

# MUTUAL FUND RULES

## ADVANCE EMERGING EUROPE OPPORTUNITIES

/NAME CHANGED BY A DECISION OF THE BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY OF 10.02.2015/

### SECTION I GENERAL PROVISIONS

#### Statute

**Art. 1. (1)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ The ADVANCE EMERGING EUROPE OPPORTUNITIES Mutual Fund, referred to hereinafter as “THE FUND”, is an open-end collective investment scheme within the meaning of Art. 5, Para. 2 and Para. 4, and Art. 6 of the LACISOUCI and in relation to § 1, item 10 of the Supplementary Provisions of the LACISOUCI, which has been established with the purpose of collective investment in transferable securities or in other liquid financial assets of cash raised by public offering of units where investing is carried out according to the risk distribution principle.

(2) The FUND has been established, organised and is managed by KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY.

(3) The FUND performs its activity in compliance with the LACISOUCI, its implementing regulations, the Law on Contracts and Obligations (LCO) and the current legislation of the Republic of Bulgaria.

(4) The FUND is not a legal entity. It is regulated by Section XV “Unincorporated Entity” of the Law on Obligations and Contracts, with the exception of Art. 359, clause two and three, Art. 360, Art. 362, Art. 363, letters “c” and “d” and Art. 364, unless otherwise provided for by the LACISOUCI and the present Rules.

(5) The FUND is to be registered in the Register of the Financial Supervision Commission (FSC) pursuant to Art. 30, Para. 1, item 4 of the Law on the Financial Supervision Commission and is considered established as of its entry in the mentioned register.

(6) In performing the FUND’s activity, KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY shall act on behalf and for the account of the FUND.

#### FUND Name

**Art. 2. (1)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ The FUND’s name is “АДВАНС ВЪЗМОЖНОСТИ В НОВА ЕВРОПА”, which is written in English as “ADVANCE EMERGING EUROPE OPPORTUNITIES”.

(2) The FUND shall have a logo, which is to be approved by the Board of Directors of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY.

#### Address of the FUND

**Art. 3.** The address of the FUND shall be in Sofia, Sofia Municipality, Vazrazhdane District, 57 Hristo Botev Blvd and shall be the same as the address of the Fund Management Company.

#### Duration

**Art. 4.** The existence and the operation of the FUND are not limited in time.

#### Activity of the FUND

**Art. 5. (1)** The FUND shall be established to perform the activity of collective investment in

transferable securities or in other liquid financial assets of cash raised by public offering of units with a view to achieving the FUND's investment objectives while observing the investment restrictions for the assets in its portfolio.

(2) When performing the activity as per Para. 1, the FUND shall observe the risk distribution principle.

(3) The FUND shall permanently issue (sell) and repurchase the units it has issued following requests by unit holders.

## **SECTION II PROPERTY AND INVESTMENTS OF THE FUND**

### **Net Asset Value of the FUND**

**Art. 6.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018/ (1) The net value of the FUND's assets shall be at least BGN 500,000 (five hundred thousand).

(2) The amount under Para. 1 must be reached within two years of obtaining the permit for organising and managing the FUND.

(3) The maximum net value of the FUND's assets shall not be limited.

### **Severability of the FUND's property**

**Art. 7. (1)** The Management Company shall separate its property from the FUND's property and shall prepare an individual balance sheet for it.

(2) The dematerialised financial instruments owned by the FUND will be registered with a depository institution under a sub-account of the Depository Bank and the rest of its assets will be kept by the depository bank. The depository bank shall perform all payments for the account of the FUND.

(3) The depository bank of the FUND shall keep accounts of the FUND's assets separately from its own assets and from the other customers' assets.

(4) The Depository Bank shall not meet its liabilities toward its creditors with the FUND's assets.

### **Units**

**Art. 8. (1)** The FUND's property is divided into units. The FUND units are financial instruments issued by the FUND, which express the rights of their owners over the FUND's assets. The FUND units are registered dematerialised transferable financial instruments, which are entered in the registers of the Central Depository AD.

(2) The face value per unit is EUR 1 (one). The units are issued in denominations of 1 unit.

(3) The FUND issues only dematerialised units and cannot issue other financial instruments.

(4) The number of units of the FUND can change as a result of their issue (sale) or repurchase pursuant to Section III of the present Rules.

(5) All units shall be of one class only and give equal rights.

(6) The FUND can also issue, based on the net value of its assets, partial units against cash contribution of a certain amount if the provided amount is not sufficient for issuing a whole number of units.

(7) The FUND shall not have the right to issue units whose issue price has not been paid in full.

### **Contributions**

**Art. 9. (1)** No contributions shall be made when organising and establishing the FUND.

(2) After the FUND has been entered in the Register of the FSC, its units shall be acquired at their issue price based on the net value of the FUND's assets.

(3) The contributions made for the acquired units can only be in cash.

### **Book of Unit Holders. Unit Transfer**

**Art. 10. (1)** The Book of Unit Holders of the FUND shall be maintained by the Central Depository AD.

(2) The FUND units can be transferred freely, without limitations or conditions, while observing the provisions of the current legislation on transactions with dematerialised securities.

## **Risk Profile and Specific Risks of the FUND**

**Art. 11. (1)** The risk profile of the FUND is moderate to high.

**(2)** The specific risks of the FUND are related to the particular asset classes, in which the FUND invests pursuant to its investment strategy and policy and include:

a) 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;

- 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;

- 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.

b) 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 counterparty 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 FUND does not receive cash resources or financial instruments from a counterparty at the settlement date after the Fund has fulfilled its obligations on certain transactions toward such a counterparty;

- 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.

c) Operational risk – the possibility of incurring losses related to mistakes or imperfections in the organisation system, insufficiently qualified personnel, deception by employees, unfavourable external circumstances of non-financial nature. Two groups of operational risks are distinguished:

1. 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.

2. 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:

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

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

c) 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.

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

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

e) 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.

f) 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.

(3) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ The particular methods and organisation for managing the above-mentioned risks are defined in the Rules for Risk Evaluation and Management of the ADVANCE EMERGING EUROPE OPPORTUNITIES Mutual Fund.

### **Main Objectives of the Investment Activity**

**Art. 12. (1)** The main objective of the FUND is to increase the value of the unit holders’ investment through capital income at moderate to high risk levels.

(2) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015 and of 07.04.2021/ To achieve the main objectives of its investment activity, the FUND implements an active investment policy by investing in shares of companies from Central and Eastern Europe, mainly from Poland, the Czech Republic, Hungary, Estonia, Lithuania and Latvia. The Fund invests also in Austrian companies whose income is generated predominantly in the region. The Fund will strive to participate actively at IPO transactions, as well. At the discretion of the Management Company, the Fund can participate in IPO transactions in various countries from Central and Eastern Europe. In cases where the transactions are in countries other than those, in which the Fund primarily invests, namely Poland, the Czech Republic, Hungary and the Baltic states, the aim will be to take advantage of attractive opportunities while applying in this case the rule for short-term horizon of holding the investments (up to several months). Investments are allowed on the regulated markets in Romania, Russia, Slovenia, Serbia, Croatia, Bulgaria, Turkey, Kazakhstan, Macedonia, Ukraine, the United Kingdom of Great Britain and Northern Ireland. The Fund may also invest in shares of Central and Eastern European companies traded on foreign exchanges.

