

ADVANCE EASTERN EUROPE

Mutual Fund

PROSPECTUS

For public offering of units of a mutual fund investing mainly in shares accepted for trading at regulated emerging markets in Eastern Europe with the objective to provide unit holders with an increase of their investment through capital gains by assuming moderate to high risk, as well as ensuring high investment results over time through long-term growth of the investment

The Prospectus contains information needed by investors to perform informed assessment and take a decision on investing in the units issued by the Fund, including the risks related to the proposed investment. It is in the investors' interest to get acquainted with the Prospectus before deciding to invest in Fund units.

THE FINANCIAL SUPERVISION COMMISSION HAS APPROVED THE PRESENT PROSPECTUS, HOWEVER, THIS DOES NOT MEAN THAT THE COMMISSION APPROVES OR DISAPPROVES THE INVESTMENT IN THE OFFERED FINANCIAL INSTRUMENTS, NOR THAT IT ASSUMES RESPONSIBILITY FOR THE AUTHENTICITY OF THE INFORMATION PROVIDED HEREIN.

The members of Board of Directors of Karoll Capital Management EAD („Карол Капитал Мениджмънт” ЕАД) Asset Management Company shall be solely responsible for the damages caused by false, misleading or incomplete data in the Prospectus.

The persons under Art. 34, Para. 1 and Para. 2 of the Accountancy Act (the persons preparing the financial statements of the Fund) shall be jointly responsible with the persons under the previous sentence for damages caused by false, misleading or incomplete data in the financial statements of the Fund and the certified auditor – for the damages caused by the financial statements audited by him/her.

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Potential investors may receive the Prospectus, the Fund Rules, the Key Investor Information Document, the annual and 6-month report, as well as any additional information every business day from 10:00 to 17:00 hours (Bulgarian time) at the office of Karoll Capital Management EAD Asset Management Company at the following address: Sofia, 57 Hristo Botev Blvd., tel.: 02/4008 300, as well as the office of Karoll Capital Management EAD in Bulgaria: Sofia, 1 Zlatovrah Str., tel.: (+359 2) 4008 300

The Prospectus, the Fund Rules, the Key Investor Information Document, the annual and 6-month report are available through the web site of the Asset Management Company at www.karollcapital.bg

Karoll Capital Management EAD Asset Management Company informs the potential investors that the investment in the offered units of ADVANE EASTERN EUROPE Mutual Fund implies certain risks described in detail on p. 24-27 under item 17 of the present Prospectus.

1. INFORMATION ABOUT THE ASSET MANAGEMENT COMPANY

Name: Karoll Capital Management EAD

Seat: Republic of Bulgaria, Sofia

Registered address: Republic of Bulgaria, Sofia, Sofia Municipality, Vasrazhdane District, 57 Hristo Botev Blvd.

UIC: 131134055

Telephone: (+359 2) 4008 300

Fax: (+359 2) 4008 426

E-mail: KCM@karoll.bg

Web site: www.karollcapital.bg

Date of establishment: 21 April 2003

Number and date of the licence issued by the Financial Supervision Commission: No. 328-УД of 21 August 2003, re-licensed by decision No. 11-УД / 16.02.2006.

Registered and paid-in capital: BGN 900,000

Short information about the company professional experience: in addition to the portfolio of ADVANCE EASTERN EUROPE MF, at present Karoll Capital Management AD manages also the Advance Invest Mutual Fund, Advance Emerging Europe Opportunities Mutual Fund, Advance Global Trends Mutual Fund and Advance Conservative Fund.

Country of origin: the country of origin of ADVANCE EASTERN EUROPE Mutual Fund, organised and managed by Karoll Capital Management EAD Asset Management Company, and of Karoll Capital Management EAD Asset Management Company is the Republic of Bulgaria.

2. INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS OF THE ASSET MANAGEMENT COMPANY

STANIMIR MARINOV KAROLEV – Chairman of the Board of Directors

Stanimir Karolev is founder and Chairman of the Board of Directors of Karoll AD, one of the leading non-banking financial institutions in Bulgaria with leading positions in investment services and asset management. Under his management the company has won numerous awards of the market institutions and gained the respect of the investment community in Bulgaria and abroad. Mr. Karolev is also a member of the Board of Directors of Karoll Investment EAD – a company providing consulting and analyses on the financing of the activity of other companies, their shareholder structure, market strategy, company transformation, acquisition transactions and mergers, etc. During his eighteen-year professional practice, Mr. Karolev has supported the development of the financial markets in Bulgaria. Being one of the pioneers in this field, he participates in the drafting of important normative acts defining the development of the capital markets and infrastructure. Mr. Karolev holds a Master's degree in Macroeconomics from the University of National and World Economy. He has attended post-graduate specialisations in finance and investment in the USA and the United Kingdom. He has participated in a number of international conferences, trainings and seminars on topics related to the capital market development in the region.

DANIEL YOVCHEV GANEV – Managing Director

Daniel Ganev is Managing Director of Karoll Capital Management and in this capacity he oversees the administrative functions of the firm, the overall business strategy and product development, and serves on several investment committees. He is responsible for the strategic partnership of the company with international institutions like Schrodgers, UK, as well as other European, American and Asian partners. In 2003, Daniel pioneered the launch of the first local equity fund – Advance Invest Mutual Fund, and became its Portfolio Manager. Before this project, Daniel worked at the Karoll Financial Group as a Capital Markets Analyst. Prior to joining the firm, Daniel Ganev received professional training at Merrill Lynch, SG Cowen New York and Sony Electronics. Daniel holds a Bachelor's degree in Business Administration from William Paterson University - USA and an Executive MBA from University of Cambridge - UK, as well as an Investment Consultant licence issued by the Financial Supervision Commission. Mr. Ganev is a member of the Board of Directors of the Bulgarian Association of Asset Management

Companies (BAAMC), where he chairs the International Cooperation Committee. Daniel Ganev has had numerous publications and interviews in the media and has been on road shows and seminars at major financial hubs in Europe, America and Asia.

BISTRA STOYANOVA KOTSEVA – Deputy Chairwoman of the Board of Directors

Bistra Kotseva is Deputy Chairwoman of the Board of Directors of Karoll Capital Management EAD Asset Management Company. Bistra Kotseva is the Head of the Client Relationships Department at Karoll Group and she runs the process of client communications and developing client relations of the group. Bistra is also in charge of all presentations and road shows to institutional, corporate, and private clients. Bistra is one of the first employees of the Karoll Financial Group where she joined the Currency Operations Department of the company in 1997 and later occupied the position of accountant of the the investment intermediary. Bistra Kotseva has a Master's degree in Accounting and Control from the University of National and World Economy – Sofia.

3. MUTUAL FUND DATA

Name: ADVANCE EASTERN EUROPE

The Mutual Fund is organised and managed as per a Decision of the Board of Directors Karoll Capital Management EAD Management Company of 12 July 2006 on the grounds of Art. 177a, para. 1 in connection with Art. 164a, para. 2 of the Public Offering of Securities Act (the provisions have been subsequently revoked). As of the moment of preparation of the current prospectus, the decisions on the organisation and management of the mutual fund are taken on the grounds of Art. 5, Para. 2 and 4 and Art. 6 of the Law on the Activities of Collective Investment Schemes and Other Undertakings for Collective Investment (LACISOUCI) and in connection with part 1., item 10 of the Supplementary Provisions of the LACISOUCI. The risk profile of the Fund is moderate to high. The FUND has been entered in the Register as per Art. 30, Para. 1, item 5 of the Law on the Financial Supervision Commission (FSC) by Permit No. 29-ДФ of the FSC of 31.08.2006.

Term of operation: the existence and operation of the Fund are not limited in time.

Closed period: No closed period is envisaged.

4. PLACE WHERE THE RULES OF THE MUTUAL FUND, THE PRESENT PROSPECTUS, THE KEY INVESTOR INFORMATION DOCUMENT AND THE REGULAR REPORTS OF THE FUND WILL BE AVAILABLE TO INVESTORS

The place where the rules of the Mutual Fund, the present Prospectus, the Key Investor Information Document and the regular statements are available to investors is in Sofia, 57 Hristo Botev Blvd., and at the office of Karoll Capital Management EAD in Sofia, Bulgaria, as well as on the web site of the Asset Management Company www.karollcapital.bg

5. TAX REGIME

Pursuant to the provisions of the Corporate Income Tax Act (CITA), the collective investment schemes admitted to public offering in the Republic of Bulgaria are not subject to corporate tax. The dividends and liquidating dividends allocated in favour of a mutual fund are not subject to withholding tax.

Pursuant to the provisions of the Corporate Income Tax Act (CITA), the income from disposition of units of collective investment schemes is not subject to withholding tax if the disposition is performed at a regulated market within the meaning of Art. [Art. 152, para. 1](#) and [2](#) of the Markets in Financial Instruments Act, as well as the transactions concluded under the terms and provisions of redemption by collective investment schemes admitted to public offering in the Republic of Bulgaria or in another European Union Member State, or in a country, which is a party to the Agreement on the European Economic Area.

Pursuant to the provisions of the Personal Income Tax Act (PITA), the income from transactions with units of collective investment schemes performed at a regulated market within the meaning of [Art. 152, para. 1](#) and [2](#)

of the Markets in Financial Instruments Act is not subject to withholding tax, as well as the transactions concluded under the terms and provisions of redemption by collective investment schemes admitted to public offering in the Republic of Bulgaria or in another European Union Member State, or in a country, which is a party to the Agreement on the European Economic Area.

Taxable is the income formed by the positive difference between the selling price and the document-proven price of acquisition of units of collective schemes in favour of foreign natural persons, which are not domiciled for tax purposes in a European Union Member State or in another country of the European Economic Area. The obligation for declaring and paying the tax lies with the person that has received the income. The tax is final and its size is 10 per cent. If there exists a convention for the avoidance of double taxation, the more favourable regime for the person that has received the income should be applied.

Pursuant to the Value Added Tax Act, the activity management of mutual funds is an exempt supply and therefore no VAT is charged on the remuneration of the asset management company.

We recommend that the investors consult tax experts on tax issues.

6. ACCOUNTING DATES AND INCOME ALLOCATION DATES

Accounting Dates

ADVANCE EASTERN EUROPE MF presents to the Financial Supervision Commission and the public:

- Annual financial statements as at 31 December, within 90 days of the end of the financial year;
- Six-month financial statements as at 30 June covering the first six months of the financial year, within 30 days of the end of the reporting period.

Income Allocation Dates

ADVANCE EASTERN EUROPE Mutual Fund shall not distribute income (annual profit) under the issued units and shall not pay the holders of such units such income or dividends. The Fund reinvests the income (annual profit) in assets following its investment strategy and policy.

7. INFORMATION ABOUT THE AUDITORS

The annual financial statements of ADVANCE EASTERN EUROPE for the years 2016, 2017 and 2018 have been audited by:

Name of the auditor: Grant Thornton OOD

Seat and registered address: 26 Cherni Vrah Blvd., 1421 Sofia

Telephone: (+3592) 987 28 79

Web site: www.gtbulgaria.com

E-mail: office@bg.gt.com

Responsible auditor for 2016: Milena Mladenova

Responsible auditor for 2017 and 2018 : Silvia Dinova

8. NUMBER AND FACE VALUE OF THE FUND UNITS

The Fund may issue an unlimited number of units depending on the demand by investors. The face value of a single unit is EUR 1 (one).

