

## **ADVANCE INVEST**

### **Mutual Fund**

## **PROSPECTUS**

**For public offering of units of a mutual fund, whose main objective is to provide unit-holders with an increase of their investments through capital gains by assuming moderate to high risk**

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

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

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

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

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

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

Karoll Capital Management EAD Asset Management Company informs the potential investors that the investment in the offered units of ADVANCE INVEST Mutual Fund implies certain risks described in detail on p. 23-25 under item 17 of the present Prospectus.

## 1. INFORMATION ABOUT THE ASSET MANAGEMENT COMPANY

**Name:** Karoll Capital Management EAD

**Seat:** Republic of Bulgaria, Sofia

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

**UIC:** 131134055

**Telephone:** (+359 2) 4008 300

**Fax:** (+359 2) 4008 426

**E-mail:** [KCM@karoll.bg](mailto:KCM@karoll.bg)

**Web site:** [www.karollcapital.bg](http://www.karollcapital.bg)

**Incorporation date:** The Asset Management Company was established by decision 1 of 02.09.2003 under company file No. 9326/2003 of the register of the Sofia City Court, Company Division.

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

**Registered and paid-in capital:** BGN 900,000

**Short information about the company professional experience:** In addition to the ADVANCE INVEST Mutual Fund portfolio, Karoll Capital Management EAD Management Company is currently managing also Advance Eastern Europe MF, Advance Emerging Europe Opportunities MF and Advance Global Trends MF.

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

### **Current Remuneration Policy of the Management Company**

The Remuneration Policy of Karoll Capital Management EAD Management Company has been developed in pursuance of the normative provisions on the remuneration of the personnel categories stated in the LACISOUCI. The Remuneration Policy complies with the principles of reasonable and efficient risk management, while not encouraging assumption of risks, which are not consistent with the risk profiles, the rules and the prospects of the managed collective investment schemes. The Remuneration Policy corresponds to the investment strategy and objectives of the Management Company and of the collective investment schemes managed by it. The Remuneration Policy of Karoll Capital Management EAD can be accessed via the web site of the company [www.karollcapital.bg](http://www.karollcapital.bg), and a paper copy of the document can be obtained free of charge at the company office upon request.

Karoll Capital Management EAD Management Company implements a policy of integrating sustainability risks in the process of making investment decisions (“Sustainable Finance Policy”) to ensure responsible investing by the Management Company and to determine the way it considers the sustainability risks in the process of making investment decisions, while taking into account the main unfavourable impacts of the investment decisions on the sustainability factors.

The “sustainability risk” represents an event of environmental, social and corporate governance (ESG) nature, which, if occurred, would have substantial negative impact on the value and/or the financial return of an investment. The Management Company takes into account that the securities of companies, which do not adhere to the standards of environmental, social and corporate governance nature, bring additional risk that can affect negatively the value of the investment in them and/or its financial return.

Karoll Capital Management EAD Management Company applies the principles of responsible investment and sustainability in asset management. The Management Company invests with a long-term horizon and reckons that the factors related to environment protection, social responsibility and good corporate governance (ESG) to a great extent affect the risk related to the investment and their return, respectively. Accounting for these factors leads to much greater precision in calculating the actual value of the investment.

The Management Company observes the following principles of the UN of responsible investment.

1. Incorporating ESG issues into investment analysis and decision-making processes.
2. Active and responsible attitude toward ESG issues in its own corporate practices.
3. Searching for adequate application of the ESG principles by the companies, in which it intends to invest.
4. Working toward acceptance and implementation of the principles within the investment industry.
5. Uniting efforts to enhance the effectiveness in implementing the principles.
6. Reporting on the activities and the progress towards implementing the principles.

Karoll Capital Management EAD Management Company observes codes of responsible business attitude such as the Ethics Code of the Bulgarian Association of Asset Management Companies and the National code of corporate governance of the National Corporate Governance Committee, as well as internationally recognised standards, and it has been included in the global register of the investment companies, which are committed to adhering to responsible investing according to the UN Principles of Responsible Investment.

Karoll Capital Management EAD Management Company has adopted and implements a commitment policy because it considers responsible investment an integral part of its investment approach. While implementing this policy, the Management Company actively searches for contacts with the companies, in which it invests, in order to tackle complex environmental, social and corporate governance challenges that are in line with the best long-term interests of its clients.

