whether purchase and sale orders are in accordance with the foregoing decision and signed by the Head of trading (member of the Management Board), after it was reviewed and signed by the Head of Middle Office, and whether these decisions are in accordance with statutory and internal investment restrictions, since these procedures have the greatest effect on the protection of the fund's assets through limitation of access (authorization), separation of duties (responsibilities) and supervision (indirect and direct) before and after the transactions are concluded. Additional reports on exceeding limits and restrictions (total investments in one issuer) have been checked.

Other information in the annual report

The Management Board is responsible for other information. Other information contain the information included in the annual report, but does not include the annual financial statements and our independent auditor's report about them.

Our opinion on the annual financial statements does not cover other information, except to the extent explicitly stated in our independent auditor's report under the title Report on other legal requirements, and we do not express any form of conclusion by expressing beliefs about them.

Regarding our audit of the annual financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is significantly contradictory to our annual financial statements or our knowledge acquired in the audit or otherwise appear to have been significantly misrepresented. If, based on the work we have done, we conclude that there is a significant misrepresentation of this information, we are required to report this fact. In that sense, we do not have anything to report.

Responsibility of the Management Board and those who are in charge of managing the annual financial statements

The Management Board is responsible for composing annual financial statements that provide honest and fair presentation in accordance with International Financial Reporting Standards (IFRS), as established by the European Commission, and for those internal controls that the Management Board determines to be necessary for enabling the composition of annual financial statements without any significant misrepresentation due to fraud or an error.

When composing the annual financial statements, the Management Board is responsible for estimating the ability of the Fund to continue to perform its business activities on going concern basis, publishing, where applicable, issues related to going concern principle and using accounting basics based on going concern, unless the Management Board intends to either liquidate the Fund or terminate business activities or has no real alternative but to do so.

Those in charge of management are responsible for supervising the financial reporting process established by the Fund.

Auditor's responsibilities for the audit of annual financial statements

Our goals are to gain reasonable understanding of whether the annual financial statements are, as a whole, without significant misrepresentations due to fraud or error and to issue an independent auditor's report incorporating our opinion. A reasonable belief is a higher level of belief, but there is no guarantee that the audit carried out in accordance with ISA will always reveal a significant misrepresentation when it exists. Misrepresentations may arise due to fraud or an error and are considered significant if it can reasonably be expected that, singularly or in total, will affect the economic decisions of users made on the basis of these annual financial statements.

As an integral part of the audit in accordance with ISA, we create professional judgments and maintain professional skepticism during the audit. We also:

- recognize and estimate the risks of significant misrepresentation of annual financial statements due to fraud or error, formulate and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to ensure a basis for our opinion. The risk of not discovering significant misrepresentation that occurred as a result of a fraud is higher than the risk that occurred as a result of an error because fraud may include secret agreements, counterfeiting, deliberate release, misrepresentation or avoidance of internal controls
- gain understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of giving an opinion on the effectiveness of the Fund's internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related postings created by the Management Board.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude whether there is significant uncertainty regarding events or circumstances that may create a significant suspicion of the Fund's ability to continue its business activities based on going concern principle. If we conclude that there is a significant uncertainty, we are required to draw attention, in our independent auditor's report, on related postings in annual financial statements or if such postings are not appropriate, to modify our opinion. Our conclusions are based on audit evidence obtained until the date of our independent auditor's report. However, future events or conditions may cause the Fund to terminate business on going concern principle.
- evaluate the overall presentation, structure and content of the annual financial statements, including postings, as well as whether the annual financial statements reflect the transactions and the events on which they are based in a way that the fair presentation is achieved.

We communicate with those who are in charge of managing, among other issues, the planned scope and time frame of audit and important audit findings, including and in connection with significant disadvantages in internal controls that were discovered during our audit.

We also give a statement to those in charge of managing that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relations and other matters that can reasonably be considered to affect our independence as well as, where applicable, about related protections.

Among the matters we are communicating with those in charge of managing, we determine those matters that are of utmost importance when auditing the annual financial statements for the current period and are therefore key auditing matters.

We describe these matters in our independent auditor's report unless a law or regulation prevents public posting of those matters or when we decide, in exceptionally rare circumstances, that the matter should not be reported in our independent auditor's report as it can reasonably be expected that the negative effects of the posting will outweigh the benefits of public interest in such posting.

Report based on requirements of Regulation (EU) No 537/2014.

1. On 27 June 2017 the Assembly of Global Invest, limited liability company for managing investment funds (the Company) has appointed us, based on the suggestion of the Company's Management Board, to perform auditing of annual financial reports of the CAPITAL BREEDER open-end investment fund with public offering (the Fund) for the year 2017.

2. On the date of this report, we are engaged for the first time for auditing the Fund's financial reports for the year 2017 which is in total 1 (one) year.

3. Besides the matters which we stated in our independent auditor's report as key audit matters, we have nothing to report regarding subheading Report on auditing annual financial statements, point c) Article 10 of the Regulation (EU) No 537/2014

4. With our statutory audit, we are able to discover irregularities, including fraud in accordance with the Section 22, Responding to non-Compliance with laws and regulations of the IESBA Code which demands that we, while performing auditing, perceive has the Fund been in compliance with laws and regulations for which it is commonly known that they have direct effect on determining significant amounts and publications in their annual financial reports, as well as other laws and regulations which do not have direct effect on determining significant amounts and publications in their annual financial reports, but being in accordance with them can be a key operational aspect of the Fund's business activities, its ability to continue with its business activities or to avoid significant penalties.

Except in the case where we come across, or find out about non-compliance some of the previously stated laws or regulations which is obviously irrelevant, according to our judgment of its content and impact, financial or other, for the Fund, its unitholders and general public, we are obliged to report it to the Company and ask for it to be inspected and appropriate measures to be taken for solving irregularities and to prevent from repetition of those irregularities in the future. If the Company does not correct those irregularities which resulted in faulty reporting in annual financial reports of the Fund which cumulatively equal or higher than the amount of significance for financial reports as a whole, we are required to modify our opinion in the independent auditor's report.

When auditing financial reports of the Fund for the year 2017, we have established the significance for financial reports as a whole to be in the amount of HRK 100.000 which represents approximately 0,014% of the total asset value because of the effect of recognized risks of significant misrepresentation due to mistake or fraud which can occur in relation to our Fund's audit strategy.

5. Our audit opinion is consistent with additional report for audit committee of the Fund composed in accordance with provisions from the Article 11 of the Regulation (EU) No 537/2014.

6. During the period between the initial date of audited annual financial reports of the Fund for the year 2017 and the date of this report, we have not provide the Fund or the management company with forbidden non-audit services and we have not, during the business year before the previously mentioned period, provide services of designing and implementing internal control procedures or risk management related to preparation and/or control of financial information or designing and implementing technological systems for financial information, and we have, during the audit, preserved independence in relation to the Fund and the management company.

Report based on regulations of the Accounting Act:

1. In our opinion, based on the activities we performed during the audit, the information contained in the submitted report of the Fund's Management Board for 2017 is in accordance with the submitted annual financial statements of the Fund for 2017.
2. In our opinion, based on the activities we performed during the audit, we submit the Fund's Management Board report for 2017 composed in accordance with the Accounting act.
3. Based on the knowledge and understanding of the Fund's business activities and its environment, acquired within the scope of the audit, we have not found that there are significant misrepresentations in the submitted Fund's Management Board report.
4. In our opinion, based on the activities we performed during the audit, the statement on application of Corporate Governance Code, included with the Fund's annual financial reports for 2017, is in accordance with regulations stated in article 22, paragraph 1, points 3 and 4 of the Accounting Act
5. Statement on application of Corporate Governance Code, included with the Fund's annual financial reports for 2017, includes information stated in article 22, paragraph 1, points 2, 5, 6 and 7 of the Accounting Act.

The partner engaged in the audit that results in this independent auditor's report is S. Simić.

Signature of the authorized auditor:

Signature of the authorized representative on behalf of the audit firm:

Date of the independent auditor's report

DTTC Consulting i revizija d.o.o. Varaždin, Antuna Mihanovića 4.