(3) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ The FUND will aim at achieving optimal proportion of risk and yield by changing the portfolio structure depending on the market situation. To ensure liquidity, the FUND portfolio can include cash and money market instruments.

(4) The FUND manages risk by diversifying its assets and it can apply suitable strategies for protection against various risk types if necessary.

(5) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ There is no certainty that ADVANCE EMERGING EUROPE OPPORTUNITIES will achieve the stated investment objectives.

### **Composition and Structure of the FUND assets. Investment Restrictions**

**Art. 13.** /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD 2 MANAGEMENT COMPANY of 22.02.2018, of 07.04.2021 and of 26.04.2021/ (1) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 07.04.2021/ The FUND invests while applying the following asset structure:

<b>Structure of the Mutual Fund assets:</b>	
<i>Asset Type</i>	<i>Relative share of the total assets of the Fund</i>

<p><b>Shares</b> of companies, securities and money market instruments admitted to or traded at regulated markets as per Art. 152, Para. 1 and Para. 2 of the Markets in Financial Instruments Act in the Republic of Bulgaria or in another Member State;</p> <p><b>Shares</b> 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,</p> <p><b>Shares</b> 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;</p> <p><b>Recently issued shares</b>, 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 at another regulated market, regularly functioning, accepted and publicly accessible, which is included in a list approved by the Commission on the proposal of the Deputy Chairperson or is stipulated in the Rules of the Collective Investment Scheme;</p>	Up to 100 %
<p><b>shares of non-public companies</b>, which are planning to perform initial public offering in the future (pre-IPO transactions).</p>	up to 10%
<p><b>Cash</b>, receivables from sight deposits or deposits with a term of up to 12 months or other payment means specified in an Ordinance.</p>	up to 50 %

(2) The specific Fund asset structure depends on the current market conditions and is dynamic within the boundaries of the adopted asset structure and the legal restrictions while at the same time it corresponds to the stated objectives. In the event of continuous falling of the stock-exchange markets, the Fund will withdraw its investments in shares and will increase the volume of cash and bank deposits. This will be done in order to protect the investments of the investors.

(3) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD 2 MANAGEMENT COMPANY of 10.02.2015, of 20.02.2018, of 07.04.2021 and of 26.04.2021/ The FUND can invest in financial instruments and money market instruments admitted to trading on regulated markets in the Republic of Bulgaria, in other EU Member States, as well as in third countries, included in a list, approved by the Commission on the proposal of the Deputy Chairperson or stated in the present Rules, as the following markets:

London Stock Exchange, CBOE Europe Equities, Euronext – Euronext London, Istanbul Stock Exchange.

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

1. Transferable securities and financial market instruments admitted to or traded at regulated markets as per Art. 152, Para. 1 and Para. 2 of the Markets in Financial Instruments Act;
2. Transferable securities and money market instruments traded at a regulated market, other than the one under Art. 152, Para. 1 and Para. 2 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 to, and within a term not longer than a year after their issuance, to be admitted to trading at an official stock exchange market or at another regulated market, regularly functioning, accepted and publicly accessible, which is included in a list approved by the Commission on the proposal of the Deputy Chairperson or is 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 LACISOUCI, regardless of whether their seat is in a Member State, provided that their Statutes 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. 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

8. Cash resources

9. Other financial instruments, in addition to those mentioned above, while observing the legal restrictions.

(5) Pursuant to the provisions of the LACISOUCI, the regulatory acts on its execution and the present 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 counterparty in a transaction with derivative financial instruments traded off-exchange cannot exceed 10 per cent of its assets, if the counterparty 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 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 FUND's 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's 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 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 FUND assets.

10. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ The FUND can invest not more than 10 per cent of its assets in units of a single collective investment scheme or another undertaking for collective investment as per Art. 38, Para. 1, item 5, whether it is registered in a Member State or not.

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

12. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ 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. Substantial influence, within the meaning of the previous sentence, occurs in cases of direct or indirect holding of 20 per cent or more of the votes in the general assembly of an

issuer, as determined by Articles 145 and 146 of the Public Offering of Securities Act.

13.1. 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 undertaking for collective investment 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.

13.2. The restrictions under item 13.1, 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. /new – by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ The FUND may invest up to 25 per cent of its assets in bonds issued by a credit institution registered in a Member State, which is subject to supervision aimed at ensuring protection of the bond holders, including the requirement that the funds raised from the bond issue be invested in assets, which secure coverage of bond-related claims during the whole period of the emission, and which will be used with priority for repayment of the debts to the bond holders in case of insolvency of the issuer. The total amount of investment as per the preceding sentence that exceed the limit under Para. 1 on the exposition to a single issuer cannot exceed 80 per cent of the assets of the collective investment scheme. The Commission will inform the European Commission about the categories of bonds and issuers, which meet the requirements under sentence one pursuant to the Bulgarian legislation.

16. /previous item 15, amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ The FUND cannot acquire valuable (precious) metals and certificates for them.

(6) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ ADVANCE EMERGING EUROPE OPPORTUNITIES Mutual Fund may use techniques and instruments for efficient management of the asset portfolio in compliance with the legal provisions. The used techniques and instruments shall not lead to a change of the investment objectives and restrictions or to worsening of the FUND's risk profile.

(7) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018/ The restrictions as per the present Article do not apply if the FUND exercises subscription rights, deriving from transferable securities and money market instruments, which are 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 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 committing the breach, to notify the FSC by providing information about the reasons for the breach and the measures undertaken for its correction.

## Liquidity Requirements

**Art. 14. (1)** In pursuance of the main objectives of its investment activity, the FUND maintains such a structure of the assets and liabilities that enables it to perform its redemption obligations at any moment and to carry out its activity without hindrance while duly repaying its liabilities at a reasonable price without it being necessary to resort to hasty sale of profitable assets.

(2) The maintenance of liquid assets is intended to secure that the FUND protects to a maximum extent the security of the Fund unit holders and to avoid the possibility of occurrence of liquid risks.

(3) The FUND must have at its disposal at any time minimum liquid funds as follows:

1. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ 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 of other undertakings for collective investment 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 valuation and determining the net asset value of the ADVANCE EMERGING EUROPE OPPORTUNITIES 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 of 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.

(4) 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 to 1 year – weight 0,25.

(5) The maximum remaining terms of the FUND's current liabilities at their distribution in the groups as per the preceding paragraph, 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.

(6) 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.

(7) The structure of the FUND's assets and liabilities shall meet the following requirements:

1. /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015 and of 22.02.2018/ 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 valuation and determining the net asset value of the ADVANCE EMERGING EUROPE OPPORTUNITIES Mutual Fund;

#### **Other Restrictions.**

**Art. 15. (1)** /amended by decisions of the BoD of 02.02.2018 and of 22.02.2018/ The 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, whose total amount for a certain period of time does not exceed 10 per cent of the FUND's assets and a permit has been issued for the use of each loan by the Commission on the proposal of the Deputy Chairperson and each loan fulfils the following requirements simultaneously: the loan is not longer than 3 months, it is needed for covering the liabilities for repurchase of FUND units, the terms of the loan agreement are not less favourable than the usual ones for that market and the Fund Rules allow for the conclusion of such an agreement.

(2) A lender of the loan as per Para. 1 can be only a bank, excluding the Depositary Bank.

(3) The Management Company and the Depositary Bank, when acting for the account of the 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 for the account of the 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.