The Management Company interacts with the companies, in whose equity it has invested, in order to monitor essential aspects, including the company strategy, business model, capital structure, corporate governance, that are likely to influence substantially the company's ability to create long-term value, as well as its social and environmental impact.

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

### **STANIMIR MARINOV KAROLEV – Chairman of the Board of Directors**

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

### **DANIEL YOVCHEV GANEV – Managing Director**

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

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

**KONSTANTIN VASILEV PRODANOV** – Deputy Chairman of the Board of Directors

Konstantin Prodanov is a member of the Board of Directors of Karoll Capital Management and a chief investment strategist of the company. He joined the Karoll team in July 2019 and has been responsible for the development of the investment strategy of the company's mutual fund portfolios in Central and Eastern Europe, and for the development of the company business and products internationally. He has a Master's degree in international relations from the Legal Faculty of the St. Kliment Ohridski University of Sofia. In 2001, he finished also a Master's programme in finance at the International University of Japan in Niigata, Japan. From 2001 until 2011 he worked in the financial sector in Tokyo managing derivative portfolios consecutively at the Dresdner, UBS and Goldman Sachs investment banks. In the period 2011-2012, he was an advisor to the president of the Republic of Bulgaria on financial and economic matters, and during the next five years he was the chief investment manager of Allianz Bulgaria Pension Insurance Company responsible for management of the investment portfolios of the group companies in the country. Since 2017, he has been a Chairman of the Board of Directors of Bravo Property Fund REIT, a company specialised in real estate investment traded on the Bulgarian Stock Exchange. He knows English, Russian and French and uses Japanese language.

**BISTRA STOYANOVA KOTSEVA** – Procurator

Bistra Kotseva holds the position of procurator of Karoll Capital Management EAD Asset Management Company. Bistra Kotseva has a Master's degree in Accounting and Control from the University of National and World Economy – Sofia. Bistra Kotseva is also the Head of the Client Relationships Department at the Management Company, a part of the Karoll Financial Group, and she manages the process of client communications and developing client relations of the company and the group.

The company is managed and represented by the Managing Director and the Procurator, acting jointly.

### **3. MUTUAL FUND DATA**

**Name: ADVANCE INVEST**

Advance Invest was established as an investment company by a Decision of the Constituent Assembly on 6 October 2003 and is entered in the Commercial Register by a Decision of 21.01.2004. On 02.08.2012, the General Assembly of the shareholders of the company decided in favour of its transformation from an investment company into a contractual fund and accepted to make the necessary changes in its Statutes. At a Board of Directors' meeting of Karoll Capital Management EAD a decision was made to form and manage the mutual fund. The Financial Supervision Commission issued a permission to transform the investment company into a contractual fund by decision No. 479-ИД of 26.06.2013. The fund originates with its entry into the FSC register.

**Date of establishment of the mutual fund:** 26.06.2013

**Term of operation:** The existence and the operation of the FUND are not limited in time.

**Closed period:** No closed period is envisaged.

**Regular provision of information:** Karoll Capital Management EAD Management Company publishes on its web site [www.karollcapital.bg](http://www.karollcapital.bg), at least twice a month at equal intervals, summarised information about the announced issue prices and redemption prices of units of Advance Invest MF, containing the following data, presented in a table: date of determination of the issue price and of the redemption price; net asset value; number of units outstanding; net asset value per unit; issue price; redemption price.

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

The place where the Rules of the Mutual Fund, the present Prospectus, the Key Investor Information Document and the regular statements are available to investors is in Sofia, 1 Zlatovrah St., and on the web site

of the Asset Management Company [www.karolcapital.bg](http://www.karolcapital.bg)

## **5. TAX REGIME**

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

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

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

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

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

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

## **6. ACCOUNTING DATES AND INCOME ALLOCATION DATES**

### **Accounting Dates**

ADVANCE INVEST presents to the Financial Supervision Commission and the public:

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

The Management Company of ADVANCE INVEST is required to submit to the FSC, by the 10<sup>th</sup> day of the month following the reporting month, a monthly balance sheet and information on:

- the volume and the structure of the investment portfolio by issuers and types of securities and other financial instruments;
- the types of derivative instruments, the main risks associated with the underlying assets of derivative instruments, quantitative restrictions and the methods chosen to evaluate the risk associated with transactions in derivative instruments.

The information received shall not be made public and serves only to supervisory objectives of the FSC.