9. TYPE OF UNITS AND RIGHTS UNDER THEM

Mutual Fund Units

- The units are registered dematerialised transferable financial instruments, issued by the Fund in one class only. The units provide equal rights to all unit-holders. The units are recorded in the registers of the Central Depository AD. The units are issued in denominations of 1 unit.

Share Right over the Fund's Property

- Each unit gives a right over the respective part of the Fund's property.

Liquidation Quota Right

- Each unit gives a right over the respective part of the Fund's property at its realisation in case of liquidation (winding up) expressed in cash.

Redemption Right

- Each unit-holder has the right at any time to order his/her units being redeemed by the Fund through the Management Company except when such redemption is impossible in the cases stipulated by the law or the present Prospectus.
- The redemption order may be related to some or all of the units owned by the investor.
- The redemption orders for Fund units are executed at the first redemption price announced after the date of submitting the order.

Right of information

Each investor and/or owner of units has the right:

- To use the information contained in the Prospectus, the Key Investor Information Document and the regular reports of the Fund, as well as any other public information related to it or its activity;
- To get acquainted with and receive a copy of the Fund Rules;
- To receive information about material changes in the activity of the Managing Company, as well as other information about it as stipulated by the law.

10. TERMINATION OF THE FUND

The termination of the Fund is performed under the terms and provisions of Chapter 14, Section V of LACISOUCI. In addition to the provisions of Art. 363, items "a" and "b" of the Obligations and Contracts Act, the Mutual Fund is to be terminated by force:

1. In case the Management Company has been deprived of the permit for organising and managing the Mutual Fund;
2. If within three months of cancellation of the permit, termination of or declaring the Management Company insolvent, new management company has not been selected or the Fund has not been transformed by a merger or infusion.

The Commission cancels the provided permit for organising and managing the Mutual Fund:

1. If the Mutual Fund does not start performing the respective activity within 12 months after the permit for its organisation and management has been granted;
2. If the asset management company explicitly gives up the permit to organise and manage the mutual fund;
3. If the Fund has not performed its activity for more than 6 months;
4. If untrue data has been stated that has served as grounds for issuance of the permit for organising and managing the Mutual Fund;
5. If the Mutual Fund no longer meets the criteria, under which the permit for its organisation and management has been issued;
6. If the Mutual Fund does not meet the liquidity requirements stipulated in Ordinance 44 on the implementation of the LACISOUCI;
7. If a new management company of the Mutual Fund has not been selected or the Mutual Fund has not been transformed in the cases under Art. 157, Para. 1, item 2 of the LACISOUCI;
8. If this is required to protect the investors' interests.

In case of cancellation of the operation permit, at termination of or declaring the Mutual Fund Management Company insolvent, the Management Company shall terminate the Fund management and shall deliver to the Fund Depository Bank the whole information and documentation at its disposal related to the Fund management. Until the conclusion of a contract with another management company or transformation of the Fund by merger or infusion, as an exception the Depository Bank may carry out management activities for a period not longer than three months. If no management company is selected or approved to manage, respectively transform the Mutual Fund or if the Financial Supervision Commission refuses to issue a permit to the new management company to manage the Fund, or transform it respectively, a procedure for termination of the Mutual Fund is to be started regardless of the expiry of the 3-month period stated in the previous sentence.

At termination of the Fund a liquidator will be appointed who must cash down the Fund's property and distribute the received monies to the Fund creditors and unit-holders. The unit-holders have the right to receive a liquidation quota, i.e. a part of the cashed down Fund property proportionate to the units held by the investor, from which the creditors' receivables are deducted. A unit-holder has no right to demand his/her share in the Fund in kind.

11. REGULATED MARKETS, AT WHICH THE FUND UNITS ARE ACCEPTED TO BE TRADED

The Fund units will not be registered for trading at a regulated market.

12. PROCEDURE FOR TRANSFERRING UNITS AT SECONDARY TRADE

The ownership over the units issued by the Fund may be transferred freely without limitations and conditions, however only through an investment broker while observing the provisions of the Public Offering of Securities Act, the Markets in Financial Instruments Act, the Law on the Activities of Collective Investment Schemes and Other Undertakings for Collective Investment, the Regulations on their implementation and the Rules of the Central Depository AD. Since the Fund units will not be registered for trading at a regulated market, the transactions with them may be concluded only off-exchange (OTC).

The transfer of ownership over the units will be deemed as completed at the moment of registration of the transaction with the Central Depository AD. To purchase or sell units at the secondary market (off the counter), the investors submit an order for off-exchange transaction to their servicing investment broker. Upon conclusion of the transaction, the investment broker performs the necessary actions for registration and settlement of the transaction at the Central Depository AD, whereby the units are transferred from the seller's account to the buyer's account. The Purchase and Sale Agreement may be concluded directly by the parties and the broker only registers the transfer in his/her capacity of registration agent.

The transfer of the ownership over the Fund units in case of donation and inheritance is performed through a licensed investment broker operating as a registration agent.

13. TERMS AND PROCEDURE FOR ISSUANCE AND SALE OF UNITS

The Asset Management Company offers permanently Fund units to investors at issue price, which is determined and announced as per the provisions of the Prospectus below.

13.1. Places for submission of written orders for subscription to Fund units

The places for submission of written orders for subscription to Fund units are:

- The registered address of Karoll Capital Management EAD: Sofia, 57 Hristo Botev Blvd., tel.: (+359 2) 4008 300
- The office of Karoll Capital Management EAD in Bulgaria:

Sofia, 1 Zlatovrah Str., tel.: (+359 2) 4008 300

13.2. Terms and conditions for purchasing units

Purchasing units of the ADVANCE EASTERN EUROPE Mutual Fund is done based on a written agreement with the customer pursuant to Art. 59 of Ordinance 44 on the requirements for the activity of the collective investment schemes, the management companies, the national investment funds and the entities managing alternative investment funds. The written form is considered observed if the agreement has been concluded by electronic statements signed with a qualified electronic signature within the meaning of the Electronic Documents and Electronic Signature Act. Issuance (sale) of units of a collective investment scheme may be performed only if the unit issue price has been paid in full. To purchase Fund units, an investor submits a unit subscription order along with the attachments to it.

The issue price is equal to the net asset value per unit at the date of its determination, increased with the issue costs. The issue price is calculated by the Management Company under the control of the Depository Bank pursuant to Rules for portfolio valuation and determination of the net value of the Fund assets adopted by the Management Company and approved by the Financial Supervision Commission. The issue price is determined every business day and is published on the web site of the Asset Management Company. All unit subscription orders received in the period between two determinations and announcements of the issue price

are executed at one and the same price.

The Management Company executes a unit purchase order up to the amount deposited by the investor, which is divided by the determined price per unit based on the issue price for the closest day following the day, on which the order has been submitted, while the number of the purchased units is rounded to the smaller whole number. With the remainder of the deposited amount the investor acquires a partial unit of the Fund where the partial unit is rounded to the 4th digit after the decimal point.

The amounts for purchasing units are deposited in EUR or BGN as per the fixed rate of the Bulgarian National Bank for the day. The amounts are to be deposited at the moment of submission of the unit purchase order as follows:

- In cash, at the places where unit purchase orders are submitted;
- To the bank account of the Mutual Fund with the Custody Bank;

Bank Account in BGN

Account holder: ADVANCE EASTERN EUROPE MF

IBAN: BG07UNCR96601043020505

BIC (SWIFT): BPBIBGSF

Unicredit Bulbank AD

EUR Bank Account

Account holder: ADVANCE EASTERN EUROPE MF

IBAN: BG27UNCR96601443020500

BIC (SWIFT): BPBIBGSF

Unicredit Bulbank AD

Payment details – unit purchase order for ADVANCE EASTERN EUROPE Mutual Fund

The unit purchase orders may be submitted every working day between 10:00 and 17:00 hours (Bulgarian time). A unit purchase order is to be submitted by the applicant or his/her proxy/representative.

A unit purchase order becomes irrevocable at the closest date of determination of the issue price.

Necessary documents to be submitted by the applicant at the conclusion of the written agreement pursuant Art. 59 of Ordinance 44 on the requirements for the activity of the collective investment schemes, management companies, national investment funds and the entities managing alternative investment funds:

- By a natural person applicant: ID card;
- By a legal entity applicant: certificate of good standing, ID card of the authorised representative;
- By a proxy of the applicant – notary certified power of attorney stating the representative power for performing management and dispositive actions with financial instruments. The Management Company archives the presented original power of attorney or its notary certified transcript.
- By a legal representative of a natural person applicant – a notary certified copy of a document attesting the right to representative power (birth certificate, marriage certificate, guardian or trustee appointment certificate);

At signing the contract, the client signs Declarations according to official forms, part of the Regulations for Implementation of the Measures against Money Laundering at the LMML, Declaration for the purposes of the automatic exchange of financial information on the grounds of Art. 142t, para. 1 of the Tax and Social Insurance Procedure Code (TSPC), as well as the Declaration of the Real Owner according to an official form, part of the Regulations for Implementation of the Measures against Money Laundering at the LMML (when it is applicable).

In order to verify the identity of the client, the Management Company may also request additional data and / or documents. The Management Company is responsible for the proper identification of the client and takes all reasonable steps to establish the identity of the client. The asset management company stores all documentation and information. Where the contract is not concluded through the use of a qualified electronic signature, transfers of funds on execution of a redemption order shall be made only from and to a payment account held by a credit institution to which the customer is the holder. It is not possible to conclude a contract in a remote manner through a proxy.

Payments in cash for purchase of Mutual Fund units are performed while observing the provisions of the Limitation on Cash Payments Act.

At transactions and payments for purchase of Mutual Fund units by foreign investors, the latter shall observe the special provisions of the Currency Act regarding the import of BGN and foreign currency in cash.

13.3. Conditions and term for execution of the unit purchase orders

13.3.1. Calculation of the total number of purchased units

The Management Company executes a unit purchase order up to the amount deposited by the investor, which is divided by the determined price per unit based on the issue price for the closest day following the day, on which the order has been submitted, while the number of the purchased units is rounded to the smaller whole number. With the remainder of the deposited amount the investor acquires a partial unit of the Fund.

Should the Management Company take a decision for temporary suspension of the issuance (sale) and the redemption of units as per the terms and provisions of the present Prospectus, the orders submitted after the last announcement of the redemption price before the starting date of the temporary suspension term will not be executed. The Management Company reimburses the amounts of the investors who have submitted unit purchase orders to their bank accounts or at the company cash desk by the end of the working day following the day when the decision for discontinuing the issue of units was taken. The issue price and the redemption price upon resumption of the redemption are announced on the day preceding the resumption. The subsequent determination and announcement of the issue price and redemption price is performed on the days stated in the Prospectus.

13.3.2. Execution term for unit purchase orders

Unit purchase orders are executed within 7 days of the date of their submission. A purchase order is deemed executed at the moment of transaction registration at the Central Depository AD.

13.4. Confirmation of executed unit purchase orders

At sale of Fund units, the Management Company shall inform the unit-holder as soon as possible about the order execution, using a hard copy or respectively through electronic communication means, if applicable. The conformation must be done not later than the first working day after the execution or if the Management Company has received confirmation from a third person – not later than the first working day upon receiving the third-person confirmation. The provision of the previous sentence does not apply if a confirmation would contain the same information as the confirmation that is sent immediately to the unit-holder by another person. For the purposes of providing information via electronic communication means regarding the execution of a Fund unit sale order, the provisions of Art. 106, Para. 3 of Ordinance 44 on the requirements for the activity of the collective investment schemes, management companies, national investment funds and the entities managing alternative investment funds will apply.