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

#### **Income Distribution (Dividends)**

**Art. 16. (1)** The FUND shall not distribute income (annual profit) under the issued units and shall not pay the holders of such units such income or dividends.

(2) The FUND shall reinvest the income (annual profit) in assets following its investment strategy and policy.



(3) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 10.02.2015/ The net income from investing the assets of the ADVANCE EMERGING EUROPE OPPORTUNITIES Mutual Fund is reflected as the change of the net value of FUND's assets and thence – affects the value of its units.

### **SECTION III ISSUE (SALE) AND REPURCHASE OF UNITS**

#### **Terms and Procedure for Issue (Sale) and Repurchase of Units**

**Art. 17. (1)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 17.04.2015 and of 10.08.2021/ With the exception of the cases of temporary suspension of repurchases, the FUND, via the Management Company, shall offer continuously its units to investors at an issue price, which is equal to the net asset value per unit as at the date of its determination, increased by the issue costs calculated as a percentage of the net asset value per unit, such that the stipulated maximum amount of issue costs is as follows:

- 1.5 per cent of the net asset value per unit if the total investment is up to BGN 100,000;
- 1 per cent of the net asset value per unit if the invested amount is between BGN 100,001 and 500,000;
- 0.5 per cent of the net asset value per unit if the invested amount is between BGN 500,001 and 1,000,000;

The stipulated maximum amount of issue costs is used, with the exception of the cases listed in Para 13.

(2) /new, adopted by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ No issue costs shall be charged for investment in FUND units of amounts that exceed BGN 1,000,000, as well as when an investment in FUND units is made by institutional investors within the meaning of § 1, item 1, letter “c” of the Supplementary Provisions of the Law on Public Offering of Securities (LPOS) and at investment in FUND units for the account of investors as a result of and pursuant to a portfolio management agreement concluded with Karoll Capital Management EAD Management Company.

(3) /previous Para. 2 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ With the exception of the cases of temporary suspension of repurchases, the FUND, through the Management Company, upon request of the unit holders, shall repurchase its units at a price based on the net asset value per unit as at the date of its determination. No fees shall be charged for repurchases.

(4) /previous para 3 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015, a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 03.12.2013/ The issue price and the repurchase price shall be calculated every business day.

(5) /previous Para. 4 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ The net value of the FUND's assets and the net asset value per unit shall be calculated pursuant to Section IV below.

(6) /previous Para. 5 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ The sale and repurchase of FUND units is done by the Management Company on behalf and for the account of the FUND, pursuant to the Rules and the Prospectus of the FUND, at the issue price, respectively – the repurchase price, for the closest day following the day, on which the subscription, respectively – the repurchase, order (request) for FUND units was made.

(7) /previous Para. 6 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ All orders for subscription, respectively – repurchase, of FUND units received in a period between two calculations of the issue price and of the repurchase price are to be executed at one and the same price.

(8) /previous Para. 7 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ The orders for sale of (subscription for) FUND units are executed within 7 days of the date of submitting the order, and the orders for repurchase of FUND units – within 10 days of the date of submitting the order.

(9) /previous Para. 8 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD

Management Company of 17.04.2015/ The orders for purchase (subscription for) or repurchase of FUND units become irrevocable as of the closest date of determination of the issue price, respectively – the repurchase price.

(10) /previous Para. 9 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015 and of 10.08.2021/ At changes of the maximum amount of costs for issuing and repurchasing FUND units stipulated in Para. 1 and Para. 3, respectively, the Management Company shall inform the unit holders by a publication on the web site of the Managing Company immediately after the changes of the FUND Rules have been approved but not later than the following day after it has become aware of the change approval.

(11) /previous Para. 10 – amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015/ When calculating net asset value per unit of the FUND, the issue price and the repurchase price are rounded to the fourth digit after the decimal point.

(12) /previous Para. 11 – decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 17.04.2015, amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 15.03.2018/ The Management Company announces the calculated (determined) issue price and repurchase price of FUND units by publishing them on its web site.

(13) /new, adopted by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 10.08.2021/ The Management Company can choose to forgo the collection, partially or fully, of the issue costs by applying a lower maximum amount than the one stipulated in Para. 1 for a given period of time. In such cases the Management Company has the obligation to notify the unit holders by publishing the decision for application of reduced issue costs on its website, stipulating the applicable reduced amount and the period for which it will be applied, and the notification must be published at the latest on the day before the start of the period, during which the reduced issue costs will be applied.

#### **SECTION IV**

#### **DETERMINING THE NET VALUE OF FUND ASSETS AND THE NET ASSET VALUE PER UNIT**

**Art. 18. (1)** /amended by a decision of the BoD of Karoll Capital Management EAD Management Company of 03.12.2013/ The net value of the FUND's assets and the net asset value per unit are determined each business day, by the end of the working hours, as per the provisions of the current legislation, the present Rules, the Prospectus and the approved Rules for portfolio valuation and determining the net asset value of the FUND, adopted pursuant to Art 19 of the present Rules.

(2) When calculating the net asset value, the due consideration fee of the Management Company and of the Depository Bank are added, as well as all liabilities.

(3) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.02.2018 and of 11.01.2021/ During the valuation of the FUND's assets, the value of each asset owned by the collective investment scheme is taken into account, as per the balance as at the date of preparing the valuation. The valuation of assets at their initial acquisition (recognition) is done at their acquisition value. The valuation of assets at their subsequent valuation is done at fair value pursuant to the provisions of the present Rules, the Rules for portfolio valuation and determining the net asset value of the FUND and 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.

**Art. 19.** The Board of Directors of the Management Company adopts Rules for portfolio valuation and determining the net asset value, which containing the principles and methods for asset valuation, as well as the organisation of this activity.

**Art. 20.** To determine the net value of the FUND's assets, valuation of the FUND's liabilities is done in compliance with the applicable accounting standards and with the Rules for portfolio valuation and determining the net asset value of the FUND.

**Art. 21.** The asset value includes the value of the assets owned by the FUND as per the balance sheet, whose value is calculated pursuant to the Rules for portfolio valuation and determining the net asset value. The net value of the FUND's assets is calculated by subtracting the value of all liabilities, calculated pursuant to Art. 20, from the value of all assets, calculated as per the preceding sentence, and the obtained result is converted in Euro (EUR) using the central exchange rate of the Bulgarian National Bank valid for the day, to which the valuation refers.

**Art. 22.** The Depository Bank shall examine the compliance with the rules for asset valuation by the Management Company and this obligation shall be established in the agreement between the Management Company and the Depository Bank.

**Art. 23.** The net asset value per unit is equal to the net asset value calculated pursuant to the preceding provisions, divided by the number of FUND units outstanding at the time of such determination.

**Art. 24.** Mistakes in calculating the net asset value, the net asset value per unit, the issue price and the repurchase price of FUND units, established after their final determination:

(1) If a mistake has been made in calculating the value of a unit, as a result of which its issue price has increased or its repurchase price has decreased by 0.5 per cent of the net asset value per unit, the Depository Bank or the Management Company shall reimburse the difference to the unit owner who bought the unit at the increased issue price, respectively – sold the unit at the decreased price, using FUND resources, within 10 days of establishing the mistake, unless the unit owner has acted in bad faith.

(2) If a mistake has been made in calculating the value of a unit, as a result of which its issue price has decreased or its repurchase price has increased by 0.5 per cent of the net asset value per unit, the Depository Bank or the Management Company shall reimburse the due amount to the collective investment scheme at their own expense within 10 days of establishing the mistake.