Statement of comprehensive income
For the period from 1 January 2017 to 31 December 2017
CAPITAL BREEDER open-end investment fund with public offering

	Note	I-XII 2017 HRK	I-XII 2016 HRK
Realized gains on financial instruments	8	440.106	347.367
Realized losses on financial instruments	9	(28.283)	(235.338)
Net realized gains (losses) on financial instruments		411.823	112.029
Unrealized gains on financial instruments	10	21.933.697	13.875.589
Positive exchange rate differences on financial instruments at fair value	12a	1.439.862	825.912
Unrealized losses on financial instruments	11	(21.342.118)	(12.711.576)
Negative exchange rate differences on financial instruments at fair value	13a	(1.579.675)	(897.666)
Net unrealized gains (losses) on financial instruments		451.766	1.092.259
Interest rate revenues	5	85	352
Other positive exchange rate differences	12b	83.512	45.897
Dividend revenues	16	1.221.988	617.648
Other revenues		0	1.250
Total other operating revenues		1.305.585	665.147
Interest rate expenses		0	0
Other negative exchange rate differences	13b	(103.923)	(44.431)
Expenses based on relationship with the management company	14	(597.517)	(435.088)
Depository fees	15	(39.436)	(31.591)
Transaction costs	7	(69.843)	(66.124)
Assets impairment		0	0
Other allowable costs of the UCITS fund	16	(32.704)	(34.853)
Total other expenses		(843.423)	(612.087)
Profit (loss)		1.325.751	1.257.348
Unrealized gains (losses) on financial assets available for sale		0	0
Gains (losses) on cash flow hedging instruments		0	0
Other comprehensive profit		0	0
Total comprehensive profit		1.325.751	1.257.348
Reclassification adjustments	0	0	0

Statement of financial position on 31 December 2017

CAPITAL BREEDER open-end investment fund with public offering

ASSETS	Note	Dec 31, 2017 HRK	Dec 31, 2016 HRK
Cash	18	2.883.817	1.233.045
Deposits with credit institutions		0	0
Repo contract and similar contracts on purchase and repurchase of securities		0	0
Transferable securities	19	24.566.948	18.071.097
- Which are evaluated at fair value		24.566.948	18.071.097
a) Traded on regulated market		22.446.801	14.451.991
b) Traded on other market		0	0
c) Recently issued which are determined by their prospectus to be listed		0	0
d) unlisted		2.120.147	3.619.106
- which are evaluated at amortized cost		0	0
Money market instruments		0	0
UCITS fund's units	19	0	408.546
Derivatives		0	0
Other financial assets		0	0
Other assets		26	74
TOTAL ASSETS		27.450.791	19.712.762
Liabilities based on investments in financial instruments		38.327	465.774
Other financial liabilities		0	0
Total financial liabilities		38.327	465.774
Liabilities towards the management company		63.016	40.061
Liabilities toward the depositary		4.868	6.129
Liabilities based on allowable costs of the UCITS fund	22	25.673	25.487
Liabilities towards the unitholders	21	0	0
Other liabilities of the UCITS fund		0	0
Total other liabilities		93.557	71.677
TOTAL LIABILITIES		131.884	537.451
NAV		27.318.907	19.175.311
Number of units issued		266.075,3352	199.376,4645
NAV per unit		102,6736	96,1764
Issued/redeemed units of the UCITS fund		66.449.601	59.631.756
Profit (loss) for current business year		1.325.751	1.257.348
Retained earnings (losses) from previous periods		(40.456.445)	(41.713.793)
Revaluation of financial assets available for sale		0	0
Revaluation reserves of hedging instruments		0	0
TOTAL LIABILITIES		27.318.907	19.175.311
Off balance sheet records of assets and liabilities		1.366.951	1.332.512

Cash flow statement for the period from 1 January 2017 to 31 December 2017

CAPITAL BREEDER open-end investment fund with public offering

	I-XII 2017 HRK	I-XII 2016 HRK
Profit or loss	1.325.751	1.257.348
Unrealized positive or negative exchange rate differences	(139.813)	(71.753)
Correction of accounts receivable and other write-offs	0	0
Interest rate revenues	(85)	(352)
Interest rate expenses	0	0
Dividend revenues	(1.221.988)	(617.648)
Financial assets impairment	0	0
Increase/decrease in investments in transferable securities	(6.356.038)	(2.234.382)
Increase/decrease in investments in money market instruments	0	0
Increase/decrease in investments in UCITS funds units	408.546	(4.755)
Increase/decrease in investments in derivatives	0	0
Interest rate incomes	133	437
Interest rate expenditures	0	0
Dividend incomes	1.221.988	617.648
Increase/decrease in other financial assets	0	0
Increase/decrease in other assets	0	0
Increase/decrease in liabilities based on investments in financial instruments	(427.447)	465.774
Increase/decrease in other financial liabilities	0	0
Increase/decrease in liabilities towards the management company and the depositary	21.694	2.804
Increase/decrease in other operating liabilities	187	(3.592)
Net cash flows from operating activities	(5.167.072)	(588.471)
Incomes from unit issuers	9.181.983	1.485.785
Expenditures from unit redemption	(2.364.139)	(1.790.490)
Payments to unitholders from realized profit	0	0
Other incomes from financial activities	0	0
Other expenditures from financial activities	0	0
Cash flows from financial activities	6.817.844	(304.705)
Net increase/decrease in cash and cash equivalents	1.650.772	(893.176)
Cash and cash equivalents at the beginning of the period	1.233.045	2.126.221
Cash and cash equivalents at the reporting date	2.883.817	1.233.045

Statement of changes in net assets
Of owners of the units and units for the year that ended on 31 December 2017
CAPITAL BREEDER open-end investment fund with public offering

Description	31 December 2017 HRK	31 December 2016 HRK
Profit or loss	1.325.751	1.257.348
Other comprehensive profit	0	0
Increase (decrease) in net assets from fund's operations	1.325.751	1.257.348
Incomes from sales of issued units of the UCITS fund	9.181.983	1.485.785
Expenses from redemption of issued units	(2.364.139)	(1.790.490)
Total increase (decrease) from transactions with UCITS fund units	6.817.844	(304.705)
Total increase (decrease) in net assets of the UCITS fund	8.143.595	952.643

III NOTES TO THE FINANCIAL STATEMENT

1. FUND WHICH IS THE SUBJECT OF REPORTING

Establishment, history and basic activities

The Fund is a separate asset, without legal personality, established by the Company and managed by the Company on its own behalf and for the joint account of unitholders in that asset in accordance with the regulations of the Act, Prospectus and these Fund Rules. Units in the Fund are, at the request of the unitholder, redeemed, directly or indirectly, from the Fund's assets. The only purpose and goal of the Fund is to raise funds by public offering and investing these funds in various types of assets in accordance with a predefined investment strategy of the investment fund. It has a sole purpose of jointly investing assets in transferable securities or other forms of liquid financial assets. The duration of the Fund is unlimited. The approval for the establishment of the Fund was issued by the Securities Commission of the Republic of Croatia on 6 May 2004.

The Fund's management Company

In accordance with the Fund's Prospectus and Rules and Act's regulations, the Fund is managed by Global Invest LLC for managing investment funds ("The Company") with the seat in Zagreb.

The Company is registered with the Commercial Court in Varaždin on 8 April 2003.

The subscribed and paid original capital of the Company is HRK 1.000.000,00.

The Company is responsible for the damages caused to the owners of the units that occurred due to violations of the Act and the Fund's Prospectus. In accordance with the Prospectus, the Company shall charge a management fee to the Fund up to a maximum of 2,50% p.a. from the Fund's assets minus the amount of the Fund's liabilities based on investments.

The Depositary

In accordance with the Law, the Company has chosen a Depositary who has been entrusted with the storage of the Fund's assets. In addition to the storage of separate assets and management of a special account for the Fund's assets, the Depositary collects the units and also collects the funds paid on the basis of the request for the purchase of units, supervises that the determination of the value of individual units and the Fund's net asset value are in accordance with legal regulations and the Fund's Prospectus and Rules, and executes Company's orders related to securities transactions. During 2017, the Company used the services of Raiffeisen Bank d.d. Austria, Zagreb, Magazinska 69 as the Depositary. The Depositary is responsible to the Company and unitholders for all the damage caused to them as a result of violation of law. In accordance with the Prospectus, the Depositary charges a fee for its services.

The Agency is the Fund's regulatory body.

2. BASIS OF PREPARATION

a) Comfort letter

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards which are adopted by the European Union ("IFRS adopted by the EU").

The financial statements were approved by the Management Board on 16 April 2018.

b) Measurement basis

The Fund's financial statements are prepared on the basis of amortized cost, except for financial assets at fair value through profit and loss statement which are measured at fair value.

c) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS adopted by the EU requires Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Estimates and related assumptions are based on historical experience and various other factors which are considered to be reasonable under the given conditions and with

NOTES TO THE FINANCIAL STATEMENTS
ACCOUNTING METHODS AND POLICIES

available information at the date of the financial statements, and the result of which is the basis for evaluation of the book value of assets and liabilities that is not easily determinable from other sources. Actual results may differ from estimates.

The estimates and related assumptions are continually reviewed. Changes to accounting estimates are recognized in the period in which the estimate is changed and future periods if the changes also affect future periods.

Information about judgments made by the Company's Management Board related to the application of IFRS adopted by the EU that have a significant effect on the financial statements as well as information about estimates with a significant risk of possible significant adjustment in the next year are included in Note 4.

d) Functional and presentation currency

The financial statements are presented in Croatian kuna, which represents the functional currency of the Fund's announcements. The functional currency is the currency of the primary economic environment in which the Fund operates. The presentation currency is the currency in which the financial statements are presented.