14. TERMS AND PROCEDURE FOR REDEMPTION OF UNITS AND CIRCUMSTANCES, AT WHICH REDEMPTION MAY BE SUSPENDED

14.1. Redemption obligation

The Management Company shall redeem the Fund units at the redemption price determined and announced as provided for below in the Prospectus.

With the exception of the cases of temporary suspension of the redemption, the Fund, through the Management Company, upon request of the unit-holders, redeems its units at a price based on the net asset value per unit. The unit redemption price is equal to the net asset value per unit at the date of its determination. Investors do not owe fees at redemption of units. Should the Management Company temporarily discontinue the redemption of the Mutual Fund units pursuant to the terms and procedure of the present Prospectus, the redemption orders that have not been executed until the moment of taking the decision are not subject to execution. In such cases the unit redemption, upon its resumption, is performed by

submission of new orders pursuant to the procedure of the present Section of the Prospectus.

14.2. Terms and procedure for temporary suspension of the redemption

The redemption of units of the ADVANCE EASTERN EUROPE Mutual Fund may be discontinued temporarily by a decision of Board of Directors of the Management Company. The temporary suspension is allowed only in exceptional cases, if the circumstances require this and the discontinuation is grounded with a view to the unit-holders' interests, including in the following cases:

- If at a regulated market, at which a material part of the Fund units are admitted or are being traded the conclusion of transactions is discontinued, suspended or subject to restrictions;
- If the Fund assets or liabilities cannot be correctly estimated or it cannot dispose with them without damaging the interests of unit-holders;
- If a decision is taken for termination or transformation through merger or infusion of the collective investment scheme under the terms and procedure of Chapter 14 of the LACISOUCI;
- At cancellation of the licence of the Management Company, at its termination, announcement in insolvency or at imposing limitations on its activity, which prevent it from performing its obligations to the FUND and may damage the unit-holders' interests;
- If the execution of the redemption orders would lead to breach of the requirements for maintaining minimum liquid resources of the Fund as stipulated in the current legislation and in the Prospectus and Fund Rules;
- If the performance of the obligations by the Depositary Bank pursuant to the Depositary Services Agreement is impossible or if the unit-holders' interests may be damaged, including at termination of the agreement with the Depositary Bank, at cancellation of the agreement with the Depositary Bank, including because of non-performance of its obligations under it, at cancellation of the banking activity licence of the Depositary Bank or at imposing other limitations on its activity, as well as in the other cases related to the replacement of the Depositary Bank stated in the Fund Rules.

Should any of the above-mentioned circumstances occur, the Management Company shall discontinue the issue and redemption of Fund units while stating the term of the temporary suspension /if any/ and informing about this the Financial Supervision Commission, the Depositary Bank, the regulated securities market /if the Fund units are admitted for trading at a regulated market/, the respective competent authorities of all EU Member States, in which the Fund units are offered /if so/ and the unit-holders by the end of the working day, respectively inform about the resumption of the redemption by the end of the working day, preceding the resumption.

At taking the decision for temporary discontinuation of the redemption, the Management Company shall immediately discontinue also the issue of units for the term of temporary suspension of the redemption.

If extension is required of the Fund unit redemption temporary suspension term, the Management Company shall communicate this, following the procedure stated in the law, the Financial Supervision Commission, the Depositary Bank, the regulated market, at which its units are traded /if the Fund units are admitted for trading at a regulated market/, not later than 7 days before expiry of the initially defined term. If the discontinuation term is shorter than 7 days, including in the cases when the redemption has been suspended because of technical reasons, the Management Company shall perform the notification under the previous sentence by the end of the working day preceding the date, on which the redemption had to be resumed.

The notification of the unit-holders about the taken decision for discontinuation of the redemption, as well as at a subsequent decision for its resumption, is to be done through the Internet site of the Management Company – www.karollcapital.bg.

At resumption of the redemption, the issue (sale) of units is automatically resumed, too. The issue price and redemption price are announced on the day preceding the resumption. The subsequent determination and announcement of the issue price and redemption price is performed on the days stated in the Prospectus.

Unit sale (issue) orders and redemption orders submitted in the period after the last announcement of the issue price, respectively of the redemption price, and before the starting date of the redemption temporary suspension term will not be executed. The Management Company reimburses the amounts of the investors who have submitted unit purchase orders to their bank accounts or at the company cash desk by the end of the working day following the day when the decision for discontinuing the issue of units was taken.

14.3. Conditions for redemption of units

The redemption of ADVANCE EASTERN EUROPE Mutual Fund units is performed pursuant to a written agreement with the customer. The written form is considered observed if the agreement has been concluded by electronic statements signed with a qualified electronic signature within the meaning of the Electronic Documents and Electronic Signature Act. For an investor to order the redemption of the Fund units held by him/her, he/she should submit a Fund units redemption order along with the attachments to it. The written Fund unit redemption order is submitted to the addresses stated in item 14.5 of the Prospectus (*“Places for submission of written Fund unit redemption orders”*).

The unit redemption orders are executed within 10 days of the date of their submission.

14.4. Redemption price of fund units

The redemption price is equal to the net asset value per unit at the date of its calculation. The redemption price is calculated by the Management Company under the control of the Depositary Bank pursuant to Rules for portfolio evaluation and determining the net value of the Fund assets adopted by the Management Company and approved by the Financial Supervision Commission.

The unit redemption price is determined every business day and is published on the web site of the Asset Management Company.

The Management Company shall redeem the Fund units at a price equal to the redemption price determined for the closest day following the day of submission of the redemption order. “The closest day following the day of submission of the redemption order” means the first day following the day of submission of the redemption order, on which a new redemption price has been determined.

All unit redemption orders received in the period between two determinations and announcements of the redemption price are executed at one and the same price.

The amounts under the requests for redemption of units are paid in EUR or BGN as per the fixing of the Bulgarian National Bank for the day.

The unit redemption orders may be submitted every working day between 10:00 and 17:00 hours (Bulgarian time). A unit purchase order is to be submitted by the applicant or his/her proxy/representative.

14.5. Places for submission of written orders for redemption of Fund units

The places for submission of written orders for redemption of Fund units are:

- The registered address of Karoll Capital Management EAD: Sofia, 57 Hristo Botev Blvd.;
- The office of Karoll Capital Management EAD in Sofia, Bulgaria;

A unit redemption order becomes irrevocable at the closest date of determination of the redemption price.

Necessary documents to be submitted by the applicant at the conclusion of the written agreement pursuant Art. 59 of Ordinance 44 on the requirements for the activity of the collective investment schemes, management companies, national investment funds and the entities managing alternative investment funds:

- By a natural person applicant: ID card;
- By a legal entity applicant: certificate of good standing, ID card of the authorised representative;
- By a proxy of the applicant – notary certified power of attorney stating the representative power for performing management and dispositive actions with financial instruments. The Management Company archives the presented original power of attorney or its notary certified transcript.
- By a legal representative of a natural person applicant – a notary certified copy of a document attesting the right to representative power (birth certificate, marriage certificate, guardian or trustee appointment certificate);

Payments in cash for redemption of Mutual Fund units are performed while observing the provisions of the Limitation on Cash Payments Act.

At transactions and payments for redemption of Mutual Fund units by foreign investors, the latter shall observe the special provisions of the Currency Act regarding the import of BGN and foreign currency in cash.

14.6. Conditions and term for execution of the unit redemption orders

14.6.1. Calculation of the total value of the order

The unit redemption orders are executed according to the number of units placed for redemption and at a redemption price stated pursuant to item 14.4 of the Prospectus (“*Redemption price of fund units*”). The repayment of the monies is performed in a manner defined in the order while observing the limitations on the methods of payment pursuant to the current legal provisions.

At repayment of the monies by bank transfer, the investor covers the bank fees for the performed transfer.

14.6.2. Execution term for unit redemption orders and method of payment of the amounts due

Unit redemption orders are executed and paid within 10 (ten) days of the date of their submission.

The repayment of the monies is performed as follows:

- In cash, at the places under item 14.5 of the Prospectus (“*Places for submission of written orders for redemption of Fund units*”) – in case payment in cash is stated in the order;
- To the bank account stated in the unit redemption order.

A redemption order is deemed executed at the moment of transaction registration at the Central Depository AD.

14.7. Confirmation of executed unit redemption orders

At redemption of Fund units, the Management Company shall inform the unit-holder as soon as possible about the order execution, using a hard copy or respectively through electronic communication means, if applicable. The conformation must be done not later than the first working day after the execution or if the Management Company has received confirmation from a third person – not later than the first working day upon receiving the third-person confirmation. The provision of the previous sentence does not apply if a confirmation would contain the same information as the confirmation that is sent immediately to the unit-holder by another person. For the purposes of providing information via electronic communication means regarding the execution of a Fund unit redemption order, the provisions of Art. 106, Para. 3 of Ordinance 44 on the requirements for the activity of the collective investment schemes, management companies, national investment funds and the entities managing alternative investment funds will apply.

The Management Company may conclude an agreement by virtue of which it may delegate to a third party functions and tasks as per Art. 86, para. 1 and para. 2 of LACISOUCI regarding the administration of FUND units while observing the provisions of the relevant legal and regulatory acts regulating the FUND operation.

15. DESCRIPTION OF THE RULES FOR DETERMINING THE INCOME

ADVANCE EASTERN EUROPE Mutual Fund shall not distribute income (annual profit) under the issued units and shall not pay the holders of such units such income or dividends. The Fund reinvests the income (annual profit) in assets following its investment strategy and policy.

The net income from investing the ADVANCE EASTERN EUROPE Mutual Fund assets is reflected as a change of the Fund net asset value and thence – of the price of its units.

16. DESCRIPTION OF THE INVESTMENT OBJECTIVES, INVESTMENT POLICY AND INVESTMENT RESTRICTIONS OF THE MUTUAL FUND. TECHNIQUES AND INSTRUMENTS FOR EFFICIENT PORTFOLIO MANAGEMENT. USING A LOAN

16.1. INVESTMENT OBJECTIVES OF THE FUND

The main objective is to provide unit holders with an increase of their investments through capital gains by assuming moderate to high risk, as well as the to secure high investment results through long-term growth of its investments.

The investment objective of the Mutual Fund is to ensure stable high investment results through long-term growth in value of its investment. To this end, under normal circumstances, at least 75 % of the fund's assets will be invested in stocks of the leading companies from Eastern Europe.

Risk management is performed through asset diversification where the Asset Management Company may apply suitable strategies for protecting the fund's assets from currency, interest rate and market risk, when necessary.

There is no certainty that the Advance Eastern Europe will achieve the stated investment objectives.

16.2. INVESTMENT POLICY OF THE FUND

16.2.1. Main investment strategy

The fund is an open-end collective scheme investing primarily in shares admitted to trading on the regulated emerging markets in Eastern Europe. In addition to shares, a part of the fund's assets will be invested in money-market instruments (mainly bank deposits and short-term government securities) to maintain liquidity.