(3) If the mistake made during the calculation of the net asset value per unit does not exceed 0.5 per cent of the net asset value per unit, the Depository Bank or the Management Company shall undertake the necessary actions to avoid mistakes in the calculation of the net asset value per unit and to sanction the persons.

## **SECTION V**

### **TERMS AND PROCEDURE FOR TEMPORARY SUSPENSION OF REPURCHASES**

**Art. 25. (1)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ The repurchase of units of the FUND may be temporarily suspended by a decision of Board of Directors of the Management Company. The temporary suspension of repurchase is allowed only in exceptional cases, if the circumstances require and the suspension is justified by the interests of the unit holders, 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 has been discontinued, suspended or subject to restrictions;

- If the FUND's assets or liabilities cannot be correctly valued 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 acquisition 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 repurchase 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 Depository Bank pursuant to the Depository Services Agreement is impossible or if the FUND unit holders' interests may be damaged, including at termination of the agreement with the Depository Bank, at cancellation of the agreement with the Depository Bank, including because of non-performance of its obligations under it, at cancellation of the banking activity licence of the Depository Bank or at imposing other limitations on its activity, as well as in the cases as per Art. 52, Para. 2 of the present Rules.

(2) Should any of the above-mentioned circumstances occur, the Management Company shall suspend 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 Depository 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. (3) At taking the decision for temporary suspension of the repurchase, the Management Company shall immediately discontinue also the issue of units for the term of temporary suspension of the repurchase.

(4) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018/ If the term of temporary suspension of repurchase needs to be extended, the Management Company shall communicate this, following the procedure stated in the law, to the Financial Supervision Commission, the Depository 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 suspension 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 repurchase had to be resumed.

(5) (amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.04.2013 r.) The notification to the unit holders about the taken decision for suspension of repurchase, as well as at a subsequent decision for its resumption, is to be done via the Internet site of the Management Company – [www.karollcapital.bg](http://www.karollcapital.bg).

(6) At resumption of repurchase, 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 and in the present Rules.

(7) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018 and of 14.04.2020/ 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 to the investors who have submitted unit purchase orders to their bank accounts by the end of the working day following the day when the decision for suspending the issue of units was taken.

## **SECTION VI RIGHTS OF UNIT HOLDERS**

### **Share Right over FUND's Property. Liquidation Quota Right.**

**Art. 26. (1)** Each unit gives a right over the respective part of the FUND's property.

(2) 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.

(3) A unit holder has no right to demand their share in the FUND in kind.

### **Redemption Right**

**Art. 27. (1)** Each unit holder has the right at any time to request their units to be repurchased by the FUND through the Management Company except for cases when such redemption has been suspended as stipulated in the law or in the present Rules.

(2) The redemption order may be related to some or all of the units owned by the investor.

(3) The redemption orders for FUND units are executed at the first redemption price announced after the date of submitting the order.

### **Right of information**

**Art. 28.** Each investor and/or owner of units has the right:

1. To use the information contained in the Prospectus, in the Key Investor Information Document and in the regular reports of the FUND, as well as any other public information related to it or to its activity;

2. To get acquainted with and receive a copy of the FUND Rules;

3. 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.

## **SECTION VII FUND MANAGEMENT AND SERVICING. OBLIGATIONS OF THE MANAGEMENT COMPANY**

### **Management Company**

**Art. 29.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD Management Company of 02.04.2013/ (1) The FUND has been established and managed by Karoll Capital Management EAD Management Company, with seat and registered address in Sofia, Vazrazhdane District, 57

Hristo Botev Blvd, entered in the Commercial Register of the Sofia City Court under Company File No. № 9326/2003, batch № 78552, Vol. 931, page 35, re-registered with the Commercial Register to the Registry Agency under UIC 131134055, tel./fax 02/4008 300, e-mail: [KCM@karoll.bg](mailto:KCM@karoll.bg), web site: [www.karollcapital.bg](http://www.karollcapital.bg)

**(2) (amended by a decision of the BoD of Karoll Capital Management EAD Management Company of 14.04.2020)** The Management Company holds a licence issued by the Financial Supervision Commission No. 11-YД/16.02.2006, renewed by a licence No. 63-YД/2019.

**(3)** The Management Company:

1. Manages the FUND's investment;
2. Performs portfolio valuation and determines the net value of the FUND's assets under the control of the Depositary Bank;
3. Performs an activity of sale (issue) and repurchase of FUND units;
4. Accepts and submits amendments and supplementations to the present Rules, the FUND Prospectus, the Rules for portfolio valuation and determining the net asset value of the FUND, the Risk Management Rules, the Rules for maintaining and managing the FUND's liquid assets;
5. Takes decisions on selecting and replacing the Depositary Bank, the certified auditors and other persons needed for the functioning of the FUND;
6. Takes decisions on transformation and termination of the FUND and for appointing liquidators;
7. Ensures the management of the FUND's activity in all of its other aspects;
8. Concludes and executes, for the account of the FUND, all transactions and other legal and factual acts;
9. Represents the FUND in front of all natural and legal persons, state and local authorities and other legal entities;
10. Performs all other activities related to the management and servicing of the FUND as laid down in the law, the FUND Prospectus and the present Rules.

**(4)** The decisions as per Para. 3, items 4-6 are taken by the Board of Directors of the Management Company under the provisions of its Statutes. The FUND's representation and its operational management are done by the person or the persons representing the Management Company, and they take all other decisions on FUND management, including via persons authorised by them.

### **Prohibitions for the Management Company**

**Art. 30.** The Management Company shall not:

1. In relation to the investment management and administration activities of the FUND, perform activity beyond the investment objectives, the strategy of the FUND and the risk restrictions, as they are stipulated in the present Rules and in the Prospectus;
2. In relation to the investment management and administration activities of the FUND, pay or receive fees or commissions, or provide or receive non-cash benefits, unless they are:
  - 2.1. Fees, commissions or non-cash benefits paid by or to the FUND or to a person on behalf of the FUND, or received from it;
  - 2.2. Fees, commissions or non-cash benefits paid by or to a third party, or received by them, or a person acting on behalf of a third party, if the following conditions are met:
    - a) The existence, nature and size of the fee, commission or benefit, or when the size cannot be established – the method of calculating the amount, must be disclosed to the FUND in an exhaustive, accurate and comprehensive manner prior to providing the respective service;
    - b) The payment of the fee or commission, or the provision of non-cash benefits must be aimed at raising the quality of the respective service and must not be an obstacle for the Management Company to perform its obligation to act to the best interest of the FUND;
  - 2.3. Specific fees, which are allowed or necessary for the provision of the respective service, including custody fees, settlement and exchange fees, regulatory fees, taxes and legal fees, and fees that, according to their nature, cannot lead to conflicts of interests with the obligations of the Management Company to act fairly, honestly and professionally to the best interest of the FUND;
3. Misuse information related to pending (not executed) orders of the FUND and shall undertake all reasonable steps to prevent misuse of such information by the persons contracted by it.
4. Use the FUND's assets for purposes, which are in breach of the law, in particular the LACISOUCI and its implementing regulations, of the present Rules or the Prospectus of the FUND.
5. Use and pledge FUND property to cover its own liabilities, which are not related to the management of the FUND's activity.