The official exchange rate of the Croatian kuna published by the Croatian National Bank in relation to other significant currencies was as follows:

<u>Currency</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
1 EUR	7,513648	7,557787
1 RSD	0,063421	0,061210
1 BAM	3,841667	3,864235
1 USD	6,269733	7,168538
1 RON	1,612475	1,664308
1 HUF	0,024216	0,024353

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Standards, interpretations and changes in published standards that are not yet valid

a) **First application of new changes of existing standards which are in effect for the current reporting period**

In current reporting period, the following changes of existing standards and new interpretations, which have been published by the Committee for International Financial Reporting Standards (IFRS), are in effect and have been adopted by the European Union:

- changes in IAS 7 „Statement of Cash Flows” - „Disclosure initiative”, adopted in the European Union on 6 November 2017 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017)
- changes in IAS 12 „Income Taxes” - „Recognition of Deferred Tax Assets for Unrealised Losses”, adopted in the European Union on 6 November 2017 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017)
- changes in various standards under „Annual Improvements to IFRS Standards 2014–2016 Cycle” as a result of annual improvements to IFRS standards (IFRS 1, IFRS 12, IFRS 28), mainly because of removal of disparity and explanation of text, adopted in the European Union on 6 February 2018 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018, while changes in IFRS 1 and IAS 28 are effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017)

Adoption of these changes of existing standards did not result in significant changes in financial reports of the Fund.

b) Changes in existing standards published by IFRS and adopted in the European Union, which are still not in effect

On the date for which the publishing of financial reports was approved, the following standards were adopted in the European Union, but they were still not in effect:

- IFRS 9 „Financial Instruments”, adopted in the European Union on 22 November 2016 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- IFRS 15 „Revenue from Contracts with Customers” and changes in IFRS 15 „Effective date of IFRS 15”, adopted in the European Union on 22 September 2016 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- IFRS 16 „Leases”, adopted in the European Union on 31 October 2017 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- changes in IFRS 4 „Insurance Contracts” - „Application of IFRS 9 „Financial Instruments” in conjunction with IFRS 4 „Insurance Contracts”, adopted in the European Union on 3 November 2017 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018 or for the periods in which the IFRS 9 „Financial Instruments” is applied for the first time)
- Changes in IFRS 15 „Revenue from Contracts with Customers” - explanation of IFRS 15 „Revenue from Contracts with Customers”, adopted in the European Union on 31 October 2017 (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- changes in various standards under „Annual Improvements to IFRS Standards 2014–2016 Cycle” as a result of annual improvements to IFRS standards (IFRS 1, IFRS 12, IFRS 28), mainly because of removal of disparity and explanation of text, adopted in the European Union on 6 February 2018 (for IFRS 12, effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017 and for IAS 28 effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017)

The Company decided not to adopt these new standards and changes in existing standards before their effectiveness. The Company predicts that adoption of these standards and changes in existing standards will not have material impact on the Fund's financial reports for the period of starting effectiveness.

c) New standards and changes in existing standards which were published by IASB, still not adopted in the European Union

IFRS which are currently adopted in the European Union do not have significant differences from provisions of the IASB for the International Accounting Standards (IAS), apart from the following standards, changes in existing standards and interpretations, on whose adoption the European Union has still not reach a decision on 13 April 2018 (effective dates stated below are related to IFRS in general):

- IFRS 14 „Regulatory Defferal Accounts” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016) – European Commission decided to postpone the procedure of adoption of this transitional standard until its complete version is published
- IFRS 17 „Insurance Contracts” ((Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2021)
- changes in IFRS 2 „Share-based Payment” - „Classification and Measurement of Share-based Payment Transactions” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- changes in IFRS 9 „Financial Instruments” - „Prepayment Features with Negative Compensation” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2019)

- changes in IFRS 10 „Consolidated Financial Statements” and IFRS 28 „Investments in Associates and Joint Ventures” - „Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” and further changes (initially determined date of effectiveness was postponed until the project of research on the subject of applying the method of share is finished)
- changes in IAS 19 „Employee Benefits” under „Remeasurement at a plan amendment, curtailment or settlement / Availability of a refund of a surplus from a defined benefit plan” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2019)
- changes in IAS 28 „Investments in Associates and Joint Ventures” - „Long-term Interests in Associates and Joint Ventures” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2019)
- changes in IAS 40 „Investment Property” - „Transfers of Investment Property” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- changes in various standards under „Annual Improvements to IFRS Standards 2015–2017 Cycle” as a result of annual improvements to IFRS standards (IFRS 3, IFRS 11, IAS 12 and IAS 23), mainly because of removal of disparity and explanation of text (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2019)

d) New standards and changes in existing standards published by IASB, which are still not adopted in the European Union

IFRS which are currently adopted in the European Union do not have significant differences from provisions of the IASB for the International Accounting Standards (IAS), apart from the following standards, changes in existing standards and interpretations, on whose adoption the European Union has still not reached a decision on 13 April 2018 (effective dates stated below are related to IFRS in general):

- interpretation of IFRIC 22 „Foreign Currency Transactions and Advance Consideration” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018)
- interpretation of IFRIC 23 „Uncertainty over Income Tax Treatments” (Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2019)

3.2. Interest revenue

Interest income is recognized in the statement of comprehensive income for all interest-bearing instruments on the basis of accrued interest. Interest income includes coupons earned from investing in fixed income securities, bonds and accruing discounts on treasury bills and commercial bills and other financial instruments classified as assets at fair value through profit or loss and other differences between the initial carrying amount of the interest-bearing instrument and its value at maturity calculated using the effective interest rate calculated at the acquisition date, by which future estimated cash flows will be equal to the net present value over the duration of the related contract or by applying the appropriately variable interest rate.

Interest revenue is recognized in profit or loss.

3.3. Dividend revenue

Dividend revenue, i.e. revenue from investment in financial instruments is recognized when the financial instrument's owner's right to receive dividends is determined and the related receivables are stated in the statement of financial position under "other receivables, i.e. other assets", and in the statement of comprehensive income under "dividend revenue". Dividend revenue is recognized in profit or loss.

3.4. Gains and losses on trading securities

Gains and losses from trading financial instrument include unrealized and realized gains and losses that are recognized in profit or loss.

Unrealized gains and losses from trading financial instruments arise as a result of adjusting financial instruments at market or fair value. Unrealized gains arise when the current market value (fair value) of investments in financial instruments exceeds the cost of investing or book value of investments in financial instruments. Unrealized losses arise when the current market value is lower than the cost or book value of investments in financial instruments. Unrealized gains and losses are recorded in the statement of comprehensive income for the period in which they incurred and to which they relate.

Realized gains and losses arise when selling financial instruments. The realized profit or loss for the accounting period is the difference between the selling price and the book value of the financial instruments sold. The difference between the selling price and the book value of the investment is recorded in the statement of comprehensive income when the sale has been realized. The Fund applies the FIFO method („First-In-First-Out“) for determining realized gains and losses at disposal.

3.5. Exchange rate gains and losses when converting assets and liabilities

Transactions in foreign currencies are calculated to the functional currency so that the amounts denominated in foreign currencies are calculated at the middle exchange rate of the CNB valid on the day of the valuation or at the exchange rate resulting from the contractual relationship with the transaction. If the currency in which the asset is denominated in is not included in the exchange rates of the Croatian National Bank, the mid-market exchange rates published on the financial-information service for the euro or the currency to which the currency in which the asset is denominated is pegged will be used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into HRK at the mid-market exchange rate of the Croatian National Bank for that date. The closing rate is the spot rate on the date of the statement of financial position. If the gain or loss on a non-monetary item is recognized directly within other comprehensive income, each component of foreign currency changes in that gain or loss should be recognized directly within other comprehensive income.

The difference between the values at the beginning and the end of the accounting period is recorded as a positive or negative exchange rate difference and is included in the profit or loss of the period for which they are accounted for.

Costs that directly burden the Fund's assets are as follows:

- fee to the Company for managing the Fund,
- depositor fees and expenses,
- costs, commissions or fees related to the acquisition or sale of assets,
- units register maintenance costs, including the costs of issuing certificate of transactions or balance of units, if necessary, as well as costs of payout of revenue or profit
- annual audit costs,
- any costs and fees payable to the Agency regarding authorization of the Fund
- taxes which the Fund is obliged to pay for its assets or profits
- costs of publishing changes to the rules and/or prospectus and other prescribed announcements,
- other costs specified by specific acts (such as the costs of Agency and/or other competent authorities)

All fees and costs that are charged in accordance with the Fund's Prospectus will be settled exclusively from the Fund's assets.

Fees to the Company and to the depositary are calculated in accordance with the frequency of valuation of the Fund's assets, and the basis for that calculation is the Fund's total assets less the costs that arise from the obligation of the Fund to invest into financial instruments. Fees are calculated on the determined basis, using the prescribed annual fee rates of the Fund. Management fee is not charged for the Fund's assets that are invested in shares or stocks of the alternative investment funds managed by the same management company.