The Fund can invest in the following types of assets as allowed by the LACISOUCI:

1. Transferable securities and money market instruments admitted to or traded at regulated markets as per [Art. 152, para. 1](#) and [2](#) of the Markets in Financial Instruments Act in the Republic of Bulgaria or in another Member State;
2. Transferable securities and money market instruments traded at a regulated market, other than the one under [Art. 152, para. 1](#) and [2](#) Art. 73 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or another Member State, regularly functioning, accepted and publicly accessible, as well as securities and money market instruments issued in the Republic of Bulgaria or in another Member State;
3. Transferable securities and money market instruments admitted to trading at an official Stock Exchange market or traded at other regulated markets in a third country, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Commission at the proposal of the Deputy Chairperson or are stipulated in the Mutual Fund Rules;
4. Recently issued transferable securities, the issue of which includes a condition for assuming liability for requesting admission and within a term not longer than a year after their issuance to admitted to trading at an official stock exchange market or another regulated market, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Commission at the proposal of the Deputy Chairperson or are stipulated in the Mutual Fund Rules;
5. Units of collective investment schemes and/or other collective investment companies that meet the provisions of Art. 4, Para. 1 of the Law on the Activity of the Collective Investment Schemes and of Other Undertakings for Collective Investment (LACISOUCI), regardless of whether their seat is in a Member State, provided that their By-Laws or Rules stipulate that they can invest not more than 10 per cent of their assets in other collective investment schemes or in other undertakings for collective investment where the other undertakings for collective investment shall meet the provisions of Art. 38, Para. 1, item 5, letter a) of LACISOUCI.
6. Deposits with credit institutions, payable on demand or which carry the right to be withdrawn at any time and with a maturity date not more than 12 months ahead; the credit institutions in a third country shall follow rules and be subject to supervision that the Commission, at the proposal of the Deputy Chairperson, considers equivalent to the ones contained in the EU legislation;
7. derivative financial instruments, including their equivalents, on which the liabilities can be performed through cash payment, traded at regulated markets as per Art. 38, Para. 1 [item 1 - 3](#) of LACISOUCI;
8. Derivative financial instruments traded over the counter while observing the legal provisions
9. money market instruments other than those traded at a regulated market and stated in [§ 1, item 6](#) of the supplementary provisions of LACISOUCI while observing the legal restrictions
10. 10. Cash resources
11. Other financial instruments, in addition to those mentioned above, while observing the legal restrictions.

Regardless of the possibilities offered by the Fund's investment policy to invest in financial instruments, deposits and techniques for effective portfolio management, which could in essence constitute an eligible

investment in MMFs under Regulation (EC) 2017 / 1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, Karoll Capital Management EAD does not intend to take action to bring the structure and substance of the Fund's assets to the eligible assets under which Money Market Funds (MMF) may be invested under Regulation (EC) 2017/1131, so that Karoll Capital Management EAD will not allow the Fund to have in fact the characteristics of " money market funds "under Regulation (EC) 2017/1131.

Investment policy

The fund is an open-end collective scheme investing primarily in shares admitted to trading on the regulated emerging markets in Eastern Europe. In addition to shares, a part of the fund's assets will be invested in money-market instruments (mainly bank deposits and short-term government securities) to maintain liquidity. According to the investment philosophy of the Fund, under normal conditions it will not invest in debt securities. In case of significant market cataclysms or risks thereof, the Management Company can reduce significantly the weight of shares in the Fund portfolio by maintaining bigger availability of cash or money market instruments or invest in debt securities. When possible, the market risk can be hedged through the use of derivative instruments (futures, forwards, options).

Main investment strategy

The investment strategy is based on the assumption that the emerging markets in Eastern Europe have a long-term growth potential in view of the fact that they are still at the beginning of their development and the macroeconomic environment and the legislation are constantly improving. The followed strategy is based on the so-called top-down approach where the main decision is the asset allocation among the different markets in the portfolio. The investment strategy can be defined as fairly active insofar as the Asset Manager reviews its expectations about the individual markets and the leading companies traded on each market between 2 and 4 times per year. Consequently, one can expect small or more substantial changes in the fund's portfolio with that frequency.

At present the Fund invests in the markets of 6 countries in the region: Bulgaria, Romania, Croatia, Serbia, Russia and Ukraine. If the market conditions change, the Fund could also invest in markets such as Macedonia, Montenegro, Bosnia and Herzegovina, Slovenia, Lithuania, Estonia, Hungary, Czech Republic, Turkey and others.

As per the investment strategy, under normal circumstances the Fund invests mainly (over 75% of its assets) in shares of large and liquid companies included in the main stock-exchange indices of Bulgaria, Romania, Serbia, Croatia, Russia and Ukraine and on other markets where the Fund holds investment. A big part of these shares are included in the main stock-exchange indices, respectively SOFIX, BET, BELEX-15, CROBEX, MICEX and PFTS. In addition to shares of larger companies, the fund may also invest in smaller companies that have solid mid and long-term potential provided that their shares are comparatively liquid for the market where they are traded. About 5-15% of the Fund's assets are expected to be held in cash or money market instruments in order to ensure liquidity.

The investment philosophy of the Fund envisages investing in large companies – companies, which have a large market share of the goods and services they offer in their respective industries and are capable of keeping or increasing their market share and profits in the future. With a view to the fact that most of these companies are usually the well-known companies from the main stock-exchange indices, a big part of the Fund's portfolio is invested in the shares with the highest market capitalisation among the above-mentioned stock-exchange indices. When it defines its expectations about individual stocks, the Asset Manager assigns larger weight to those stocks that are traded at a larger discount to the internally calculated fair price. The fair internal value according to the Asset Manager is the value of the company, measured using different factors, such as the ability of the company to achieve a rate of return higher than the price of the equity, comparison of its main market ratios to ratios of other comparable companies, assessment of the investors' psychology and the flow of orders (sell or buy) from the larger institutional investors, etc. Factors such as the quality of management, the dynamics of the industry and the regulation in the industry, the positioning of the company on the product market and others will be considered, as well.

For the asset allocation by markets, the Asset Manager applies a modified version of the financial and mathematical model based on the Black-Litterman Global Asset Allocation Model. The starting point here is the weight of the respective market (according to the market capitalisation of the above-mentioned main

stock-exchange indices). The market weights are then regularly adjusted in line with the expectations of the Asset Manager on the performance of each market in the medium term (1 - 2 years) and in the long term (over 2 years). These expectations are based on factors such as macroeconomic growth, inflation, changes in the exchange rates, average earnings growth, assessment of the in/outflows to/from the individual market, assessment of the investors' psychology, etc. Regardless of the size of a market, however, and how positive the expectations related to it are, the investment in this market cannot exceed 50% of the value of the Mutual Fund's portfolio.

Under normal circumstances, it is expected that the Fund will own at least 30 different shares. During periods in which the Asset Manager expects a general drop in the markets in the region, it can considerably decrease the weight of the shares in the portfolio and increase the investments in the money market or undertake hedging strategies. When the fund invests in such instruments it might not be able to achieve its investment goals.

In accordance with the Rules of the Mutual Fund, its assets will be invested primarily in the following groups of securities and within the limits stated below:

Structure of the Mutual Fund assets:	
<i>Asset Type</i>	<i>Relative share of the total assets of the Fund</i>
Shares of companies, admitted to or traded at regulated markets as per Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act (MFIA) in the Republic of Bulgaria or another Member State; Shares of other companies traded at regulated markets, other than those under Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or in another Member State, regularly functioning, accepted and publicly accessible;	up to 90%
Shares of companies admitted to trading at an official stock exchange market or traded at other regulated markets in third countries, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Deputy Chairperson or are stipulated in the Collective Investment Scheme Rules;	up to 90%
Bank deposits and other payment means without a term or with a term of up to 12 months. Cash	up to 50%
Recently issued transferable securities , if the conditions of the issue include assuming liability for requesting admission and within a term not longer than a year after their issuance, to be admitted to trading at an official stock exchange market or another regulated market, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Commission at the proposal of the Deputy Chairperson or are stipulated in the Statutes, respectively – in the Rules of the collective investment scheme;	up to 10%
Other transferable securities and money market instruments allowed by the law, except those stated in Art. 38, Para. 1 of the LACISOUCI	up to 10%

Derivative financial instruments , including equivalent instruments, under which the obligations may be performed by payment of money, traded at regulated markets, and derivative financial instruments traded at off-exchange markets that meet the legal requirements.	Pursuant to the legal restrictions
Bulgarian bonds and money market instruments , admitted to or traded at regulated markets as per Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act or traded at a regulated market, other than the one under Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or in another Member State, regularly functioning, accepted and publicly accessible, as well as securities and money market instruments issued in the Republic of Bulgaria or in another Member State, or admitted to trading at an official stock exchange market or at another regulated market in a third country, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Deputy Chairperson or are stipulated in the Mutual Fund Rules;	up to 50%

The value of the assets invested in a single country cannot exceed 50% of the Fund's assets.

The specific asset structure will depend on the current market conditions and will be dynamic within the limitations specified above.

In cases of continuous falling of the stock-exchange markets, the Fund will withdraw its investments in shares and will direct them to lower-risk assets. This will be done in order to protect the investments of the investors. Alternatively, where possible in such cases, hedging techniques will be used.

16.2.2. Other investment strategies, techniques and instruments

ADVANCE EASTERN EUROPE Mutual Fund will use techniques and instruments for efficient management of the asset portfolio in compliance with the legal provisions. The used techniques and instruments will not lead to a change of the investment objectives and restrictions or to worsening of the Fund's risk profile.

16.2.2.1. Repurchase agreements (repurchase and reverse repurchase transactions)

Karoll Capital Management EAD Asset Management Company EAD shall purport to conclude repurchase agreements (repurchase and reverse repurchase transactions) on behalf and at the expense of ADVANCE EASTERN EUROPE Mutual Fund. This type of transactions are concluded under the condition that they are economically relevant, the risks ensuing from them are adequately identified in the process of risk management and provided that they serve for fulfilling at least one of the following objectives:

1. Reducing the risk;
2. Reducing the expenses;
3. Generating additional proceeds for the Fund with a risk level corresponding to its risk profile and to the risk diversification rules.

The concluded repurchase transactions may not lead to a change of the investment objectives and restrictions or to worsening of the Fund's risk profile. The Fund may conclude repurchase transactions only with regard to financial instruments, in which it has the right to invest. The counter-parties under the repurchase transactions of the Fund should be credit or financial institutions, which are subject to prudential supervision by a financial regulator of a European Union Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention. The risk exposition of the Fund to each individual counter-party at conclusion of repurchase transactions cannot exceed 10 per cent of its assets, if the counter-party is a bank as per Art. 38, Para. 1, item 6 of the LACISOUCI, and 5 per cent of the assets in the rest of the cases. The value of the repurchase transactions concluded by the Fund cannot hinder the execution of its obligation to redeem units at any time by request of their owners.

The financial instruments that may be the subject of repurchase transactions are:

1. Money market instruments within the meaning of Art. 38, Para. 1, item 9 of the LACISOUCI;

2. Bonds issued or secured by a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, their central banks, their local government authorities, by the European Central Bank, the European Investment Bank or by a public international organisation, of which at least one Member State is a member, as well as qualifying debt securities issued or secured by third countries with a credit rating not less than an investment grade, awarded by a credit rating agency registered or certified pursuant to Regulation No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ, L 302/1 of 17 November 2009);
3. Stocks or units issued by a collective investment scheme as per Art. 38, Para. 1, item 5 of the LACISOUCI;
4. Bonds traded at a regulated market in a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, where the trade with such bonds must be sufficiently liquid;
5. Shares traded at a regulated market in a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, provided such shares are included in an index maintained by such a market.