## **Reasonable care**

**Art. 31. (1)** The Management Company shall exercise reasonable care in the selection of the investments and in their continuous monitoring, which shall always be to the best interest of the FUND and of its unit holders.

**(2)** The FUND shall ensure the performance of its activity with the required knowledge and understanding of the assets, in which the FUND invests.

**(3)** The Management Company adopts, implements and maintains adequate organisation and measures to prevent any person working for it pursuant to a contract and engaged in activities, which may give rise to conflict of interests, or having access to proprietary information or to other confidential information related to the FUND or to transactions by the FUND, pursuant to the activity and the function they perform on behalf of the Management Company, to perform the following activities:

1. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018/ Conclude personal transaction that meets at least one of the below criteria:

a) the person has no right to conclude such a personal transaction within the meaning of the Law on the Measures against Market Abuse with Financial Instruments;

b) the transaction is related to abuse or to illegal disclosure of confidential information;

c) The transaction goes or is likely to go against an obligation of the Management Company pursuant to the LACISOUCI or the Markets in Financial Instruments Act;

2. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 11.01.2021./ Providing advice or support, outside of what is normal for the implementation of its business or contractual obligations, to another person to perform a transaction with financial instruments that, if it were a personal transaction of a person contracted by the Management Company, would fall under the hypotheses as per Para. 3, item 1 or would otherwise represent abuse of information related to non-executed orders;

3. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018 and of 11.01.2021./ Disclose, beyond what is normal for the performance of its business or contractual obligations, while observing the provisions of the Law on the Measures against Market Abuse with Financial Instruments, of any information or opinion to another person, if a person contracted by the Management Company knows or is supposed to know that as a result of such disclosure, the person will undertake or is likely to undertake any of the following actions:

a) Conclude a transaction with financial instruments that, if it were a personal transaction of a person contracted by the Management Company, would fall under the hypotheses as per Para. 3, item 1 or would otherwise represent abuse of information related to non-executed orders;

b) Provide advice or support to another person to execute such a transaction.

## **Best performance principle**

**Art. 32. (1)** The Management Company shall act to the best interest of the FUND when executing decisions for transactions on its behalf as part of the management of its portfolio.

**(2)** While performing the obligations pursuant to Para. 1, the Management Company shall undertake all reasonable actions to attain the best possible result for the FUND, while taking into account the price, the costs, the term, the probability of execution and settlement, the order volume and type or any other circumstance related to the execution of the order. The following criteria shall be applied to determine the respective meaning of these factors:

1. The objectives, investment policy and specific risks for the FUND, as stated in the Prospectus and in the present Rules;

2. The characteristics of the order;

3. The characteristics of the financial instruments within the scope of the order;

4. The characteristics of the places of execution where the order may be addressed.

**(3)** The Management Company shall act to the best interest of the FUND when assigning the order execution to third parties on behalf of the FUND while managing its portfolio.

**(4)** While performing the obligations pursuant to Para. 3, the Management Company shall undertake all reasonable actions to attain the best possible result for the FUND, while taking into account the price, the costs, the term, the probability of execution and settlement, the order volume and nature or any other

circumstance related to the execution of the order. The criteria under para. 2 will be applied to determine the respective meaning of these factors.

### **Responsibility of the Management Company**

**Art. 33.** The Management Company shall be responsible in front of the owners of FUND units for all damages they have suffered as a result of non-performance of the obligations by the Management Company, including incomplete, incorrect and untimely execution, if this is due to reasons, for which the Management Company is responsible.

### **Confidentiality**

**Art. 34. (1)** The members of the Board of Directors of the Management Company, its employees and all other persons employed by the Management Company under contracts shall not disclose, unless authorised, and shall not use for their own or for other person's benefit any facts and circumstances concerning the balance and the operations under the securities accounts and FUND's cash, as well as all other facts and circumstances, which represent commercial secrecy, that they have become aware of while performing their professional obligations.

**(2)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018/The Management Company can only provide information as per the previous sentence:

1. To the FSC, to the Deputy Chairperson of the FSC and to authorised officials from the FSC administration for the purposes of its controlling activity and within the inspection order;
2. By court decision issued pursuant to the law;
3. With the consent of its customer;
4. Pursuant to Part Two, Chapter Sixteen, Section IIIa of the Tax Insurance Procedure Code.

### **Management of FUND investments**

**Art. 35. (1)** The Management Company manages actively the FUND investments in compliance with its investment objectives and observing the restrictions on its investment activity stipulated in the law, in the Prospectus of the FUND and in the present Rules by:

1. Analysing the market of financial instruments and other assets pursuant to the investment restrictions of the FUND;
2. Forming a portfolio of financial instruments and other assets while observing the investment restrictions of the FUND;
3. Assessing the results of the portfolio management;
4. Revising and restructuring the portfolio of financial instruments and other assets of the FUND.

**(2)** When managing the FUND investments, the Management Company takes concrete investment decisions and issues orders for execution of transactions with securities to one or several investment intermediaries, with which the Management Company has concluded contracts.

**(3)** The Management Company can conclude transactions with securities outside of a regulated market, on its behalf and for the account of the FUND, including transactions with government securities, as well as participate in initial public offering, when this is possible pursuant to the provisions of the normative and other acts.

### **Sale of FUND units**

**Art. 36. (1)** The Management Company offers FUND units for sale to investors (for the account of the FUND) each working day, insofar as the sale (issue) has not been suspended or discontinued as provided for by the law, the Prospectus of the FUND or its Rules.

**(2)** The sold (issued) units are recorded under individual sub-accounts of investors with the account of the Management Company with the Central Depository AD. The money received from investors is deposited by the Management Company in a special account with the Depository Bank, opened in favour of the FUND.

**(3)** The Management Company ensures the use of a network of offices where orders for sale of FUND units will be accepted.

**(4)** Section III applies to the sale (issue) of FUND units.

## **Repurchase of FUND units**

**Art. 37. (1)** The Management Company repurchases FUND units, for the account of the FUND, each working day, insofar as the repurchase has not been suspended or discontinued as provided for by the law, the Prospectus of the FUND or its Rules.

(2) The sub-accounts of unit holders are to be debited with the repurchased units and the latter are to be cancelled.

(3) The Management Company ensures the use of a network of offices where orders for repurchase of FUND units will be accepted.

(4) Section III applies to the repurchase of FUND units.

## **Preparation and publishing of a Prospectus of the FUND and a Key Investor Information Document**

**Art. 38. (1)** The Management Company prepares and publishes, pursuant to the law, the FUND Prospectus, which contains the information needed for making an informed assessment and decision on investing in the issued FUND units, including the risks related to the proposed investment and the rights related to offered FUND units.

(2) The FUND Prospectus is to be updated at each change of the essential data included in it, and must be submitted to the FSC within 14 days of occurrence of the change.

(3) The Management Company and the members of the Board of Directors of the Management Company are jointly responsible for the damages caused by untrue, misleading or incomplete data in the FUND Prospectus. The person preparing the financial statements is 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 them.

(4) The Management Company also prepares and publishes, along with the Prospectus, the Key Investor Information Document, pursuant to the legal requirements. The Key Investor Information Document is in the form and with contents as per Regulation (EU) 583/2010 of the Commission of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ L 176/1 of 10 July 2010). The Key Investor Information Document is to be updated immediately after each change of the essential elements and must be provided to the FSC and to investors. A current version of the Key Investor Information Document is published on the web site of the Management Company.