The fee to the Agency will be charged to the Fund's assets in accordance with the applicable Ordinance on the calculation, level and charging of fees paid to the Croatian Financial Services Supervisory Agency.

3.6. Financial assets

A financial asset is each asset that is cash, an equity instrument of another entity, a contractual right to receive money or other financial assets from another entity or to exchange financial assets or financial liabilities with another entity under terms that are potentially favorable to the Fund, or a contract that may or will be settled in the Fund's own equity instruments and is a non-derivative for which the Fund is or may be obliged to receive a variable number

of another entity's equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Fund's own equity instruments.

3.7. Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Fund, or a contract that will or may be settled in the Fund's own equity instruments and is a non-derivative for which the Fund is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Fund's own equity instruments.

3.8. Classification

The Fund arranges its financial assets and financial liabilities to the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

In accordance with the decision of the Company's Management Board, at initial recognition all financial assets in the Fund are classified as assets at fair value through profit or loss.

3.8.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that meet one of the following conditions:

- they are classified as an asset or liability held for trading, i.e. acquired or held mainly for the purpose of selling or redeeming in the near future; or as part of a portfolio of financial instruments subject to trading that are jointly managed and for which there is evidence of a recent real sample of short-term gains; or as a derivative (except for a derivative that is a financial guarantee contract or is designated and effective as a hedging instrument); or

- they are designated upon initial recognition as at fair value through profit or loss.

Investments in financial instruments held for trading refer to current investments in financial instruments, i.e. investments in financial instruments that are, by their nature, immediately available for realization and are not intended to be held for more than one year. They are acquired for the purpose of selling them in the near future so as to earn profits on the basis of price changes.

3.8.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Fund intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Fund upon initial recognition designates as at fair value through profit or loss, or those that the Fund upon initial recognition designates as available-for-sale, or those for which the Fund may not recover almost all of the initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Loans are recorded as kuna and foreign currency placements within the given deposits.

3.8.3. Receivables

A receivable represents a current claim arising from past transactions charging of which is expected to bring resources in the future.

Receivables are stated in business books and financial statements by the nominal value arising from a business transaction based on a contract and/or another credible document on the occurrence of receivables.

Receivables are measured at amortized cost using the effective interest rate method.

3.8.4. Liabilities

A liability is a present obligation of the Fund arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Liabilities are classified as short-term and long-term.

Liabilities are stated in business books and financial statements by the nominal value arising from a business transaction based on a contract and/or another credible document on the occurrence of receivables.

Recognition and derecognition

Recognition of assets and liabilities is carried out depending on the type of assets and liabilities and applied classification, as well as in accordance with the Fund's investment strategy prescribed by the Fund's Prospectus.

Financial assets or financial liabilities will be recognized only and exclusively when the Fund becomes one of the counterparties for which the contractual provisions of the instrument are applied.

Financial assets at fair value through profit or loss and assets available for sale are initially recognized using the trade date accounting. Initial recognition of loans and receivables and held-to-maturity investments is made using settlement date accounting.

Purchase of financial instruments is recognized in the Fund's assets using trading date accounting. The concluded purchase transaction is recognized in the assets of the Fund by type and the applied classification of the financial instrument while recognizing the settlement obligation. Sale of financial instruments is recognized in the Fund's assets using trading date accounting. On the day of the conclusion of a sale transaction, the financial instrument is derecognized in the assets of the Fund and a receivable arising from the sale of the financial instrument is recognized.

The Fund derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset.

The Fund transfers assets if either it has transferred the contractual rights to receive the cash flows, or it has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows to one or more recipients within the contract.

The Fund removes a financial liability (or part of a financial liability) from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

3.9. Initial and subsequent measurement

Recognition of assets and liabilities of the Fund is carried out depending on the type of assets and liabilities and the applied classification, as well as in accordance with the Fund's investment strategy prescribed by the Fund's Prospectus.

The valuation of individual assets and liabilities of the Fund, depending on their classification, is carried out at fair value or at amortized cost using the effective interest rate method.

Financial assets or financial liabilities will be recognized only and exclusively when the Fund becomes one of the counterparties for which the contractual provisions of the instrument are applied.

Financial assets or financial liabilities of the Fund are initially recognized at fair value plus, in the case of a financial asset or financial liability not carried at fair value through profit or loss, transaction costs which are directly attributable to the acquisition or issue of the financial asset or financial liability. An exception to this are financial assets and financial liabilities that are measured at fair value through profit or loss, to which transaction costs are not added upon initial recognition, rather they are immediately charged to the income statement.

After initial recognition, the Fund will measure financial assets, including derivative financial assets, at their fair value, without any deduction for transaction costs that may be incurred when selling or otherwise disposing, except for loans and receivables, which are measured at amortized cost using the effective interest rate method, held-to-maturity investments, which are measured at amortized cost using the effective interest rate method, investments in equity instruments which are not traded in an active market and whose fair value cannot be reliably measured, and financial instruments measured at cost of acquisition.

Securities which are traded in an active market are valued daily at the last trading price published on regulated market or on financial information system, which best reflects their fair value. The difference between the market

value and the cost of investing in a security is recognized as an adjustment to unrealized gains or losses through profit or loss.

Receivables and liabilities are measured at amortized cost using the effective interest rate method.

3.10. Fair value measurement principles

Fair value of transferable securities and money market instruments traded in an active market is calculated on the basis of the last trading price published on regulated markets or official financial-information service on the day the assets and liabilities of the Fund are valued.

The Company may also use another price for valuing transferable securities and money market instruments if it estimates that the last trading price published in regulated markets or on the official financial-information service does not represent the fair value of these transferable securities and money market instruments.

The fair value of debt securities traded in the Republic of Croatia in an active market is calculated using the average trading price weighted by the amount of securities traded in regulated markets in the Republic of Croatia and the reported OTC transactions on the day for which the Fund's assets and liabilities are measured. Units of UCITS funds and units of other investment funds are valued at the unit price of a given fund valid for the day of measurement and published by the management company. In case where the unit price for the day of the measurement was not published or the unit price of the investment fund was not available, the fair value of the investment fund's unit is the unit price of that investment fund from the last day of measurement for which the price was published by the management company. Fair value of financial derivatives which are traded in regulated markets is measured at publicly available daily settlement price on markets and official financial information systems.

It is considered that a financial instrument is traded in an active market if the prices quoted are directly and regularly available in an active market, from traders, investment company, business group, price regulation agency or legislative agency, and these prices represent actual and regular transactions under market conditions.

The quoted market prices for a particular asset represent the present price of a bid, and if it is not available, then the price of the last transaction proves the present fair value, provided that there has been no significant change in economic circumstances since the transaction had been executed or a forced transaction. Regarding equity securities, an active market is considered a market where an equity security was traded at least 20 trading days in a quarterly period. For debt securities and money market instruments, an active market is considered to be the market where the instrument was traded at least 15 trading days in the quarterly period.

If the price from an active market, as specified above, is not available for certain financial instruments, the market in which the financial instrument is traded is considered inactive. Fair value of financial instruments traded in an inactive market is determined using valuation techniques, purpose of which is to determine the price at which the asset could be sold, i.e. the liability could be transferred on the date of the valuation between informed and unrelated parties willing to conduct a transaction in standard terms of business. Valuation of fair value of financial instruments traded in inactive markets are carried out in accordance with valuation techniques. Validity of the prices used for each reporting date is further checked and, if necessary, valuation techniques are used.

3.11. Impairment of financial assets

All assets of the Fund, other than assets classified as financial assets at fair value through profit or loss, are subject to the valuation of the existence of evidence or circumstances related to the impairment.

An estimate of existence of evidence or circumstances related to the impairment must be made each time there is an existence of objective evidence or circumstances indicating the need to estimate the value of an asset due to impairment, and at least on the date of making of the Fund's annual and semi-annual statements.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("impairment event") and that impairment event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence for impairment of a financial asset or group of assets include available information and is related to the following impairment events: significant financial difficulty of the issuer or debtor, including a blockage of bank accounts, significant deterioration of financial indicators in financial statements, a breach of contract, such as not settling liabilities or being late with interest or principal payments on loans and/or securities issued, which causes a prolongation of payment or reissuance of securities for the purpose of settling due obligations which arose from

unsettled issuances, initiating a pre-bankruptcy settlement, bankruptcy or liquidation proceedings or other financial reorganization and restructuring, the disappearance of an active market for the financial asset because of financial difficulties of the issuer, or prolonged and continuous decline in the price of a security or a price decrease of more than 40% measured in the period of one year from the valuation date.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

3.12. Specific instruments

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that can quickly be converted into known amounts of money and are subject to insignificant risk of change in value.

Cash equivalents are held for the purpose of meeting short-term liabilities and investments in financial instruments. Cash and cash equivalents include domestic and foreign currency funds in accounts with commercial banks and other short-term highly liquid instruments with maturity dates of up to 90 days or less (short-term deposits).

Cash in bank accounts in Croatia Kuna is carried in nominal amounts according to the delivered statement regarding balance and turnover of these accounts.