The conclusion of such contracts could optimise the profitability and the liquidity of the Mutual Fund and its counterparties shall satisfy strict requirements for creditworthiness.

16.2.2.2. Transactions with derivative financial instruments

The Management Company can conclude transactions with derivative instruments on behalf and at the expense of the Fund:

- With investment purpose, according to the Fund's investment policy and risk profile as determined in its Rules;
- With the purpose of risk management – for hedging against a market, currency and credit risk.

The types of derivative instruments that the Fund can use, as well as the special requirements to them are stipulated in the Fund Rules for Risk Evaluation and Management. There is no certainty that such transactions and techniques will be successful if they are performed. The possibility for using the stated strategies and techniques may be limited by the market conditions and by the regulatory provisions and requirements. In cases when the derivative instruments are used with hedging purpose, the Fund may appear to be incapable of achieving its investment objectives. If the derivative instruments are used with investment purpose, this will not affect the Fund's risk profile. In all cases the total value of the Fund's exposition related to derivative financial instruments cannot exceed the net value of its assets.

16.2.3. LIMITATIONS ON THE ASSET STRUCTURE AND THE RELATIVE SHARES IN FINANCIAL INSTRUMENTS OF ONE TYPE OR ANOTHER

Pursuant to the provisions of the LACISOUCI, the regulatory acts on its execution and the Fund Rules, the following restrictions will be observed on the structure of the assets and the relative shares in securities of one type or another:

1. The Fund cannot invest more than 5 per cent of its assets in transferable securities or money market instruments issued by a single entity.
2. The Fund cannot invest more than 20 per cent of its assets in deposits in a single bank.
3. The risk exposition of the Fund to the counter-party in a transaction with derivative financial instruments traded off-exchange cannot exceed 10 per cent of its assets, if the counter-party is a credit institution as per Art. 38, Para. 1, item 6 of the LACISOUCI, and 5 per cent of the assets in the rest of the cases.
4. The Fund can invest 10 per cent of its assets in transferable securities or in money market instruments issued by a single entity only if the total value of the investment in the entities, in which the Fund invests more than 5 per cent of its assets, does not exceed 40 per cent of the Mutual Fund Assets. The restriction under the previous sentence does not apply with regard to the deposits in credit institutions, over which prudential supervision is exercised, nor to the transactions with these institutions with derivative financial instruments traded off-exchange. At calculation of the total value of the assets under the first sentence, the transferable securities and the money market instruments as per item 6 will not be taken into account.
5. In addition to the restrictions under items 1 – 3, the total value of the Mutual Fund investment in transferable securities or money market instruments, issued by one entity, the deposits with such an entity, as well as the exposition to the same entity, occurred as a result of transactions with derivative financial

instruments traded off-exchange, cannot exceed 20 per cent of the Fund assets.

6. The Fund can invest up to 35 per cent of its assets in transferable securities or money market instruments issued by one entity if the securities and money market instruments are issued or secured by the Republic of Bulgaria, another Member State, their regional or local authorities, a third country or an international organisation, of which at least one Member State is a member.

7. The investment restrictions under items 1 – 6 cannot be combined. The total value of the Fund investment in transferable securities or money market instruments issued by a single entity, the deposits with this entity, as well as the exposition occurred as a result of transactions with derivative financial instruments pursuant to items 1 – 6 cannot exceed 35 per cent of the Mutual Fund Assets.

8. Companies included in a certain group for the purpose of preparation of consolidated financial statements in accordance with the recognised accounting standards are treated as a single entity at the application of the restrictions under items 1 – 7.

9. The total value of the investment in transferable securities or money market instruments issued by the companies within a given group cannot exceed 20 per cent of the value of the Mutual Fund assets.

10. The Fund can invest not more than 10 per cent of its assets in units of a single collective investment enterprise as per Art. 38, Para. 1, item 5 of the LACISOUCI, regardless of whether it is seated in a Member State or not.

11. The total amount of the investment in units of other collective investment schemes and other undertakings for collective investment, other than a collective investment scheme, cannot exceed 10 per cent of the Fund assets.

12. Karoll Capital Management EAD Asset Management Company, acting at the expense of the Fund and all collective investment schemes or other undertakings for collective investment managed by it, cannot acquire voting shares that would enable it to exercise substantial influence on an issuer's management.

13. The Fund cannot acquire more than:

- a) 10 per cent of the non-voting shares issued by a single entity;
- b) 10 per cent of the bonds or other debt securities issued by a single entity;
- c) 25 per cent of the units of one and the same collective investment scheme or another collective investment enterprise that fulfils the requirements of Art. 4, Para. 1 of the LACISOUCI;
- d) 10 per cent of the money market instruments issued by a single entity.

The restrictions under item 13, letters b), c) and d) do not apply if at the moment of acquisition of the said instruments the Fund cannot calculate the gross value of the debt securities, the money market instruments or the net value of the issued securities.

14. The Fund can invest not more than 10 per cent of its assets in other transferable securities and money market instruments, other those under Art. 38, Para. 1 of the LACISOUCI.

15. The Fund cannot acquire valuable (precious) metals and certificates for them.

16. The total value of the Fund's exposition related to derivative financial instruments cannot exceed the net value of its assets.

17. The Fund can invest in derivative financial instruments while observing the restrictions under items 7 – 9 and provided that the exposition to the basic assets in total does not exceed the investment restrictions under items 1 – 9.

The above-mentioned restrictions do not apply if the Mutual Fund exercises subscription rights, deriving from transferable securities and money market instruments, which are a part of its assets. While observing the principle of risk distribution, the Fund, within 6 months of receiving the operation permit, is allowed not to apply the restrictions under items 1 – 11. In case of breach of the investment restrictions for reasons beyond the control of the Mutual Fund or as a result of exercising subscription rights, the Fund must in due time, but not later than six months of the occurrence of the breach, bring its assets in compliance with the investment restrictions through sale transactions, while taking into account the interests of the unit-holders. In the cases under the previous sentence, the Fund is obliged within 7 days of performing the breach to notify the Financial Supervision Commission by providing information about the reasons for the breach and the measures undertaken for its elimination.

16.2.4. OTHER RESTRICTIONS. USING A LOAN

The Mutual Fund cannot use loans, with the exception of:

- Compensation loans for acquisition of foreign currency pursuant to Art. 27, Para. 2 of the LACISOUCI and Art. 56 of Ordinance No. 44 on the requirements for the activity of the collective investment schemes, management companies, national investment funds and the entities managing alternative investment funds;

- Loans, the total amount of which within a certain period of time does not exceed 10 per cent of the Fund assets, where for the utilisation of each loan a permit has been issued by the Commission at the proposal of the Deputy Chairperson, and each loan meets all of the following conditions: the loan is for a term not longer than 3 months, it is necessary to cover Fund unit redemption obligations and the terms of the loan agreement are not less favourable than usual at the market and the Fund Rules admit conclusion of such an agreement.

A lender may be only a bank, excluding the Depositary Bank.

The Management Company and the Depositary Bank, when acting at the expense of the Mutual Fund, cannot provide loans, nor be guarantors of third parties. Regardless of the restrictions under the previous sentence, the Management Company and the Depositary Bank, when acting at the expense of the Mutual Fund, may acquire transferable securities, money market instruments or other financial instruments as per Art. 38, Para. 1, items 5, 7, 8 and 9, in the cases when their value is not paid in full.

The Management Company and the Depositary Bank, when operating at the expense of the Mutual Fund, cannot conclude agreements for short sale of transferable securities, money market instruments or other financial instruments as per Art. 38, Para. 1, items 5, 7, 8 and 9 of the LACISOUCI.

At amendment of the LACISOUCI and of the respective legal and regulatory acts regulating the Fund activity the new provisions shall apply.

16.2.5. LIQUIDITY REQUIREMENTS

The Fund must have at its disposal at any time minimum liquid funds as follows:

- 1.** Cash, securities, money market instruments as per Art. 38, Para. 1, items 1 – 3 of the LACISOUCI and units of collective investment schemes and/or other collective investment enterprises as per Art. 38, Para. 1, item 5 of the LACISOUCI, whose fair value is not calculated using valuation techniques and generally accepted methods as per the Rules for portfolio evaluation and determination of the asset value of the ADVANCE EASTERN EUROPE Mutual Fund, money market instruments as per Art. 38, Para. 1, item 9 of the LACISOUCI and short-term receivables – to the amount of not less than 100 per cent of the weighted current liabilities of the Fund;
- 2.** Cash, securities and money market instruments issued by the Republic of Bulgaria or another Member State, and money market instruments as per Art. 38, Para. 1, item 9, letter “a” of the LACISOUCI – to the amount not less than 70 per cent of the weighted current liabilities of the Fund, excluding the liabilities related to participation in the increase of capital of public companies.

The Fund calculates its weighted current liabilities as a sum of its current liability amounts at net book value distributed in three groups depending on their remaining term, multiplied by weighting adjustments that decrease at increase of the remaining term of the liabilities as follows:

- With a term of up to 1 month – weight 1.00;
- With a term from 1 to 3 months – weight 0.50;
- With a term from 3 months 1 year – weight 0.25.

The maximum remaining terms of the Mutual Fund current liabilities at their distribution by groups, unless anything else is provided for by the law or ensues from their nature, are as follows:

- 1.** Budget payables, social security payables and personnel payables – weight 1.00;
- 2.** Remuneration of the Management Company and the Depositary Bank – weight 1.00 and the remaining liabilities – weight 0.25;
- 3.** Loans received – as per the terms of the loan agreement.

In case of pledge of assets or if there exist a restriction on their use by the Fund, these will not be included in the amount of the minimum liquid funds.

The structure of the Fund’s assets and liabilities should meet the following requirements:

- 1.** Not less than 70 per cent of the investment in assets as per Art. 38, Para. 1 of the LACISOUCI must be in assets whose fair value is not calculated using valuation techniques and generally accepted methods as per the

Rules for portfolio evaluation and determination of the asset value of the ADVANCE EASTERN EUROPE Mutual Fund;

2. The Fund cash resources must not be less than 5 per cent of its assets.

17. RISK PROFILE OF THE MUTUAL FUND. EXPECTED RISKS

The present section contains information about the investment risks that are borne directly or indirectly by the investors at their purchase of units of the ADVANCE EASTERN EUROPE Mutual Fund. If the investors are not ready to assume these risks, these securities are not a suitable investment for them

17.1. RISK PROFILE

The risk profile of the Mutual Fund is moderate to high.

There is no certainty that the Fund will achieve the stated investment objectives; the investors may lose money that they invest in the Fund. The investment in mutual funds and investment companies is not insured or guaranteed by the State or any state agency.