### **Income Allocation Dates**

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

## 7. INFORMATION ABOUT THE AUDITORS

The annual financial statements of ADVANCE INVEST Mutual Fund for the years 2018, 2019 and 2020 have been audited by:

**Name of the audit company:** Grant Thornton OOD

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

**Telephone:** (+3592) 987 28 79

**Web site:** [www.gtbulgaria.com](http://www.gtbulgaria.com)

**E-mail:** [office@bg.gt.com](mailto:office@bg.gt.com)

**Responsible auditor for 2018, 2019 and 2020:** Silvia Dinova

## 8. NUMBER AND FACE VALUE OF THE FUND UNITS

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

## 9. TYPE OF UNITS AND RIGHTS UNDER THEM

### Mutual Fund Units

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

### Share Right over the Fund's Property

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

### Liquidation Quota Right

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

### Redemption Right

- Each unit-holder has the right at any time to order their units being redeemed by the Fund through the Management Company except when such redemption is impossible in the cases stipulated by the law or the present Prospectus.

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

- The redemption orders for Fund units are executed at the first redemption price announced after the date of submitting the order.

### Right of information

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

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

- To get acquainted with and receive a copy of the Fund Rules;

- To receive information about material changes in the activity of the Managing Company, as well as other information about it as stipulated by the law.

## 10. TERMINATION OF THE FUND

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

1. In case the Management Company has been deprived of the permit for organising and managing the Mutual Fund;

2. If within three months of cancellation of the permit, termination of or declaring the Management Company insolvent, new management company has not been selected or the Fund has not been transformed by a merger or infusion.

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

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

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

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

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

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

## **12. PROCEDURE FOR TRANSFERRING UNITS AT SECONDARY TRADE**

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

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

The transfer of the ownership over the Fund units in case of donation and inheritance is performed

through a licensed investment broker operating as a registration agent.

### **13. TERMS AND PROCEDURE FOR ISSUANCE AND SALE OF UNITS**

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

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

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

- at the office of Karoll Capital Management EAD Management Company in Sofia, 1 Zlatovrah St., tel.: (+359 2) 4008 300

#### **13.2. Terms and conditions for purchasing units**

Purchasing units of the ADVANCE INVEST Mutual Fund is done based on a written agreement with the customer pursuant to the provisions of Ordinance 44 on the requirements for the activity of the collective investment schemes, the management companies, the national investment funds and the entities managing alternative investment funds. The written form is considered observed if the agreement has been concluded by electronic statements signed with a qualified electronic signature within the meaning of the Electronic Documents and Electronic Signature Act.

Issuance (sale) of units of a collective investment scheme may be performed only if the unit issue price has been paid in full. To purchase Fund units, an investor submits a unit subscription order along with the attachments to it.

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

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

The applicant must pay the full issue price of the units being purchased.

The amounts for subscriptions of units are accepted in BGN or in EUR as per the fixing of the Bulgarian National Bank for the day. The transfer of the amount must be done when placing the order for subscription of units, to a bank account of the Mutual Fund with the Depositary Bank:

#### **Bank Account in BGN**

Account holder: ADVANCE INVEST MF

IBAN: BG30BPBI79401052761402

BIC: BPBIBGSF

EUROBANK Bulgaria AD – headquarters

#### **Bank Account in EURO**

Account holder: ADVANCE INVEST MF

IBAN: BG39BPBI79401452761401

BIC: BPBIBGSF

EUROBANK Bulgaria AD – headquarters

## Payment details – unit purchase order for ADVANCE INVEST Mutual Fund

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

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

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

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

At conclusion of the contract, the client shall sign official model declarations, which are part of the Implementing Regulations of the Law on the Measures against Money Laundering, a Declaration on the purpose of the automatic exchange of financial information on the grounds of Art. 142, Para. 1 of the Tax and Social Insurance Procedure Code, as well as a Beneficial Owner Declaration as per the official template, a part of the Implementing Regulations of the Law on the Measures against Money Laundering (if applicable);

With a view to identifying the client, the Management Company can require additional details and/or documents. The Management Company shall be responsible for the proper identification of the client and shall perform all reasonable actions to establish the client's identity. The Management Company shall keep the whole documentation and information.

The contract with a client can be concluded remotely while observing the provisions of the current legislation.