3.13. Profit tax

The Fund is not taxable for profit tax pursuant to the applicable tax laws of the Republic of Croatia.

3.14. Units

Fund units are freely transferable non-materialized financial instruments. All units issued by the Fund are redeemable units that give investors the right to demand a redemption of their units for money in the amount proportional to the investor's share of the Fund's net assets at the date of the redemption. Issued units represent the right of a member to the remaining share in the Fund's assets.

3.15. Performance distribution of the Fund

The Fund does not pay the investor a share of the income or capital gain directly, rather it is reinvested. The profits belong to the Fund's unitholders and are included in the unit price, and investors can make a profit by selling part or all of the units.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

These disclosures supplement the note on financial risk management (Note 47).

Estimates and judgments that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4.1. Main sources of estimation uncertainty

4.1.1. Determining fair value

Determining the fair value of financial assets and liabilities which are traded in inactive markets requires the use of valuation techniques as prescribed in Note 3: Financial Instruments. For financial instruments that are rarely traded

and do not have a transparent price, fair value is less objective and requires a different degree of judgment depending on liquidity, concentration, uncertainty of market factors, price assumptions and other risks affecting individual instruments.

Fair value of financial instruments and other investments traded in an inactive market is determined using valuation techniques, purpose of which is to determine the price at which the asset could be sold, i.e. the liability could be transferred on the date of the valuation between informed and unrelated parties willing to conduct a transaction in standard terms of business.

4.1.2. Impairment losses of loans and receivables

The need to reduce the value of assets carried at amortized cost is estimated as described in Note 3: Impairment of financial assets. Impairment losses for individual exposures are based on the best estimate of the Company's management on the present value of expected future cash flows. When assessing these cash flows, the management estimates the financial position of the debtor and the net realizable value of the surety instrument.

4.1.3. Regulatory requirements

The Agency is entitled to carry out regulatory inspections of the Fund's operations and to request changes to the carrying values of assets and liabilities, in accordance with the underlying regulations.

4.1.4. Classification of financial assets and liabilities

Accounting policies are a framework within which the Fund's assets and liabilities are initially classified into different accounting categories.

When classifying financial assets and liabilities as "held for trading", the Company determines that they meet the definition of assets and liabilities held for trading as stated in Note 3: Financial assets and liabilities at fair value through profit or loss. When classifying financial assets and liabilities at fair value through profit or loss, the Company has determined that they must meet one of the criteria for such classification as set out in Note 3.

The Fund may, if a financial asset is no longer held for sale or redemption in the near future (even though it may have been acquired or emerged for the purpose of selling or repurchasing in the near future), reclassify this financial asset from the category at fair value through profit or loss. It will not reclassify any financial instrument from the category at fair value through profit or loss if, at the initial recognition, it is defined by the Company at fair value through profit or loss.

Any subsequent transfer of financial assets from held-to-maturity investments into another category shall induce sanctions that forbid holding any securities in held-to-maturity investments for two calendar years.

4.2. Critical accounting judgments in applying accounting policies

Fair value of financial instruments

A part of the Fund's financial instruments are measured at fair value and it is usually possible to determine their fair value within a reasonable range of estimates.

For financial instruments of the Fund traded in organized markets, which are measured at fair value, quoted prices are directly available. However, the fair value of certain financial instruments, such as financial instruments which are traded in an inactive market, is determined by using valuation techniques, including reference to the current fair value of other instruments that are substantially the same (subject to appropriate adjustments).

Fair value estimates are carried out at a given time based on market conditions and financial instrument information. These estimates are subjective in nature and include uncertainties and issues that depend heavily on judgments such as interest rates, volatility and estimated cash flows.

Accounting policies have consistently been applied for all periods included in these reports, according to the following reporting marks in the income statement and balance sheet.

5. INTEREST REVENUE

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Revenue from interest on cash and cash equivalents	85	352
Total	85	352

6. DIVIDEND REVENUE

	Jan-Dec 2017	Jan- Dec 2016
Dividend revenue from companies in the Republic of Croatia	78.280	144.909
Dividend revenue from foreign companies	1.143.708	472.739
Total	1.221.988	617.648

7. TRANSACTION COSTS

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Compensation and settlement costs	(29.339)	(33.096)
Payment operations costs	(6.065)	(5.066)
Brokerage commission costs	34.439	27.962
Total	69.843	66.124

8. REALIZED GAINS

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	439.372	347.367
Investment funds	734	0
Total	440.106	347.367

9. REALIZED LOSSES

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	(28.283)	(235.338)
Investment funds	0	0
Total	(28.283)	(235.338)

10. UNREALIZED GAINS

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	21.933.697	13.870.834
Investment funds	0	4.755
Total	21.933.697	13.875.589

11. UNREALIZED LOSSES

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	(21.342.118)	(12.711.576)
Investment funds	0	0
Total	(21.342.118)	(12.711.576)

12. POSITIVE EXCHANGE DIFFERENCES

a) Equity securities

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	1.439.862	825.912
Total	1.439.862	825.912

b) Other

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Spot transactions	5.938	207
Cash accounts	70.896	35.120
Securities sale	1.192	8.052
Securities purchase	5.486	2.017
Other	0	501

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Total	83.512	45.897
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13. NEGATIVE EXCHANGE DIFFERENCES

a) Equity securities

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Equity securities	(1.579.675)	(897.666)
Total	(1.579.675)	(897.666)

b) Other

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
Money market accounts	(77.617)	(27.313)
Spot transactions	(6.360)	(6.208)
Securities sale	(443)	(1.792)
Securities purchase	(7.744)	(3.478)
Other	(11.759)	(5.640)
Total	(103.923)	(44.431)

14. EXPENSES BASED ON RELATIONSHIP WITH THE MANAGEMENT COMPANY

The Company receives a management fee of 2,5% per annum (2016: 2,5%) of the total daily value of the Fund's unitholders' assets minus financial liabilities and investments into another fund managed by the Company. The fee is calculated daily and is paid monthly.

15. DEPOSITARY FEE

The fee to Raiffeisen bank d.d. Austria, which performs the depositary tasks, was 0,165% (2016: Societe Generale – Splitska banka d.d. 0,20%, Raiffeisenbank d.d. Austria 0,165%) of the total daily value of the Fund's unitholders' assets minus financial liabilities and investment in another fund managed by the Company. The fee is calculated daily and is paid out monthly.

16. OTHER ALLOWED COSTS OF THE FUND

	Jan-Dec 2017	Jan-Dec 2016
	HRK	HRK
HANFA Fee	(6.462)	(4.812)
Audit costs	(25.000)	(25.000)
Other expenses	(1.242)	(5.041)

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Total	(32.704)	(34.853)
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17. INDICATOR OF ALLOWED COSTS OF THE FUND

	Jan-Dec 2017	% ave. ann. net assets of the Fund	Jan-Dec 2016	% ave. ann. net assets of the Fund
	HRK		HRK	
Depository fees and costs	(39.436)	0,16%	(31.591)	0,18%
Management company fees and costs	(597.517)	2,51%	(435.088)	2,51%
Annual audit costs	(25.000)	0,11%	(25.000)	0,14%
Total	(661.953)	2,78%	(491.679)	2,83%

18. CASH AND CASH EQUIVALENTS

	31 Dec 2017	31 Dec 2016
	HRK	HRK
Giro account – domestic currency	1.301.828	868.574
Giro account – foreign currency	1.581.989	364.471
Total	2.883.817	1.233.045

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

	31 Dec 2017	31 Dec 2016
	HRK	HRK
Transferable securities	24.566.948	18.071.097
Units in open-end investment funds	0	408.546
Total	24.566.948	18.479.643

In 2017 and 2016, the Fund invested in the following funds with corresponding management fees:

	Jan-Dec 2017	Jan-Dec 2016
	% management fee	% management fee
Locucta cash - investments during the year with balance at Dec 31		0,25%

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Locusta cash- investments during the year without balance at Dec 31 0,25%

20. RECEIVABLES FOR SECURITIES SOLD

In accordance with the Fund's policy on accounting at the trading date on ordinary sales transactions, sales in the settlement process represent the amount of securities sold but not yet settled.

The Fund had no receivables from the sale of securities at 31 December 2017, nor at December 31, 2016.

21. LIABILITIES DUE TO UNITS TRANSFER

	31 Dec 2017	31 Dec 2016
	HRK	HRK
Liabilities towards owners of units for units repurchase	0	0
Total	0	0

22. LIABILITIES DUE to FUND'S ALLOWED COSTS

	31 Dec 2017	31 Dec 2016
	HRK	HRK
Liabilities towards HANFA	673	487
Liabilities towards the auditor	25.000	25.000
Total	25.673	25.487

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund is exposed to the effects of changes in conditions in domestic and international market. Consequently, the Fund is exposed to the risk associated with changing the fair value of financial instruments in domestic and international markets. Significant risks, together with the methods used to manage these risks, are outlined below.