17.2. EXPECTED RISKS RELATED TO THE INVESTMENT PORTFOLIO. METHODS FOR MANAGING SUCH RISKS

▪ **Market risk** – the possibility of incurring losses due to unfavourable changes of the financial instrument prices, market interest rates, currency rates, etc. The components of the market risk are:

- **Interest rate risk** – the risk of decrease of the amount of investment in a given security due to a change of interest rates. The Management Company measures the interest rate risk by calculating the duration. The duration is the main measure for the sensitivity of a given security to the change of interest rate levels. The Management Company uses the method of modified duration to measure the interest rate risk related to each security based on an interest rate such as bonds, interest swaps, futures based on interest rates, and futures based on bonds;

- **Currency risk** – the risk of decrease of the amount of investment in a given security or money deposit denominated in a currency other than BGN or EUR, due to a change of the exchange rate of such a currency to the BGN or EUR. The currency risk is measured by using the historic volatility of the exchange rate of the respective currency to the BGN or EUR relative to the net currency exposition;

- **Price risk** related to investment in shares or other equity securities – the risk of decrease of the amount of investment in a given security at unfavourable changes of the market price levels. The asset management company measures the price risk related to investment in shares by tracing the historic volatility measured by standard deviation or calculation of the β -ratio to the indices of the respective markets.

▪ **Credit risk** – the possibility of decrease in value of the position in a given financial instrument at unexpected events of credit nature related to the issuers of financial instruments, the counter-party in exchange and off-exchange transactions, as well as the states, in which they operate. This risk reflects also the possibility of bankruptcy of a credit or financial institution, in which Fund's resources are kept and/or in whose deposits investments have been made. There are three types of credit risks:

- **Counterparty risk** is the risk of non-performance of the obligations by the counterparty in off-exchange and repurchase transactions.

- **Settlement risk** is the risk ensuing from the possibility that the Mutual Fund does not receive cash resources or financial instruments from a counter-party at the settlement date after the Fund has fulfilled its obligations on certain transactions toward such a counter-party. The Management Company measures this risk through the value of all unsettled transactions with a given counter-party as a percentage of the value of the managed portfolio. Transactions concluded under settlement condition of delivery versus payment and performed at markets with functioning clearing mechanism are not included;

- **Investment credit risk** is the risk of decrease in value of the investment in a given debt security due to a credit event at the issuer of this instrument. A credit event would include announcement in bankruptcy, insolvency, material change in the capital structure, decrease of the credit rating, etc.

The transaction limits and risk levels related to the credit risk are approved and reviewed each quarter by the Board of Directors of the asset management company following a proposal by the Head of the Risk Management Department.

▪ **Operational** – the possibility of incurring losses related to mistakes or imperfections in the organisation system, insufficiently qualified personnel, unfavourable external circumstances of non-financial nature including legal risk. Two groups of operational risks are distinguished:

A. Internal operational risks:

- Risks related to personnel; the risk of suffering loss as a result of employees' mistakes, negligent/malicious conduct by employees, insufficient qualification;

- Risk of performing transactions with persons related to the Management Company, the terms of which differ from the market terms: this is the risk of causing harm to the interests of the Fund and of its unit-holders as a result of transactions (acquisition or sale of assets by and of the Fund off-exchange, depositing of funds in a credit institution, external service contracts, etc.) with persons related to the Management Company at more disadvantageous terms than the market ones. Such a risk arises also at conclusion of transactions outside a regulated market of financial instruments, including conclusion of repurchase transactions (these transactions are concluded only as OTC transactions and due to the collateral nature of the transferred financial instruments, the transaction price is always different from the market one), where one of the parties is a related entity to the Management Company and the other party is the Management Company itself, acting on behalf and at the expense of the collective investment scheme it manages.

- Technological risk: risk of suffering loss caused by imperfections of the used technologies, inadequacy of the performed operations, lack of precision of the data processing methods, poor quality of the data used in the Fund's activity.

B. External operational risks: these are the risks, which exist outside of the Fund and can have material impact on its activity. The Fund is not able to influence external risks but accounts for their impact on its activity. The Risk Management Department has identified the following external risks related to the Fund's activity:

- Legislation risk – risk of unexpected amendments of laws and regulations that may limit the Fund activities and development.

- Macroeconomic risk – risk of disturbance of the macroeconomic stability of the markets, at which the Fund invests or operates.

- Inflation risk – risk of inflation rise to levels that limit growth, decrease domestic demand at the market, at which the Fund invests or operates, and reduce the actual profitability that the Fund yields.

- Risk of physical interference – risk of suffering losses because of robbery, unauthenticated intrusion in the information systems of the Fund or the Management Company.

The operational risk is managed and reduced pursuant to the Fund Rules for Risk Evaluation and Management

▪ **Liquidity risk** – the risk of the possibility of losses because of indispensable sale of assets at unfavourable market conditions to settle unexpected short-term liabilities;

▪ **Concentration risk** – the possibility of losses because of incorrect diversification of expositions to issuers, groups of related issuers, issuers of one and the same economic sector, geographic area or occurred from one and the same activity, that can cause material loss, as well as the risk related to big indirect credit expositions;

▪ **The influence of the particular techniques and instruments** used for efficient management of the Fund asset portfolio, on the Fund's risk profile is defined in item 16.2.2. *Other investment strategies, techniques*

and instruments items 16.2.2.1. *Repurchase agreements (repurchase and reverse repurchase transactions)* and 16.2.2.2. *Transactions with derivative financial instruments* of the present Prospectus.

The particular methods and organisation for managing the above-mentioned risks are defined in the Rules for Risk Evaluation and Management of the ADVANCE EASTERN EUROPE Mutual Fund.

THE VALUE OF THE FUND'S UNITS AND THE INCOME FROM THEM CAN DECREASE, THE PROFIT IS NOT GUARANTEED AND THERE IS A RISK THAT INVESTORS MAY NOT RECEIVE THE FULL AMOUNT OF THE INVESTED FUNDS. THE INVESTMENTS IN THE MUTUAL FUND ARE NOT GUARANTEED BY A GUARANTEE FUND ESTABLISHED BY THE STATE OR BY ANY OTHER GUARANTEE. PREVIOUS RESULTS OF THE FUND ACTIVITY CANNOT BE RELATED IN ANY WAY TO ITS FUTURE RESULTS. IT IS POSSIBLE THAT THE NET VALUE OF THE FUND ASSETS BE SUBJECT TO FLUCTUATIONS DUE TO THE COMPOSITION OF OR THE TECHNIQUES FOR MANAGING ITS PORTFOLIO.

18. ASSET VALUATION RULES

The Rules for portfolio evaluation and determining the net asset value of ADVANCE EASTERN EUROPE Mutual Fund, adopted by a decision of 12.04.2012 of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company, last amended by a decision of 09.04.2015, contain detailed information about:

- Principles of asset valuation;
- System for collecting information related to determining the net asset value, including the types of information sources;
- Methods of asset valuation;
- Methods of liability valuation;
- Methods for determining the net asset value;
- Procedure and technology for determining the net asset value, the net asset value per unit, the issue price and the redemption price;
- Persons determining and exercising control on the determination of the net asset value, the net asset value per unit, the issue price and the redemption price;
- Safe-keeping the documents and information protection measures;
- Software availability;
- Rules for avoidance of conflict of interests.

19. TERMS AND PROCEDURE FOR DETERMINING THE UNIT ISSUE PRICE AND REDEMPTION PRICE

The issue price and the redemption price of the Fund units are calculated by the Management Company under the control of the Depository Bank pursuant to Rules for portfolio evaluation and determining the net value of the Fund assets adopted by the Management Company and approved by the Financial Supervision Commission. The Asset Management Company determines and announces the net asset value per unit, the issue price and the redemption price every business day by the end of the day. The announcement of the issue price and the redemption price is done by:

- Publication on the Management Company web site www.karollcapital.bg on the day of determination;
- Announcement at the places as per items 13.1 and 14.5 of the present Prospectus (*Place for submission of written orders for subscription to Fund units*” and *“Places for submission of written orders for redemption of Fund units”*) on the day of determination;

The issue price is equal to the net asset value per unit at the date of its determination increased by the unit issue costs, calculated as a percentage of the net asset value per unit as follows:

- 1.5 per cent of the net asset value per unit if the total investment is up to EUR 50,000;
- 1 per cent of the net asset value per unit if the invested amount is between EUR 50,000.01 and 250,000;
- 0.5 per cent of the net asset value per unit if the invested amount is between EUR 250,000.01 and 500,000;

- 0 percent of the net asset value per unit if the total investment exceeds EUR 500,000.

The Management Company executes a unit purchase order at a unit price based on the issue price for the closest day following the day, on which the order has been placed. All unit subscription orders received in the period between two determinations and announcements of the issue price are executed at one and the same price.

The redemption price is equal to the amount of the net asset value per unit at the date of determination. The Management Company executes the Fund unit redemption order at a price equal to the redemption price determined for the closest day following the day of submission of the redemption order. All unit redemption orders received in the period between two determinations and announcements of the redemption price are executed at one and the same price.

A compulsory condition for calculating the issue price and the redemption price is that there must not be grounds for discontinuation of the issue (sale) and redemption of Mutual Fund units as determined in item 14.2 of the present Prospectus (*Terms and procedure for temporary suspension of the redemption*).

When calculating net asset value per unit of the Mutual Fund, the issue price and the redemption price are rounded to the fourth digit after the decimal point.

20. FEES AND COMMISSIONS AT PURCHASE AND SALE OF UNITS

When buying units, investors pay the issue price equal to the net asset value per unit increased by the cost of issuance, calculated as a percentage of net asset value per unit as follows:

- For orders of up to EUR 50,000 (fifty thousand Euro) inclusive, or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 1.5% (one point five per cent) of the net asset value per unit;
- For orders between EUR 50,000.01 (fifty thousand Euro and one Euro cent) or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, and EUR 250,000 (two hundred and fifty thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 1% (one per cent) of the net asset value per unit;
- For orders between EUR 250,000 (two hundred and fifty thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank and EUR 500,000 (five hundred thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 0.5% (zero point five per cent) of the net asset value per unit.
- For orders above EUR 500,000 (five hundred thousand Euro) or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank the fee for each purchased unit is in the amount of 0% (zero per cent) of the net asset value per unit.

When investing an amount in units of the FUND by institutional investors within the meaning of § 1, item 1, "C" of the Additional provisions of the Public Offering of Securities Act (POSA) and when investing an amount in units of the Fund for the account of investors as a result of and under a contract for portfolio management with Karoll Capital Management EAD no issuing fees are charged.

Investors do not pay redemption fees upon redemption of Mutual Fund units by Karoll Capital Management Asset Management Company.

At secondary trading of Mutual Fund units at a non-regulated market (OTC) or at another transfer of Fund units /donation, inheritance/, investors may be required to pay additional fees and commissions as per the tariff of the investment broker they have selected to perform such transfers.

In case upon placing a Fund unit purchase order investors pay the issue price by bank transfer, the respective bank charges related to the transfer are borne by them. Investors cover also any bank charges at repayment of amounts by the Management Company to investors, in case an investor has requested its monies to be paid by

bank transfer or if this method of payment is obligatory pursuant to the current legal provisions.

21. EXPENSES AND FEES. DIFFERENTIATION BETWEEN EXPENSES AND FEES PAYABLE BY UNIT-HOLDERS AND THOSE PAYABLE USING FUND RESOURCES

The purpose of this section is to inform investors about the expenses related to their investment in Advance Eastern Europe Mutual Fund units, including: (1) expenses directly covered by a particular investor/unit holder at purchase and redemption of Mutual Fund units (Transaction costs for investors/unit holders); and (2) annual costs related to the Fund's activity (Operational costs), which are covered by all unit holders and are paid using Mutual Fund resources.