At transactions and payments for purchase of Mutual Fund units by foreign investors, the latter shall observe the special provisions of the Currency Act, as applicable.

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

#### **13.3.1. Calculation of the total number of purchased units**

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

Should the Management Company take a decision for temporary suspension of the issuance (sale) and the redemption of units as per the terms and provisions of the present Prospectus, the orders submitted after the last announcement of the redemption price before the starting date of the temporary suspension term will not be executed. The Management Company reimburses the amounts 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. The issue price and the redemption price upon resumption of the redemption are announced on the day preceding the resumption. The subsequent determination and announcement of the issue price and redemption price is performed on the days stated in the Prospectus.

#### **13.3.2. Execution term for unit purchase orders**

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

#### **13.4. Confirmation of executed unit purchase orders**

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

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

#### **14.1. Redemption obligation**

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

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

#### **14.2. Terms and procedure for temporary suspension of the redemption**

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

- If at a regulated market, at which a material part of the Fund units are admitted or are being traded the conclusion of transactions is discontinued, suspended or subject to restrictions;
- If the Fund assets or liabilities cannot be correctly estimated or it cannot dispose with them without damaging the interests of unit-holders;
- If a decision is taken for termination or transformation through merger or acquisition of the collective investment scheme under the terms and procedure of Chapter 14 of the LACISOUCI;
- If the execution of the redemption orders would lead to breach of the requirements for maintaining minimum liquid resources of the Fund as stipulated in the current legislation and in the Prospectus and Fund Rules;
- If the performance of the obligations by the Depository Bank pursuant to the Depository Services Agreement is impossible or if the 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 other cases related to the replacement of the Depository Bank stated in the Fund Rules.

Should any of the above-mentioned circumstances occur, the Management Company shall discontinue the issue and redemption of Fund units while stating the term of the temporary suspension /if any/ and

informing about this the Financial Supervision Commission, the Depositary Bank, the regulated securities market /if the Fund units are admitted for trading at a regulated market/, the respective competent authorities of all EU Member States, in which the Fund units are offered /if so/ and the unit-holders by the end of the working day, respectively inform about the resumption of the redemption by the end of the working day, preceding the resumption.

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

If extension is required of the Fund unit redemption temporary suspension term, the Management Company shall communicate this, following the procedure stated in the law, the Financial Supervision Commission, the Depositary Bank, the regulated market, at which its units are traded /if the Fund units are admitted for trading at a regulated market/, the respective competent authorities of all EU Member States, in which the Fund units are offered /if so/ and the unit-holders 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.

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

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

Unit sale (issue) orders and redemption orders submitted in the period after the last announcement of the issue price, respectively of the redemption price, and before the starting date of the redemption temporary suspension term will not be executed. The Management Company reimburses the amounts 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.

The Commission can take a decision to halt the redemption in the event that the interests of unit-holders or those of the market so require. The Financial Supervision Commission makes the decision to stop the redemption upon revocation of the license, termination or bankruptcy of the asset management company managing the mutual fund or upon imposing such restrictions on its activities that make it impossible to perform its duties toward the mutual fund and could harm the fund's unit-holders – up to the appointment of a new asset management company.

### **14.3. Conditions for redemption of units**

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

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

### **14.4. Redemption price of fund units**

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

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

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

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

The amounts under the requests for redemption of units are paid in EUR or BGN as per the fixing of the Bulgarian National Bank for the day when the transfer to the bank account provided by the investor is to be made.

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

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

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

- at the office of Karoll Capital Management EAD Management Company in Sofia, 1 Zlatovrah St.;

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

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

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

At transactions and payments related to redemption of Mutual Fund units by foreign investors, the latter shall observe the special provisions of the Currency Act, as applicable.

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

##### **14.6.1. Calculation of the total value of the order**

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

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

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

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

The repayment of the monies is performed as follows:

- To the bank account stated in the unit redemption order.

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

#### **14.7. Confirmation of executed unit redemption orders**

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

The Management Company may conclude an agreement by virtue of which it may delegate to a third party functions and tasks as per Art. 86, para. 1 and para. 2, item 4 of LACISOUCI regarding the administration of Fund units while observing the provisions of the relevant legal and regulatory acts regulating the Fund operation.