Market risk

Market risk represents the possibility of potential gains and losses on financial instruments due to the price fluctuation of the Fund's assets and includes position risk, currency risk and settlement risk.

The Fund manages market risk by diversifying the portfolio.

Currency risk

Currency risk is the risk that the value of a financial instrument will change as a result of changes in foreign exchange rates. It occurs when investing in financial instruments purchased on foreign markets and which are issued and

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traded in foreign currencies. Less risky investments, diversified portfolio and constant monitoring of foreign currency exchange rates reduces this risk.

Total assets and liabilities in HRK and in foreign currencies on 31 December, 2017 and on 31 December 2016 are presented as follows:

<u>31 Dec 2017</u>							
Assets	HRK	EUR	BAM	RON	HUF	USD	Total
Cash and cash equivalents	1.301.828	1.581.989	0	0	0	0	2.883.817
Financial assets at fair value through profit or loss	10.616.242	7.919.435	152.261	5.457.809	421.201	0	24.566.948
Other assets	26	0	0	0	0	0	26
Total assets	11.918.096	9.501.424	152.261	5.457.809	421.201	0	27.450.791
Short-term liabilities	(131.884)	0	0	0	0	0	(131.884)
Fund's net assets	11.786.212	9.501.424	152.261	5.457.809	421.201	0	27.318.907

<u>31 Dec 2016</u>							
Cash and cash equivalents	868.574	364.471	0	0	0	0	1.233.045
Financial assets at fair value through profit or loss	9.621.648	5.258.861	208.026	3.391.108	0	0	18.479.643
Other assets	74	0	0	0	0	0	74
Total assets	10.490.296	5.623.332	208.026	3.391.108	0	0	19.712.762
Short-term liabilities	(537.451)	0	0	0	0	0	(537.451)
Fund's net assets	9.952.845	5.623.332	208.026	3.391.108	0	0	19.175.311

Currency sensitivity

Exchange rate sensitivity is calculated by multiplying the amount of a given currency in the portfolio by a hypothetical amount of change (three levels of hypothetical change are presented in the table below: 1%, 5% and 10%), thus obtaining a percentage of change in the portfolio value for the hypothetical case of a change in the exchange rate of a particular currency relative to the currency in which the portfolio is denominated for one of the three above mentioned amounts.

The effect on the net assets of the Fund's unitholders:

CURRENCY	Change in exchange rate (+/-)	2017 HRK	2016 HRK
EUR	(+/-) 1%	95.014	56.233
	(+/-) 5%	475.071	281.167
	(+/-) 10%	950.142	562.333
BAM	(+/-) 1%	1.523	2.080
	(+/-) 5%	7.613	10.401
	(+/-) 10%	15.226	20.803
RSD	(+/-) 1%	0	0
	(+/-) 5%	0	0
	(+/-) 10%	0	0
RON	(+/-) 1%	54.578	33.911
	(+/-) 5%	272.890	169.555
	(+/-) 10%	545.781	339.111
HUF	(+/-) 1%	4.212	0
	(+/-) 5%	21.060	0
	(+/-) 10%	42.120	0

Interest rate risk

Interest rate risk represents the risk of changes in market interest rates which will affect future cash flows of financial instruments or their fair value.

On 31 December 2017, the Fund had no investments in debt securities and, except for cash and cash equivalents, was not exposed to the interest rate risk. Nominal interest rates on giro accounts were 0,01% for amounts up to 2 million HRK and 0,02% for amounts more than 2 million HRK.

Position risk

Position risk is the risk of the value of an instrument changing as a result of changes in market prices, whether they are caused by factors specific to a particular investment, its issuer or factors affecting all the instruments traded on the market. Position risk arises from investing in stocks and funds.

The Fund is exposed to changes in position risk of financial instruments. If the stock prices were to increase or decrease by 5% (2016: 5%), that would lead to an increase or decrease of the results for HRK 1.228.347 (2016: HRK 903.555).

The Company conducts activities of analyzing the portfolio structure, analyzing the movement of securities prices and general trends in the market. The Fund manages position risk by diversifying the investment portfolio. The

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impact of the risk of changes in the price of financial instruments cannot be completely removed from the Fund's securities portfolio, but diversification of investments reduces its impact.

Front office evaluates daily market trends, demand and supply parameters, as well as the prices associated with it, and decides on the sale of a particular financial instrument. In conjunction with the Middle Office, all relevant disclosures of the issuer are followed and the latest financial statements are reviewed in order to be able to take preventive action in a timely fashion.

Also, within the fund management support application, reports are available on a daily basis to provide an overview of the profit/loss of each financial instrument.

Liquidity risk

The Fund is exposed to the risk that, in a given moment, it cannot meet its due obligations in a timely fashion due to a lack of liquid assets (primarily in the event of a rapid and significant redemption of the Fund's unitholders' units). In that case, the Fund would have to liquidate part of the assets to provide sufficient funds to meet the due obligations. If the liquidity situation of the capital market at that point was insufficient to liquidate assets at fair value, the Fund would have to forcibly liquidate the assets in question. Forced liquidation would likely contribute to a more significant fall in the market value of the asset in question, whereby the value such partially liquidated positions could fall significantly, which could jeopardize the interests of the Fund's unitholders.

The Company actively manages the Fund's liquidity by coordinating maturity structure so that the Fund would have an amount of liquid assets enough for redemption of investors' units at all times. The Company regularly monitors liquidity of individual financial instruments in portfolio.

At the funds' level, the liquidity of securities in their portfolios is regularly checked and the time required for their monetization in the event of a need to settle major liabilities of a fund is assessed. A report on the time required to monetize 25%, 50% and 75% of the portfolio and of each individual position in the funds' portfolios is compiled by Middle Office within the monthly report.

In addition to the measures described above at the level of equity funds, preventive measures have been set up in such a way that the limits on merchantability of financial instruments are prescribed which the Front Office is required to take into account when making investment decisions. Monitoring of compliance with those limits is under the jurisdiction of Middle Office and is checked when approving investment decisions, as a part of the department's operations.

The tables below include an analysis of assets, liabilities and net assets based on remaining periods from the date of the statement of financial position to the contractual maturity date. Assets and liabilities for which there is no contractual maturity are classified under the "at call" category. Overall, the liquidity risk is low considering the availability of assets, however, taking into account the liquidity of individual classes of assets separately, i.e. financial instruments quoted on the regional capital market, the liquidity risk is pronounced.

This risk is managed by investing in highly liquid financial instruments.

31 December 2017	At call	Up to 3 months	Total
Cash and cash equivalents	2.883.817	0	2.883.817
Financial assets at fair value through profit or loss	22.154.019	2.412.929	24.566.948
Other assets	26	0	26
Total assets	25.037.862	2.412.929	27.450.791
Short-term liabilities	0	(131.884)	(131.884)
Unitholders' net assets	(27.318.907)	0	(27.318.907)
Total unitholders' amount and liabilities	(27.318.907)	(131.884)	(27.450.791)
Net position at 31 Dec 2017	(2.281.045)	2.281.045	0

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31 December 2016.

31 December 2016.	Na poziv	Do 3 mjeseca	Ukupno
Cash and cash equivalents	1.233.045	0	1.233.045
Financial assets at fair value through profit or loss	16.559.898	1.919.745	18.479.643
Other assets	74	0	74
Total assets	17.793.017	1.919.745	19.712.762
Short-term liabilities	0	(537.451)	(537.451)
Unitholders' net assets	(19.175.311)	0	(19.175.311)
Total unitholders' amount and liabilities	(19.175.311)	(537.451)	(19.712.762)
Net position at 31 Dec 2016	(1.382.294)	1.382.294	0

Credit risk

Credit risk is the risk that one party in a financial transaction will not settle their obligations towards the other party, thereby inflicting financial loss to the other party. The Fund is exposed to the risk of financial losses if the other party to the transaction or the issuer of securities cannot or will not fulfill its contractual obligation fully or partially at due date.

The concentration of credit risk in the Fund is not significant and relates to investments in cash and cash equivalents and other assets.

The following table shows cash in bank accounts and other receivables which carry credit risk:

<u>Position</u>	<u>Rating</u>	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
		HRK	%	HRK	%
Cash and cash equivalents	None	2.883.817	10,50	1.233.045	6,25
Receivables for securities sold	None	0	0,00	0	0,00
Other assets	None	26	0,01	74	0,01
		2.883.843	10,51	1.233.119	6,26
Other investments not exposed to credit risk		24.566.948	89,49	18.479.643	93,74
Total assets		27.450.791	100,00	19.712.762	100,00

On 31 December 2017, the Fund did not have any mature unpaid receivable assets or assets whose value was impaired.

Operational risk

Operational risk implies the risk of losses which can happen as a result of inadequate or failed internal process, human resources or external influences, i.e. direct or indirect damage caused by errors, injuries, interruptions, or

damage caused by internal processes, technology and infrastructure that supports the operations of the Fund, or by external events. Operational risk includes legal risk and risk of malfunction of IT equipment and infrastructure.