## **Accounting and legal support to the FUND**

**Art. 39. (1)** The Management Company keeps separately its own assets and the asset it manages from the FUND's assets and prepares a separate balance sheet of the FUND.

(2) The Management Company prepares all accounting, tax and other documents of the FUND, as provided for by the law, and presents them to the respective authorities.

(3) The Management Company provides the legal service support to the FUND.

## **Exercising the rights on the securities from the FUND portfolio**

**Art. 40. (1)** The Management Company exercises, for the account of the FUND, all property and moral rights related to the securities and financial instruments owned by it, such as the rights of receiving interest and dividends, the voting right at the general assemblies of the issuers, other shareholder rights and rights deriving from the investment in the securities of issuers and others.

(2) The Management Company performs all necessary legal and factual acts for transferring payments, dividends, distributed income and other similar receivables to the FUND's account with the DEPOSITARY BANK.

## **Financial statements and disclosure of information about the FUND**

**Art. 41.** The Management Company prepares and presents to the FSC, other state authorities, the regulated market of securities /if the FUND units are admitted to trading to a regulated market/, to the holders of units and investors all regular reports and information about the FUND's activity and the status of its



portfolio as provided for by the LACISOUCI and its implementing regulations.

**Art. 42.** If the FUND units have been admitted to trading at a regulated market, the Management Company discloses to the respective authorities, to the regulated market of securities, to the FSC and to investors the information about all events and circumstances, which may influence the price of the FUND units, as provided for by the law.

### **Advertising, marketing and PR service of the FUND**

**Art. 43. (1)** The Management Company performs all legal and factual acts related to the promotion, marketing and PR services of FUND.

**(2) (amended by a decision of the BoD of Karoll Capital Management EAD Management Company of 14.04.2020)** The marketing announcements and advertising related to the FUND's activity, as well as the public statements of members of the Board of Directors of the Management Company and of other persons contracted by the Management Company must be approved in advance by the Head of the Legal Compliance of the Management Company.

**(3)** All advertising materials and marketing announcements related to the offering of FUND units must contain information about the place, time, manner and language, in which the Prospectus, the FUND Rules and the Key Investor Information Document can be obtained or where these documents are publicly accessible, as well as a warning that the unit value and the income from them can decrease, that the profit is not guaranteed and there is a risk that investors may not receive the full amount of the invested funds, as well as other information, explicitly mentioned in the LACISOUCI and its implementing regulations.

**(4) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 11.01.2021/** When providing information to clients and potential clients, including information in marketing announcement, the Management Company shall meet the provisions of the Markets in Financial Instruments Act and of the current legislation.

### **Consideration fee of the Management Company.**

**Art. 44. (1) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.02.2018/** The annual consideration fee of the Management Company shall be 1.5 (one point fifty) per cent of the average annual net asset value of the FUND.

**(2) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 09.07.2021/** The due consideration fee shall be calculated on the days of the calculation of the FUND's net asset value, as per article 18, and shall be paid by the FUND, by the 5<sup>th</sup> day of the month following the month, for which the consideration fee is due.

**(3)** Within 30 days of the end of the calendar year, the amounts paid in excess, if any, respectively – the due amounts, shall be reimbursed to the FUND, respectively – paid to the Management Company, so that the total amount of the annual consideration fee does not exceed the amount stated in Para. 1.

**(4) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 17.04.2015/** The expenses as per Art. 17, Para. 1 and 3 shall be borne by the investors and the unit holders and shall be done in favour of the Management Company.

### **Other operating expenses of the FUND**

**Art. 45. (1)** The Management Company shall cover, for the account of the FUND:

1. All expenses for its establishment, including fees of supervisory and other institutions.  
2. /expanded by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 09.07.2021/ Expenses for remuneration of the Depository Bank, the certified auditors, consultants, storage fees for the FUND's securities and cash in Bulgaria and abroad, paying agency fees in relation to the FUND's distribution in other jurisdictions, etc. in Bulgaria and abroad.

3. /expanded by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 09.07.2021/ Expenses for advertising, marketing and PR, provision of information to and contacts with investors and unit holders of the FUND. The costs of the marketing services provided by the Management Company amount to 0.12 (zero point twelve) per cent of the average net asset value of the FUND, accrued on the days of the calculation of the net asset value of the FUND, and paid to the Management Company by the FUND by the 5<sup>th</sup> day of the month, following the month for which they are due.

4. Expenses for on-going supervision and membership fees and similar charges payable to the FSC, the regulated market of securities /if the securities are registered for trading at such a market/, the Central

Depository AD, state authorities and institutions related to the FUND's activity.

5. Legal and other costs related to protecting the unit holders' interests.

6. Expenses for sending documents related to unit purchase and redemption to the investors' addresses.

7. Other necessary expenses directly related to the FUND's activity.

8. Expenses incurred at change of the Depository bank.

(2) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.02.2018/ The Management Company will undertake measures to limit the total amount of the expenses under Para. 1 to 1 (one) per cent of the average annual net asset value while limiting the FUND's total annual operational costs, including also its consideration fee for Fund management, up to 2.5 (two point fifty) per cent of the average annual net asset value as per the FUND's balance.

(3) The limit under the previous paragraph does not include the expenses on material transactions with securities, financial instruments and investment in FUND assets, on 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.

(4) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 17.04.2015/ The Management Company shall not collect fees that are not determined in or exceed the amounts stipulated in the present FUND Rules. The same applies to the expenses determined in the present Rules for issue or repurchase of FUND units pursuant to Art. 17, Para. 1 and 3 of the present Rules.

#### **Replacement of the Management Company. Rules for securing the interests of unit holders in case of such replacement**

**Art. 46.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018 and of 03.08.2021/ (1) Replacement of the Management Company shall be done pursuant to Art. 26, Para. 3 of the LACISOUCI at cancellation of the licence for performing the activity, at termination or insolvency of the Management Company, which manages a mutual fund, where it shall discontinue the fund management.

(2) In the cases as per para 1 and until conclusion of a contract with another management company or transformation of the FUND by merger or acquisition, as an exception, the Depository Bank shall carry out management activities for a period not longer than three months.

(3) In the cases as per Para. 1, the Management Company shall:

1. Inform immediately the regulated market of securities /if the FUND units are admitted for trading at a regulated market/ and publish an announcement on the web site of the Management Company about the termination of the FUND management and the related discontinuation of sale (issue) and repurchase of units until its replacement with another management company, until the transformation of the FUND by merger or acquisition or until the termination of the FUND.

2. Inform immediately the Depository Bank and the respective investment intermediaries, with which it has concluded contracts, about the termination of the FUND.

3. /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 03.08.2021/ Deliver immediately to the Depository Bank the whole available information and documentation at its possession related to the FUND management and provide assistance to the Depository Bank for the transfer of the FUND units to customer sub-accounts with the Depository Bank.

4. Follow all instructions by the FSC and undertake all other necessary actions and measures to protect the rights of FUND unit holders in the particular situation.

(4) Within 14 days of occurrence of a circumstance as per Para. 1 and 2, the Depository Bank shall propose in writing to at least three management companies to take over the management of the FUND, respectively – transform it by merger or acquisition.