21.1. TRANSACTION COSTS FOR INVESTORS/UNIT-HOLDERS

Fund units are purchased at the issue price, which is equal to the net asset value per unit increased by the cost of issuance, calculated as a percentage of net asset value per unit as follows:

- For orders of up to EUR 50,000 (fifty thousand Euro) inclusive, or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 1.5% (one point five per cent) of the net asset value per unit;
- For orders between EUR 50,000.01 (fifty thousand Euro and one Euro cent) or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, and EUR 250,000 (two hundred and fifty thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 1% (one per cent) of the net asset value per unit;
- For orders between EUR 250,000 (two hundred and fifty thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank and EUR 500,000 (five hundred thousand Euro) inclusive or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank, the fee for each purchased unit is in the amount of 0.5% (zero point five per cent) of the net asset value per unit.
- For orders above EUR 500,000 (five hundred thousand Euro) or the respective amount in Bulgarian Leva calculated at the official exchange rate of the Bulgarian National Bank the fee for each purchased unit is in the amount of 0% (zero per cent) of the net asset value per unit.

Unit holders in the Fund do not pay redemption costs at redemption of Fund units.

At change of the amount of expenses on issue and redemption of Fund units, the Management Company shall inform the unit-holders through a publication on the web site of the Managing Company immediately after the changes of the Mutual Fund Rules have been approved but at the latest on the following day after it has become aware of the changes approval.

21.2. ANNUAL OPERATIONAL COSTS

These costs are deducted from the assets of the Advance Eastern Europe Mutual Fund, thus being indirectly covered by all unit holders. They are the second component of the expenses that investors should bear in mind when investing in the Mutual Fund. The table below shows the maximum annual operational costs of the Advance Eastern Europe Mutual Fund, presented as a percentage of the mean annual net value of its assets, as these costs have been planned by the Management Company:

Maximum allowed annual operational costs of the Fund presented as a percentage of the mean annual net asset value of the Fund.

Remuneration for the Management Company	1.5 %
Other Operational Costs	1 %
Total Operational Costs	2.5 % *

“Other Operational Costs” include main predictable operational cost that the Management Company incurs at

the expense of the Fund such as:

- Expenses for remuneration of the Depository Bank, the certified auditors, consultants, storage fees for the Fund securities and cash in Bulgaria and abroad, etc.;
- Expenses for current supervision and membership fees and similar charges payable to the Financial Supervision Commission, the security regulated market, the Central Depository AD, state authorities and institutions related to the Fund activity;
- Legal and other costs related protecting the unit holders' interests;
- Expenses for sending documents related to unit purchase and redemption to the investors' addresses;
- Other expenses directly related to the Fund activity;
- Expenses incurred at change of the Depository bank.

The "Other operating expenses" in the first year of the establishment of the Fund shall include the costs associated with its establishment, including fees for supervisory and other institutions. The Management Company will undertake measures to limit the total amount of the mentioned "Other Operational Costs" up to 1 per cent of the average annual net asset value while limiting the Fund's total annual operational costs, including also its remuneration for Fund management, which may not exceed 1.5 per cent, up to 2.5 per cent of the average annual net asset value as per the Fund's balance. The limit under the previous sentence does not include the expenses on material transactions with securities and investment in Fund assets, revaluation of investment in securities, foreign exchange losses, extraordinary expenses not caused by officials or caused by reasons beyond the control of the Management Company, as well as other expenses determined pursuant to the law.

The Management Company cannot collect fees that are not provided for or exceed the amounts stipulated in the present Prospectus and the Fund Rules. The same applies also to the expenses determined in the present Prospectus and the Fund Rules related to the issue and redemption of Fund units (so called "*Transaction costs for investors/unit-holders*").

21.3. EXPENSES INCURRED BY THE MUTUAL FUND DURING THE LAST THREE YEARS BEFORE THE YEAR OF ISSUANCE OR UPDATE OF THE PROSPECTUS, OR IF THREE YEARS HAVE NOT PASSED, DATA IS PROVIDED FOR THE RESPECTIVE PERIOD:

Item	As of 31.12.2016, in BGN.	% of average annual net assets of the fund	As of 31.12.2017, in BGN	% of average annual net assets of the fund	As of 31.12.2018, in BGN	% of average annual net assets of the fund
Remuneration for the Asset Management Company	135 001	2.50%	156 822	2.50%	93 619	1.67%
Remuneration for the Depository Bank	28 302	0.52%	23 038	0.37%	25 499	0.46%
Fees payable to the Financial Supervision Commission	450	0.01%	450	0.01%	900	0.02%
Central Depository Charges	638	0.01%	638	0.01%	638	0.01%
Audit expenses	6 480	0.12%	6 480	0.10%	6 000	0.11%
Advertising costs	3 750	0.07%	10 435	0.17%	7 250	0.13%
Other expenses of the Mutual Fund	2 568	0.05%	704	0.01%	1 064	0.02%
TOTAL:	177 189	3.28%	198 567	3.17%	134 970	2.42%

22. INFORMATION ABOUT THE DEPOSITARY BANK

Name: “UniCredit Bulbank” AD

Headquarters: Sofia, 7 Sv. Nedelya Sq.

Registered address: Sofia, 7 Sv. Nedelya Sq.

Telephone: 923 21 11

Fax: 988 46 36

E-mail: corporate@unicreditbulbank.bg

Web site: www.unicreditbulbank.bg

Date of establishment: 16.05.1990

License to conduct bank activities: No. ПД 22-0841/07.05.2007

Essential provisions of the Depositary Services Agreement.

The Depositary Services Agreement settles the relations between the KAROLL CAPITAL MANAGEMENT EAD Management Company, acting on behalf of the Fund, and the Depositary Bank, UNICREDIT BULBANK AD in relation to keeping the assets of the Mutual Fund. Pursuant to an Agreement of 12.07.2017, UNICREDIT BULBANK AD, in its capacity of a depositary bank, is authorised to provide, for a consideration, bank services to the FUND activity, as follows:

- Storage of ADVANCE EASTERN EUROPE MUTUAL FUND cash;
- Storage of available securities of ADVANCE EASTERN EUROPE MUTUAL FUND;
- Performance of all payments on behalf and at the expense of the ADVANCE EASTERN EUROPE MUTUAL FUND within the legally defined terms;
- Maintaining accounts for dematerialised financial instruments owned by the ADVANCE EASTERN EUROPE MUTUAL FUND under its sub-accounts with the Central Depositary AD, the Bulgarian National bank or another depositary institution;
- Ensuring the issue /sale/, redemption and invalidation of the Mutual Fund units pursuant to the law, the regulations on its implementation, the Prospectus and the ADVANCE EASTERN EUROPE MUTUAL FUND Rules;
- Exercising control on the calculation of the issue price and the redemption price of the Mutual Fund units by the Management Company, where such calculation must comply with the law, the rules, the Prospectus and the ADVANCE EASTERN EUROPE MUTUAL FUND Asset Valuation Rules;
- Ensuring that the collection and utilisation of the Mutual Fund income complies with the law and the Fund Rules and that the Management Company remuneration is calculated and paid in pursuance with the Law and the Fund Rules.

While providing the depositary services, the Depositary Bank shall keep the entrusted assets as follows:

- The dematerialised financial instruments owned by the FUND will be filed with a depositary institution under a sub-account of the Depositary Bank;
- The remaining FUND assets are stored on its behalf at the Depositary Bank.

The Depositary Bank will not be liable to its creditors with the Fund assets.

The Depositary Bank will dispose with the Fund assets entrusted to it only upon instructions by the authorised persons.

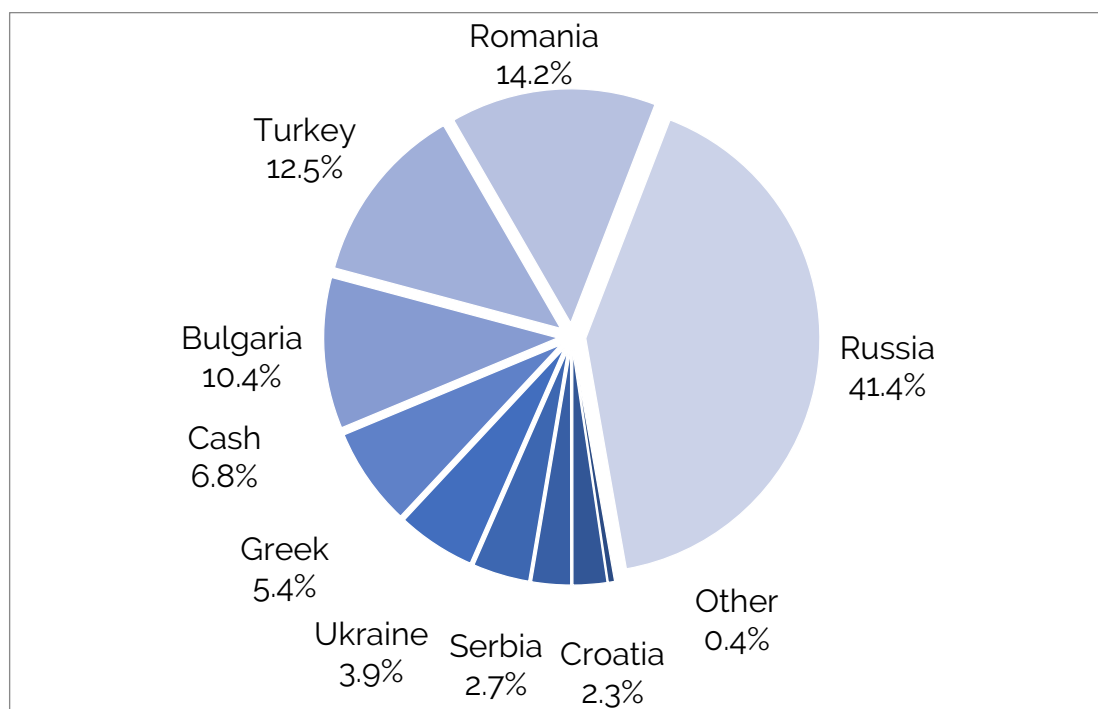
The rest of the rights and obligations of the parties, as well as the due remuneration to the Depositary Bank are stated in the Agreement.