24. THE FUND'S BUSINESS CONTINUITY

The risk of discontinuing the Fund's business activities exists in the event of the occurrence of some of the statutory situations in which the liquidation of the Fund is necessary.

Liquidation of the Fund would be necessary if the Company ceases to perform its managerial activities and management of the Fund is not transferred to another authorized management company, the Depositary ceases to act as a depositary, or if the Agency revokes the approval it granted to the selection of a depositary and the Company has not concluded a contract with another depositary, the average daily net asset value of the Fund's assets falls below HRK 5.000.000,00 during 3 consecutive calendar months and no process has been initiated for merging this Fund with another fund.

Any situation related to discontinuation of the Company's or the Depositary's business activities is unlikely, so the risk of an interruption in the Fund's business continuity due to these situations is low. If any of these cases were to happen, it is very likely that another management company would take over the management of the Fund, and the depositary tasks would be performed by another bank and the Fund's business continuity would not be jeopardized.

Net asset value of the Fund at December 31, 2017 amounted to HRK 27.318.907 which is 5 times the legal minimum. The Fund had 2.126 unitholders with a total of 266.075 units issued. The first 5 unitholder with the highest unit value together hold a total of HRK 4,3 million, representing 16% of the net asset value of the Fund, the first 10 unitholders together held a total value of HRK 6,2 million or 23% of the net asset value. The first 20 unitholders held a total of HRK 8,6 million or 32% of net asset value.

During the last 3 calendar years, the Fund received average monthly payments of HRK 461.213, while the average amount paid-off was HRK 280.458. Taking into account the net asset value of the Fund, the unitholder structure and the average monthly payment and pay-off amounts, it is unlikely that in the short term the value of assets could fall below the legally prescribed threshold of 5 million HRK and therefore the risk of business discontinuation, on that basis, is low.

The Management Board of the Company managing the Fund's operations manages this risk by managing other risks to which the Fund is exposed. Should any situation occur, the Fund has prescribed risk management strategies, risk measurement techniques, and risk management policies and measures. In the Management Board's report, the risks to which the Fund is exposed and how the Company manages them are described in detail and there is no need to prescribe additional procedures for managing situations that could lead to the discontinuation of the Fund's business continuity.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable and willing parties in a transaction carried out under market conditions, i.e. it represents a price that would have been realized by selling an asset or that would have been paid for a transfer of a liability in a fair transaction between market participants at the measurement date.

Determining fair value and fair value hierarchy

The International Financial Reporting Standard 7 *Financial instruments*: Disclosures requires determining the hierarchy of the financial instruments' fair value on three levels:

Level 1: Quoted (unadjusted) prices which are traded in active markets for assets and liabilities.

Level 2: other techniques for which all of the information that has significant impact on fair value is publicly available on the market, either directly or indirectly.

Level 3: techniques for which all of the information that has significant impact on determined fair value, is not based on publicly available market data

Financial instruments measured at fair value:

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<u>31 Dec 2017</u>	Level 1	Level 2	Level 3	Total
	HRK	HRK	HRK	HRK
Securities from domestic issuers	8.355.575	0	2.260.668	10.616.243
Securities from foreign issuers	13.798.444	0	152.261	13.950.705
Units in investment funds	0	0	0	0
Total	22.154.019	0	2.412.929	24.566.948

<u>31 Dec 2016</u>	Level 1	Level 2	Level 3	Total
	HRK	HRK	HRK	HRK
Securities from domestic issuers	7.501.383	0	1.711.719	9.213.102
Securities from foreign issuers	8.649.969	0	208.026	8.857.995
Units in investment funds	408.546	0	0	408.546
Total	16.559.898	0	1.919.745	18.479.643

Financial assets not measured at fair value

Financial assets not measured at fair value include short-term financial assets and liabilities whose net book value is approximately at fair value and is determined using Level 2 techniques.

26. RELATED PARTY TRANSACTIONS

The majority of the units of the Fund are held by Croatian investors. The Company considers that the Fund is a directly related party to the Company, the Depositary, the members of the Supervisory Board and the Management Board (which together form the Company's key management), members of the immediate family of key management, jointly controlled companies or companies under significant influence through members of the Management Board and members of their immediate family, and other investment funds managed by the same Company.

When considering any possible transactions with a related party, attention is focused on the essence of the relationship, not just the legal form.

	Assets		Liabilities	
	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>
	HRK	HRK	HRK	HRK
Management company	0	0	63.016	40.061
Deposit bank Raiffeisen bank d.d. Austria	26	74	4.868	6.129
Total	26	74	67.884	46.190

	Revenues		Expenses	
	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>
	HRK	HRK	HRK	HRK

NOTES TO THE FINANCIAL STATEMENTS
ACCOUNTING METHODS AND POLICIES

	HRK	HRK	HRK	HRK
Management company	0	0	597.517	435.088
Depository Societe Generale – Splitska Banka d.d.	0	181	0	16.736
Depository Raiffeisen bank d.d. Austria	85	171	76.519	53.017
Total	85	352	674.036	504.841

27. EVENTS AFTER THE BALANCE SHEET DATE

There are no other significant events after the balance sheet date that would affect the financial statements stated at the end of 2017 and for the year 2017.

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of comprehensive income – ISD Form
 Name of the UCITS fund: Capital Breeder OIF with public offering
 Name of the UCITS fund management company: Global invest LLC
 Reporting period: Jan 1, 2017 – Dec 31, 2017

Group	Position	AOP	Same period previous year	Current period
73	Realized gains on financial instruments	38	347.367	440.105
63	Realized losses on financial instruments	39	235.338	28.282
	Net realized gains (losses) on financial instruments (AOP 38 – AOP39)	40	112.029	411.823
72	Unrealized gains on financial instruments	41	13.875.589	21.933.697
71y	Positive exchange rate differences on financial instruments at fair value	42	825.912	1.439.862
62	Unrealized losses on financial instruments	43	12.711.576	21.342.117
60y	Negative exchange rate differences on financial instruments at fair value	44	897.666	1.579.675
	Net unrealized gains (losses) on fin. instr. (AOP41+AOP42–AOP43 –AOP44)	45	1.092.260	451.766
70	Interest rate revenues	46	352	85
71x	Other positive exchange rate differences	47	45.897	83.512
74	Dividend revenues	48	617.648	1.221.988
75	Other revenues	49	1.250	0
	Total other operating revenues (from AOP46 through AOP49)	50	665.147	1.305.585
67	Interest rate expenses	51	0	0
60x	Other negative exchange rate differences	52	44.431	103.923
61	Expenses based on relationship with the management company	53	435.088	597.517
65	Depository fees	54	31.591	39.436
66	Transaction costs	55	66.124	69.842
64	Assets impairment	56	0	0
69	Other permitted costs of the UCITS fund	57	34.853	32.704
	Total other expenses (from AOP51 through AOP57)	58	612.087	843.423
	Profit or loss (AOP40 + AOP45 + AOP50 – AOP58)	59	1.257.348	1.325.751
	Unrealized gains (losses) on financial assets available for sale	60	0	0
	Gains (losses) on cash flow hedging instruments	61	0	0
	Other comprehensive profit (AOP 60 + AOP 61)	62	0	0
	Total comprehensive profit (AOP59 + AOP62)	63	1.257.348	1.325.751
	Reclassification adjustments	64	0	0

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of financial position – IFP Form

Name of the UCITS fund: Capital Breeder OIF with public offering

Name of the UCITS fund management company: Global invest LLC

Reporting period: Jan 1, 2017 – Dec 31, 2017

Group	Position	AOP	At last day of previous year	At reporting date of current year
10	Cash	1	1.233.045	2.883.817
83+18*	Deposits with credit institutions	2	0	0
81+84+18*	Repo contract and similar contracts on purchase and repurchase of securities	3	0	0
	Transferable securities (AOP5+AOP10)	4	18.071.097	24.566.948
30+40+18*	- Which are evaluated at fair value (from AOP6 through AOP9)	5	18.071.097	24.566.948
	a) Traded on regulated market	6	14.451.991	22.446.800
	b) Traded on other market	7	0	0
	c) Recently issued which are determined by their prospectus to be listed	8	0	0
	d) unlisted	9	3.619.106	2.120.147
50+80+18*	- Which are evaluated at amortized cost	10	0	0
35+51	Money market instruments	11	0	0
36+41	UCITS fund's units	12	408.546	0
34	Derivatives	13	0	0
85	Other financial assets	14	0	0
Lvl1 (ctg10)	Other assets	15	74	26
A	Total assets (AOP1+AOP2+AOP3+AOP4+AOP11+AOP12+AOP13+AOP14+AOP15)	16	19.712.761	27.450.790
990-994	Off balance sheet records of assets	17	1.332.512	1.366.951

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of financial position – IFP Form