(5) The invitations under Para. 4 shall be with identical contents and shall be provided to the Deputy Chairperson of the FSC within 3 days of sending them to the respective management companies and the Depository Bank shall state the criteria and justification it has used to select these three management companies. The management companies must fulfil the following minimum conditions:

1. They must hold a permit for organising and managing collective investment schemes.

2. The capital adequacy and liquidity of each of them must meet the legal requirements and not be disrupted as a result of taking over the FUND's management.

3. During the last two years preceding the conclusion of the contract, they must not have been imposed property sanctions and the members of their managing or controlling bodies – administrative penalties for breach of the LACISOUCI and of its implementing regulations.

(6) Within one month of sending all invitations to the FSC as per Para. 4, the management companies willing to take over the FUND management, or respectively – to transform it, must present to the Depository Bank a FUND management plan for a period of 1 year after taking over the management or a plan for its transformation.

(7) Within 7 days of expiration of the term under Para. 6, the Depository Bank shall select the management company that will take over the management, respectively – transform the FUND, and shall inform the FSC, providing detailed justification of the choice made, and inform the respective management company.

(8) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018 and of 03.08.2021/ The selected management company shall submit to the Deputy Chairperson of the FSC, within 14 days of receiving the notification of having been selected, the management plan of the FUND, as well as documents pursuant to Art. 37A of Ordinance No. 11 of 2003 on the licences for operating as a regulated market, a market operator, for organising a multilateral trading system or organized trading system, for operating as an investment intermediary, an investment company, a management company and a special purpose vehicle, a national investment fund, a person managing an alternative investment fund, and a service provider for data reporting the respective documents for an investment company or the transformation plan and the documents under Art. 145 of the LACISOUCI.

(9) When preparing the documents under Para. 8, the management company shall not amend essentially the rules and the prospectus of the FUND, nor change its risk profile.

(10) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018 and of 19.05.2020/ The Deputy Chairperson of the Financial Supervision Commission shall express their opinion on the presented documents as per the procedure of Art. 18 of LACISOUCI.

(11) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 03.08.2021/ If no management company is selected or approved to manage, respectively transform the FUND or if the Deputy Chairperson of 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 FUND is to be started regardless of the expiry of the 3-month period stated in Para. 2.

(12) The interests of the unit holders of the FUND, in case of replacement of the Management Company, are secured by continuity of management of the FUND' assets pursuant to Para. 2, and the reasonable care exercised by the Depository Bank of the FUND, pursuant to Art. 4 and 5, during the selection of a new management company to take over the FUND management, respectively – transform it by merger or acquisition.

## **SECTION VIII INVESTMENT INTERMEDIARY**

**Art. 47.** The Management Company selects and concludes contracts with one or several investment intermediaries, which are to execute the investment orders of the Management Company in the management of FUND's investments and concluding transactions for the account of the latter, while observing the requirements and the principles pursuant to Art. 32, Para. 3 and 4 of the present Rules.

## **SECTION IX DEPOSITARY BANK**

**Art. 48.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018/ (1) A depositary bank can be a bank, which meets the requirements of the LACISOUCI for a depositary bank of a collective investment scheme.

(2) The dematerialised financial instruments owned by the FUND will be registered with a depositary institution, within the meaning of the Markets in Financial Instruments Act, under a sub-account of the Depository Bank and the rest of FUND's assets will be kept in its name with the depositary bank.

(3) The depositary bank can transfer all or part of the FUND's assets to be kept by a third party /a foreign bank or register/, with which the FUND's depositary bank has concluded a contract.

(4) In the cases Para. 3, the depositary bank shall require from the foreign bank or register to be

provided with the necessary information and documents in due time. The depositary bank shall inform immediately the Management Company about the information and documents provided by the foreign bank or register.

(5) The depositary bank shall perform all payments for the account of the FUND.

(6) The depositary bank shall supervise the adherence to the law, the regulatory legal acts and the FUND Rules by the Management Company.

(7) The depositary bank shall exercise control over the definition of the net asset value, the issue price and the repurchase price of the FUND units by the Management Company.

(8) The relations with the Management Company concerning the management and the safekeeping of the FUND's assets shall be settled in a contract.

(9) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 19.05.2020/ The depositary bank cannot be the same entity as the Management Company. Pursuant to § 32 of the Preamble of *Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries*, to ensure proportionate treatment, where the management company or the investment company and depositary belong to the same group, at least one third of the members or two persons on the bodies in charge of the supervisory functions or on the management bodies which are also in charge of the supervisory functions, whichever is lower, should be independent;

### **Contract between the Management Company and the Depositary Bank**

**Art. 49.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018/ The contract with the FUND's Depositary Bank shall be concluded by the Management Company and shall contain:

1. The scope of the agreement.
2. The rights and obligations of the parties.
3. The contract duration, if any, as well as the terms and procedure for amendment, cancellation and termination of the contract.
4. The necessary terms that facilitate the replacement of the depositary and the procedure, according to which the whole essential information must be sent to the new depositary, including the rules for protecting unit holders in case of such a replacement.
5. The cost types that will be covered by each party.
6. Other terms, as required by the LACISOUCI and its implementing regulations.

### **Determination of the consideration fee of the depositary bank**

**Art. 50. (1)** The consideration fee of the depositary bank shall be determined as per the rules agreed in the depositary services agreement with the depositary bank.

**(2)** While negotiating the consideration fee for the depositary bank, the Management Company shall be guided solely by the interests of the unit holders of the FUND.

### **Rights and obligations of Depositary Bank**

**Art. 51.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018/ **(1)** The depositary bank shall:

1. Ensure the issue /sale/, redemption and invalidation of the FUND units in compliance with the law and with the present Rules.
2. Ensure that the payments related to transactions with FUND's assets be transferred within the legally defined terms unless the other party is in default or there are sufficient grounds to consider that it is in default.
3. Ensure the distribution of FUND income be compliant with the law and the present Rules.
4. Dispose with the FUND's assets entrusted to it only following an order by the Management Company and by the authorised persons unless these are at variance with the law, the Rules or the depositary services agreement.
5. Report, at least monthly, to the Management Company with regard to the entrusted assets and the operations performed with them, including by providing a full list of the assets of the collective investment scheme, by the 5<sup>th</sup> day of the following month.

(2) The depositary bank performs also other obligations ensuing from the law and from the depositary services agreement.

(3) While performing its obligations, the depositary bank shall act independently and solely in the interest of the unit holders of the FUND.

(4) The depositary bank shall be responsible in front of the Management Company unit holders of the FUND for all damages they have suffered as a result of non-performance of the obligations by the depositary bank, including incomplete, incorrect and untimely execution, if this is due to reasons, for which the depositary bank is responsible.

(5) The responsibility of the depositary bank pursuant to Para. 4 shall not be waived by the circumstance that it has transferred all or part of the FUND's assets to be kept by a third party.

(6) The depositary services agreement with the depositary bank may contain also other rights and obligations of the depositary bank and of the Management Company, supplementing the ones mentioned above and not contradicting with the current legal framework.

### **Replacement of the depositary bank. Rules for securing the interests of the investors in case of replacement of the depositary bank**

**Art. 52.** /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018 and of 19.05.2020/ (1) The replacement of the depositary bank is allowed following an approval by the Deputy Chairperson.