23. INFORMATION ABOUT THE CONSULTING COMPANIES OR EXTERNAL CONSULTANTS PROVIDING ADVICE AT CONTRACTUAL TERMS WHOSE REMUNERATION IS PAID FROM THE FUND ASSETS

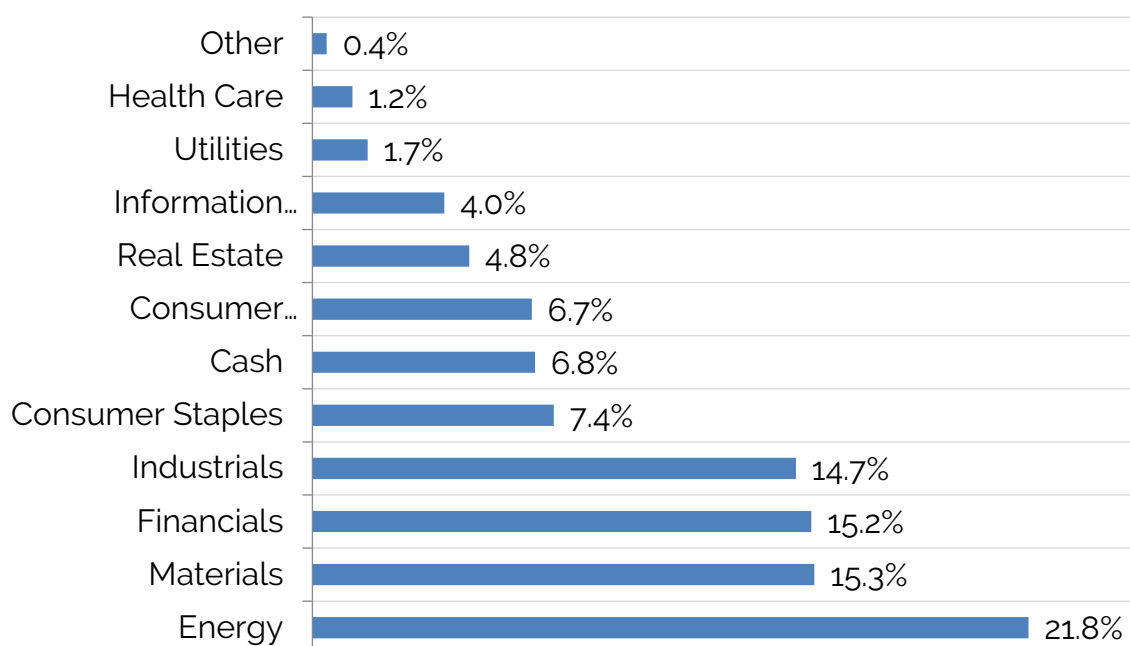
There are no consulting companies or external consultants that provide advice at contractual terms whose remuneration is paid from the ADVANCE EASTERN EUROPE MUTUAL FUND assets.

24. RESULTS OF THE MUTUAL FUND ACTIVITY

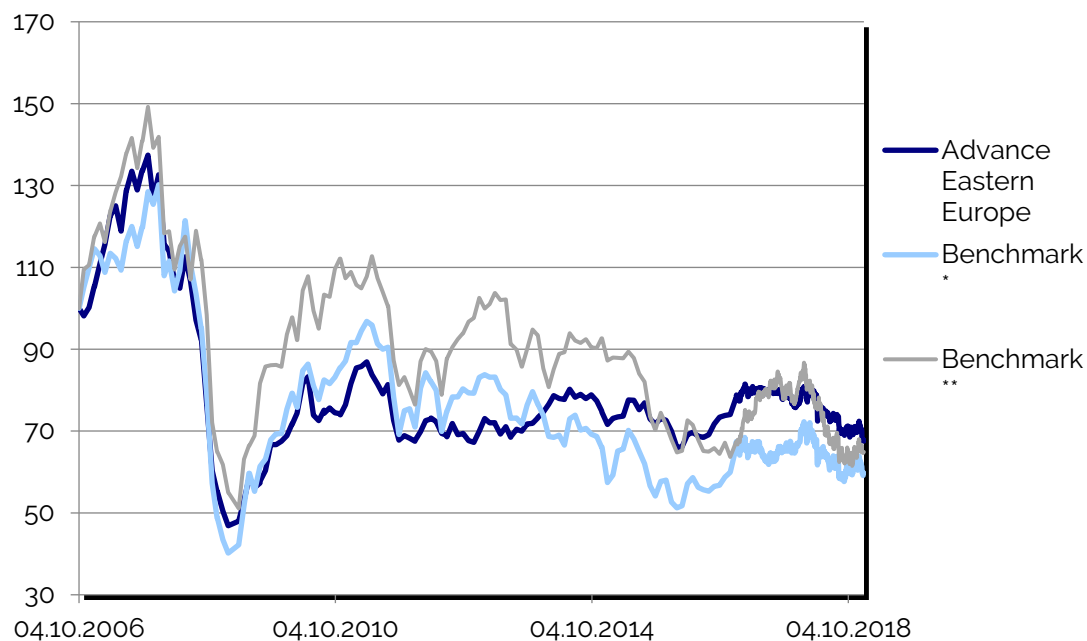
Market allocation of the portfolio assets as of 31.12.2018:



Sector allocation of the portfolio assets as of 31.12.2018:



Change of the net asset value per unit compared to the benchmark since launch until 31.12.2018:



Benchmark* MSCI EFM Europe + CIS
 Benchmark** MSCI EFM Europe + CIS ex RU

A) Information about the volume, structure and dynamics of the Mutual Fund's assets

Asset Type	As of 31.12.2016, BGN	As of 31.12.2017, BGN	As of 31.12.2018, BGN
1. Securities	5 607 044	5 572 941	4 656 807
2. Cash	404 567	320 694	340 472
2.1. Demand deposits	404 138	320 265	340 043
2.3. Cash	429	429	429
3. Current receivables	34 088	15 944	19 191

B) Selected Financial Information

INDICATOR	As of 31.12.2016	As of 31.12.2017	As of 31.12.2018
Net Asset Value per Unit at the beginning of the period in EUR	0.6996	0.7787	0.7730
Income from investment transactions per unit in BGN	19.47%	13.78%	-28.66%
Net income from investment in BGN	238 599	272 826	288 133

Capital gains from securities realised in BGN	-147 737	107 228	-23 848
Capital gains from securities unrealised in BGN	676 057	177 859	-1 372 515
Total balance from investment transactions in BGN	766 920	557 914	-1 108 230
Weighted average number of units outstanding	3 938 028.6181	4 049 636.5920	3 867 326.5188
Dividends and other distributions per unit:	-	-	-
Dividends from the net profit from investment	-	-	-
Distribution of capital gains	-	-	-
Total dividends and distributions	-	-	-
Net Asset Value per unit at the end of the period in EUR	0.7787	0.773	0.6783
Total return per unit (in percentages)	11.31%	-0.73%	-12.25%
Additional Information:			
Total net assets at the end of the period in BGN	6 023 183	5 896 085	5 009 327
Average annual net asset value of the assets in BGN	5 400 058	6 272 884	5 593 618
Operating expenses in BGN	177 189	198 567	134 970
Costs to average net asset value ratio	3.28%	3.17%	2.41%
Net profit/loss in BGN	-75 295	-218 739	-716 273
Net profit to average net asset value ratio	-1.39%	-3.49%	-12.81%
Portfolio turnover (in percentages)	40.83%	15.14%	22.55%

The Income from investment transactions per unit indicator is calculated as the ratio between the total balance from investment transactions and the weighted average number of fund units outstanding for the period. The net income from investment accounts for the revenues from interest payments and dividends. The capital gains from securities realised and unrealised accounts for the fund's net income as a result of the price changes of portfolio holdings during the respective period. The Portfolio turnover indicator shows the ratio of the lesser value of sales or purchases of securities for the fund's portfolio to the weighted average annual NAV of the fund.

C) Minimum, maximum and weighted average issue price and redemption price

INDICATOR	As of 31.12.2016	As of 31.12.2017	As of 31.12.2018
Minimum issue price	0.6261	0.7572	0.6753
Maximum issue price	0.7928	0.8269	0.8206
Minimum redemption price	0.6261	0.7572	0.6753
Maximum redemption price	0.7811	0.8147	0.8085
Weighted average redemption price	0.7016	0.7912	0.7393
Weighted average issue price per unit for orders up to EUR 50,000	0.7121	0.8031	0.7504
Weighted average issue price per unit for orders from EUR 50,000.01 to 250,000	0.7086	0.7991	0.7467

Weighted average issue price per unit for orders from EUR 250,000.01 to 500,000	0.7051	0.7952	0.7430
Weighted average issue price per unit for orders above EUR 500,000	0.7016	0.7912	0.7393

D) Number of outstanding units at the end of the year and number of issued, sold and redeemed units

ПОКАЗАТЕЛИ	As of 31.12.2016	As of 31.12.2017	As of 31.12.2018
Number of units outstanding	3 955 047.0426	3 899 928.4947	3 776 124.4951
Units issued during the period	79 061.9533	843 218.4929	30 736.8850
Units redeemed during the period	124 505.6156	898 337.0408	154 540.8846

Information about the approved and used loans by Advance Eastern Europe Mutual Fund

Since its establishment to date, the Advance Eastern Europe Mutual Fund has not applied for nor used any loans.

THE VALUE OF THE ADVANCE EASTERN EUROPE FUND UNITS AND THE INCOME FROM THEM CAN DECREASE, THE PROFIT IS NOT GUARANTEED AND THERE IS A RISK THAT INVESTORS MAY NOT RECEIVE THE FULL AMOUNT OF THE INVESTED FUNDS. THE INVESTMENTS IN THE MUTUAL FUND ARE NOT GUARANTEED BY A GUARANTEE FUND ESTABLISHED BY THE STATE OR BY ANY OTHER GUARANTEE. PREVIOUS RESULTS OF THE FUND ACTIVITY CANNOT BE RELATED IN ANY WAY TO ITS FUTURE RESULTS. IT IS POSSIBLE THAT THE NET VALUE OF THE FUND ASSETS BE SUBJECT TO FLUCTUATIONS DUE TO THE COMPOSITION OF OR THE TECHNIQUES FOR MANAGING ITS PORTFOLIO.

25. PROFILE OF THE TYPICAL INVESTOR FOR WHOM THE MUTUAL FUND IS INTENDED AND TO WHOM THE FUND ACTIVITY IS TARGETED

The investment policy of Advance Eastern Europe Mutual Fund presumes a focus predominantly on stocks of leading companies from the emerging markets in Eastern Europe. This means that the Fund strives to achieve a higher return while assuming moderate to high risk.

Karoll Capital Management believes that Advance Eastern Europe Fund is suitable for investors that seek high income in the long term and who are ready to accept significant short-term fluctuations of the units' price.

Karoll Capital Management recommends an investment horizon between 5 and 8 years.

26. INFORMATION ABOUT THE PLACE, TIME AND METHOD OF RECEIVING ADDITIONAL FUND INFORMATION AND DOCUMENTS

Potential investors may receive the Prospectus, the Fund Rules, the Key Investor Information Document, the annual and 6-month report, as well as any additional information, free of charge prior to conclusion of an agreement and after that, every business day from 10:00 to 17:00 hours (Bulgarian time) at the office of Karoll Capital Management EAD at the following address: Sofia, 57 Hristo Botev Blvd, tel.: (+359 2) 4008 300, as well as at all office of Karoll Capital Management EAD in Sofia.

The Prospectus, the Fund Rules, the Key Investor Information Document, the annual and 6-month report are available on the web site of the Asset Management Company at www.karollcapital.bg

27. SUPERVISORY STATE INSTITUTION. NUMBER AND DATE OF THE PERMIT FOR

ORGANISING AND MANAGING THE MUTUAL FUND

The Supervisory state institution is the Financial Supervision Commission. The number and the date of the permit for organising and managing Advance Eastern Europe Mutual Fund is No. 29 – ДФ/31.08.2006 of the Financial Supervision Commission.

28. DATE OF UPDATE

The present Prospectus has been updated on 13.06.2019.

Karoll Capital Management EAD Asset Management Company acting at the expense of the ADVANCE EASTERN EUROPE Mutual Fund has prepared the present Prospectus. The undersigned legal representatives of Karoll Capital Management Asset Management Company hereby declare that the Prospectus complies with the legal provisions:

Daniel Ganev

Managing Director of Karoll Capital Management EAD Asset Management Company

Bistra Kotseva

Deputy Chairwoman of the Board of Directors of Karoll Capital Management EAD Asset Management Company