Name of the UCITS fund: Capital Breeder OIF with public offering

Name of the UCITS fund management company: Global invest LLC

Reporting period: Jan 1, 2017 – Dec 31, 2017

Group	Position	AOP	At last day of previous year	At reporting date of current year
20+21+28*	Liabilities based on investments in financial instruments	18	465.774	38.326
22+28*	Other financial liabilities	19	0	0
	Total financial liabilities (AOP18+AOP19)	20	465.774	38.326
23	Liabilities towards the management company	21	40.061	63.016
24	Liabilities toward the depositary	22	6.129	4.868
25	Liabilities based on allowable costs of the UCITS fund	23	25.487	25.673
26	Liabilities towards the unitholders	24	0	0
27+28*	Other liabilities of the UCITS fund	25	0	0
	Total other liabilities (from AOP21 through AOP25)	26	71.676	93.557
B	Total liabilities (AOP20+AOP26)	27	537.450	131.884
C**	NAV (AOP16-AOP27)	28	19.175.311	27.318.907
D**	Number of units issued	29	199.376,4645	266.075,3352
E**	NAV per unit (AOP28/AOP29)	30	96,18	102,67
90	Issued/redeemed units of the UCITS fund	31	59.631.756	66.449.601
94	Profit/loss for current business year	32	1.257.348	1.325.751
95	Retained earnings/losses from previous periods	33	(41.713.793)	(40.456.445)
96	Revaluation of financial assets available for sale	34	0	0
97	Revaluation reserves of hedging instruments	35	0	0
F	Total liabilities (from AOP31 through AOP35)	36	19.175.311	27.318.907
995-999	Off balance sheet record of liabilities	37	1.332.512	1.366.951

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of changes in the Fund's net assets – IPNI Form
 Name of the UCITS fund: Capital Breeder OIF with public offering
 Name of the UCITS fund management company: Global invest LLC
 Reporting period: Jan 1, 2017 – Dec 31, 2017

Position	AOP	Same period previous year	Current period
Profit or loss	124	1.257.348	1.325.751
Other comprehensive profit	125	0	0
Increase in NAV of the Fund from comprehensive profit (AOP124+AOP 125)	126	1.257.348	1.325.751
Incomes from sales of issued units of the UCITS fund	127	1.485.785	9.181.983
Expenses from redemption of issued units	128	(1.790.490)	(2.364.138)
Total decrease from transactions with UCITS fund units (AOP127+ AOP129)	129	(304.705)	6.817.845
Total increase (decrease) in net assets of the UCITS fund (AOP126+ AOP129)	130	952.644	8.143.596

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of cash flows of the Fund (indirect method) – INT Form
 Name of the UCITS fund: Capital Breeder OIF with public offering
 Name of the UCITS fund management company: Global invest LLC
 Reporting period: Jan 1, 2017 – Dec 31, 2017

Position	AOP	Same period previous year	Current period
Profit or loss	94	1.257.348	1.325.751
Unrealized positive or negative exchange rate differences	95	(71.753)	(139.813)
Correction of accounts receivable and other write-offs	96	0	0
Interest rate revenues	97	(351)	(85)
Interest rate expenses	98	0	0
Dividend revenues	99	(617.648)	(1.221.988)
Financial assets impairment	100	0	0
Increase (decrease) in investments in transferable securities	101	(2.234.382)	(6.356.038)
Increase (decrease) in investments in money market instruments	102	0	0
Increase (decrease) in investments in UCITS funds units	103	(4.755)	408.545
Increase (decrease) in investments in derivatives	104	0	0
Interest rate incomes	105	437	133
Interest rate expenditures	106	0	0
Dividend incomes	107	617.648	1.221.988
Increase (decrease) in other financial assets	108	0	0
Increase (decrease) in other assets	109	0	0
Increase (decrease) in liabilities based on investments in financial instruments	110	465.774	(427.447)
Increase (decrease) in other financial liabilities	111	0	0
Increase (decrease) in liabilities towards the management company and the depository	112	2.803	21.694
Increase (decrease) in other operating liabilities	113	(3.593)	187
Net cash flows from operating activities (from AOP94 through AOP113)	114	(588.472)	(5.167.073)
Incomes from unit issuers	115	1.485.785	9.181.983
Expenditures from unit redemption	116	(1.790.490)	(2.364.138)
Payments to unitholders from realized profit	117	0	0
Other incomes from financial activities	118	0	0
Other expenditures from financial activities	119	0	0
Cash flows from financial activities (from AOP115 through AOP119)	120	(304.705)	6.817.845
Net Increase (decrease) in cash (AOP114 + AOP120)	121	(893.176)	1.650.772
Cash at the beginning of the period	122	2.126.221	1.233.045
Cash at the end of the period	123	1.233.045	2.883.817

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement of special indicators of the UCITS fund – IPPF Form
 Name of the UCITS fund: Capital Breeder OIF with public offering
 Reporting period: Jan 1, 2017 – Dec 31, 2017

Position	Current period	At last day of previous business year (n)	At last day of previous business year (n-1)	At last day of previous business year (n-2)	At last day of previous business year (n-3)
Net assets of the UCITS fund	27.318.906,66	19.175.310,60	18.222.667,02	15.060.268,03	11.717.869,55
Number of units of the UCITS fund	266.075,3352	199.376,4645	203.700,9282	205.274,2822	203.609,4694
Unit price of the UCITS fund	102,6736	96,1764	89,4579	73,3666	57,5507
	Current	Previous year (n)	Previous year (n-1)	Previous year (n-2)	Previous year (n-3)
Number of units of the UCITS fund at beginning of the period	199.376,4645	203.700,9282	205.274,2822	203.609,4494	203.137,1339
Number of issued units of the UCITS fund	89.890,4161	16.318,7895	68.133,7049	71.651,9865	37.452,9750
Number of redeemed units of the UCITS fund	23.191,5454	20.643,2532	69.707,0589	69.987,1737	36.980,6395
Number of units of the UCITS fund at end of the period	266.075,3352	199.376,4645	203.700,9282	205.274,2822	203.609,4694
Indicator of total expenses	0,03	0,03	0,03	0,03	0,03
Profit paid per unit					
Lowest unit price of the UCITS fund	96,1693	83,2831	72,6156	57,44546	50,7581
Highest unit price of the UCITS fund	104,7343	96,6137	91,2194	75,1915	57,7037
Highest NAV of the UCITS fund	27.337.702,14	19.262.490,03	18.697.504,64	17.767.372,63	11.908.823,31
Lowest NAV of the UCITS fund	19.173.889,27	16.270.358,25	15.056.578,09	11.696.436,50	10.137.309,95
Legal entities that are intermediaries in financial instruments trading through which the UCITS fund performed more than 10% of its transactions during the period					
Intermediaries for financial instruments trading	The value of transactions performed by intermediaries, stated as a percentage of the total value of all fund transactions in the current period		The commission paid to the intermediary, stated as a percentage of the total value of the transactions performed by that legal person		
SKDD d.d.	16,57%		0,00%		
INTERKAPITAL Vrijednosni papiri d.o.o.	34,91%		0,27%		
FIMA Vrijednosnice d.o.o.	43,04%		0,27%		

Financial statement in accordance with the Ordinance on the structure and content of financial statements of open-end investment funds

Statement on measurement of assets and liabilities of the UCITS fund – IVIF Form

Name of the UCITS fund: Capital Breeder OIF with public offering

Reporting period: Jan 1, 2017 – Dec 31, 2017

Measurement method		Ordinance on determination of the net asset value of UCITS fund	At last day of previous business year	% NAV	At reporting date of current period	% NAV	
Fair value	Financial assets						
	level 1 (MSFI 13)	article 7 paragraph 1	article 8 paragraph 1 item a)	16.151.351,22	84,23%	22.154.019,26	81,09%
		article 9 paragraph 1	article 8 paragraph 1 item b)	0	0,00%	0	0,00%
		article 7 paragraph 3		0	0,00%	0	0,00%
		article 7 paragraph 5		0	0,00%	0	0,00%
	level 2 (MSFI 13)	article 7 paragraphs 4 and 6		408.545,56	2,13%	0	0,00%
		article 9 paragraphs 2, 3 and 5		0	0,00%	0	0,00%
		article 11	article 8 paragraph 1 item c)	1.919.745,31	10,01%	2.412.928,52	8,83%
	level 3 (MSFI 13)	article 9 paragraph 5		0	0,00%	0	0,00%
		article 11	article 8 paragraph 1 item c)	0	0,00%	0	0,00%
	Financial liabilities						
	level 1	article 7 and article 9		0	0,00%	0	0,00%
	level 2	article 9		0	0,00%	0	0,00%
	level 3	article 11 and article 9		0	0,00%	0	0,00%
Amortized cost	assets	article 12 and article 14	1.233.118,47	6,43%	2.883.842,72	10,56%	
	liabilities	article 12 and article 14	(537.449,97)	-2,80%	(131.883,84)	-0,48%	
Acquisition cost	assets	article 13 paragraph 10	0	0,00%	0	0,00%	
		-	0	0,00%	0	0,00%	
	liabilities	-	0	0,00%	0	0,00%	