(2) /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018/ The Depositary Bank shall be replaced if:

- The BNB revoke its licence for performing banking activity or its permit to conclude transactions in financial instruments or to keep such instruments based on a permit to operate as a depositary or custody institution;

- The licence, the activity, the transactions or the operations of the depositary bank be limited to an extent that will render them difficult or will make impossible the performance of the obligations laid down in the law or in the depositary services agreement;

- Another requirement be breached regarding the depositary bank of the FUND, as laid down in a legal act or the depositary bank systematically breaches its obligations imposed by a normative act;

- The Depositary Bank be announced insolvent or actions be initiated against it for applying the measures pursuant to Art. 103, Para. 2, items 16, 23, 24 or 25 of the Credit Institutions Act;

- The agreement with the depositary bank be terminated or cancelled.

(3) The agreement with the depositary bank can be terminated or cancelled on the grounds stipulated in the current legislation or in the agreement itself.

(4) In case of replacement of the depositary bank of the FUND, the depositary bank shall transfer the FUND's assets, as well as all necessary documents and information, to the new depositary bank stated by the Management Company. The Management Company shall perform the replacement of the depositary bank of the FUND in a way that will ensure the continuous execution of the agreement by the depositary bank until its replacement with a new one.

## **SECTION X**

### **ANNUAL REPORT. DISCLOSURE OF INFORMATION**

#### **Annual closing documents**

**Art. 53.** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 15.03.2018/ Within 90 days of the end of the financial year, the Board of Directors of the Management Company prepares the annual financial report on the activity of the FUND for the previous calendar year and presents it to the Commission.

#### **Contents of the Activity Report**

**Art. 54.** The activity report describes the carrying out of the FUND activity and its status, and provides explanation of the annual financial statements.

#### **Audit of the annual closing**

**Art. 55. (1)** The annual financial statements is to be audited by one or several certified auditors appointed by the Management Company.

**(2)** The audit is aimed at establishing if the requirements for the annual closing have been observed as per the Accounting Act and the FUND Rules.

#### **Awareness of the annual financial statements and the certified auditor's report**

**Art. 56. (1)** Each unit holder of the FUND has the right to be acquainted with the annual financial statements and the certified auditor's report.

**(2)** The Management Company publishes the documents under Para. 1 on the web site of the Management Company and provides them to the availability of the investors and the unitholders of the FUND at the places where FUND units are offered and repurchased.

#### **Disclosure of Information**

**Art. 57. (1)** The Management Company prepares annual and biannual reports of the FUND, having the contents determined in the LACISOUCI and in its implementing regulations, as well as the relevant internal information, and provides them to the FSC and to the investors and the unitholders of the FUND.

**(2)** The Management Company prepares monthly balance sheets and written reports with the legally established contents and provides them to the FSC.

**(3)** The Management Company provides the respective information under Para. 2 to the FSC by the tenth day of the month following the month, to which the information refers.

**(4)** The Management Company sends to the depositary bank of the FUND the information needed for the activity of the depositary bank.

**(5)** The Management Company publishes the documents and the information under Para. 1 on the web site of the Management Company and provides them to the availability of the investors and the unitholders of the FUND at the places where FUND units are offered and repurchased.

**(6)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.02.2018/ The Management Company informs the FSC and provides documents concerning the circumstances under Art. 155 and Art. 156 of Section XI 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.

### **SECTION XI**

#### **TRANSFORMATION AND TERMINATION OF THE FUND**

##### **Transformation of the FUND**

**Art. 58. (1)** The FUND can be transformed only by merger and acquisition, following the permission of the FSC, if all other collective investment schemes taking part in the transformation are established in the Republic of Bulgaria.

**(2)** The FUND can be transformed only by merger and acquisition, following the permission of the FSC, if the FUND is being transformed and the transformation involves collective investment schemes established in other EU Member States.

**(3)** The decision on transforming the FUND is taken by the Board of Directors of the Management Company of the FUND.

**(4)** The legal, consulting and administrative costs incurred in relation to preparing and performing the transformation shall not be borne by the FUND, being involved in its transformation, and shall not be for the account of the unit holders of the FUND.

**(5)** /amended by a decision of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 02.02.2018/ The transformation is to be done as per the rules and procedure of Chapter Fourteen of the LACISOUCI and Chapter Four 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.

##### **Termination of the FUND**

**Art. 59. (1)** The termination of the FUND is performed under the terms and provisions of Chapter 14,

## Section V of LACISOUCI.

(2) In addition to the provisions of Art. 363, items “a” and “b” of the Obligations and Contracts Act, the FUND is to be terminated by force:

1. If the permit of the Management Company to organise and manage the FUND has been cancelled;
2. If a new management company has not been selected or the Fund has not been transformed by merger and acquisition within three months of cancellation of the permit, termination of or declaring the Management Company insolvent.

(3) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018 and of 19.05.2020/ The Commission can cancel the issued permit for organising and managing the FUND:

1. If the FUND has not started performing the respective activity within 12 months after the permit for its organisation and management has been issued;
2. If the Management Company explicitly gives up the issued permit to organise and manage the 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 FUND;
5. If the FUND no longer meets the criteria, under which the permit for its organisation and management has been issued;
6. If the FUND does not meet the liquidity requirements stipulated in the Ordinance on the implementation of the LACISOUCI;
7. If a new management company of the FUND has not been selected or the 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.

(4) In case of cancellation of the operation licence, at termination of or declaring the FUND Management Company insolvent, the Management Company shall terminate the FUND management and shall deliver to the depositary bank of the FUND the whole information and documentation at its disposal related to the FUND management. Until the conclusion of a contract with another management company or until the transformation of the FUND by merger or acquisition, as an exception, the depositary 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 FUND, or if the FSC refuses to issue a permit to the new management company to manage the FUND, or transform it respectively, a procedure to terminate the FUND is to be started regardless of the expiry of the 3-month period stated in the previous sentence.

(5) At termination of the FUND, a liquidator will be appointed to cash down the FUND’s property and distribute the received monies to the FUND creditors and unitholders. The unitholders have the right to receive a liquidation quota, i.e. a part of the FUND’s cashed down property proportionate to the units held by the investor, from which the creditors’ receivables have been deducted. A unitholder has no right to demand their share in the FUND in kind.

## SECTION XII

### OTHER PROVISIONS

**Art. 60. (1)** To all issues not settled by the present Rules, the provisions of the LACISOUCI, of its implementing regulations, of the Law on Obligations and Contracts and the other legal acts of the Bulgaria legislation shall apply.

(2) /amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY of 22.02.2018 and of 19.05.2020/ /Amendment of the FUND Rules, replacement of the depositary bank and of the Management Company, amendment of the Risk Management Rules, of the Rules for Portfolio Valuation and for determining the net asset value and amendment of the depositary services agreement is only allowed following the approval of the Deputy Chairperson.

The present Rules, with their respective contents, have been approved by the Board of Directors of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY by a decision of 02.04.2013, amended by decisions of the BoD of KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT

COMPANY of 03.12.2013, of 10.02.2015 and of 17.04.2015, of 02.02.2018, of 22.02.2018, of 15.03.2018, of 14.04.2020, of 19.05.2020, of 11.01.2021, of 07.04.2021, of 26.04.2021, of 09.07.2021, of 03.08.2021, and of 10.08.2021 and enter into force (2) two business days following the date of their approval by the Deputy Chairperson of the FSC, thus replacing the previously adopted Rules containing analogous provisions and regulating the statute and the activity of the FUND.

For Karoll Capital Management EAD Management Company:

Daniel Ganev: .....  
(Managing Director)

Bistra Kotseva: .....  
(Procurator)