### **15. DESCRIPTION OF THE RULES FOR DETERMINING THE INCOME**

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

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

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

#### **16.1. INVESTMENT OBJECTIVES OF THE FUND**

The main objective of the Fund is to provide increase in the real value of the unit holders' investment through capital income at moderate to high risk in the longer run. The active management of the Fund's investment portfolio is the foundation of its strategy to realise the expected gains through the selection of financial instruments with high growth potential of their prices, as determined by fundamental and technical parameters. The asset manager aims to achieve these objectives by focusing the fund's investments in Bulgarian, Romanian and other Eastern European stocks.

*There is no certainty that the Advance Invest Mutual Fund will achieve the stated investment objectives.*

#### **16.2. INVESTMENT POLICY OF THE FUND**

The Fund can invest in the following types of assets, as allowed by the Law on the Activities of Collective Investment Schemes and Other Undertakings for Collective Investment, and the respective ordinances:

1. Transferable securities and financial market instruments admitted to or traded at regulated markets as per Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act in the Republic of Bulgaria or in another Member State;

2. Transferable securities and money market instruments traded at a regulated market, other than the one under Art. 152, para. 1 and 2 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 Deputy Chairperson of the Financial Supervision Commission or are stipulated in the Fund Rules;
4. Recently issued transferable securities, the issue of which includes a condition for assuming liability for requesting admission and within a term not longer than a year after their issuance to admitted to trading at an official stock exchange market or another regulated market, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Deputy Chairperson of the Financial Supervision Commission or are stipulated in the Fund Rules;
5. Units of collective investment schemes and/or other undertakings for collective investment that meet the provisions of Art. 4, Para. 1 of the LACISOUCI, regardless of whether they are incorporated 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 Deputy Chairperson considers equivalent to the ones contained in the EU legislation;
7. Derivative financial instruments, including their equivalents, on which the liabilities can be performed through cash payment, traded at regulated markets as per Art. 38, Para. 1 , item 1– 3 of LACISOUCI;
8. Derivative financial instruments traded over the counter while observing the legal provisions;
9. Money market instruments other than those traded at a regulated market and stated in § 1, item. 6 of the supplementary provisions of LACISOUCI while observing the legal restrictions;
10. Cash resources;
11. Other financial instruments, in addition to those mentioned above, while observing the legal restrictions.

Regardless of the available opportunities in the Fund’s investment policy to invest in financial instruments, deposits and techniques for efficient portfolio management, which in their essence can be considered also as eligible investment for “money market funds” (MMF) pursuant to Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, Karoll Capital Management EAD Management Company does not intend to undertake actions aimed at aligning the structure and the nature of the Fund assets to the requirements for eligible assets, in which, pursuant to Regulation (EU) 2017/1131, only “money market funds” can invest, and thereby Karoll Capital Management EAD Management Company will not allow this Fund to have the actual characteristics of “money market funds” pursuant to Regulation (EU) 2017/1131.

Applying the adopted Sustainable Finance Policy and the sustainable investment principles, the Management Company will use several approaches when making its investment decisions regarding the Fund portfolio, in order of importance as follows:

*Exclusion principle*

The Management Company will avoid investing in companies generating the main part of their income from the military industry, tobacco and pornographic industry, as well as from companies, which are included in sanction lists, violate human rights and fundamental ethical norms, are known for their corruption practices, operate in regions with conflicts, have a serious negative impact on the environment.

*Principle of including the best companies according to the ESG criteria (best-in-play)*

The Management Company uses ESG assessments and indicators by external providers when verifying and determining the main unfavourable impacts on sustainability as part of the investment process. Both the individual ESG assessment of the respective issuer, and its change over the time are taken into account, as well as its level compared to the ESG assessments of other companies from the industry, in which it operates. In this sense, a low ESG assessment by an external provider is not in itself a sufficient prerequisite to refrain from or to cancel the investment in a certain issuer.

For the companies, for which there is no external assessment against the ESG criteria, the Management Company will assess the factors internally based on its own model that takes into account both the criteria and the specifics of the industries, in which the companies operate, as well as their abilities to collect and disclose information about their activities on sustainability and social responsibility. The Management Company is aware that the insufficient level of disclosure by the companies is often due to lack of experience and resources but not due to attempts to conceal incompliance with the sustainability criteria. Therefore, a leading principle in the investment process is (at equal other terms) to give advantage to those companies, which disclose relevant information in larger volumes but not to exclude expressly the ones, about which such information is not fully available. During the assessment, when possible, the company's performance is compared to that of other companies from the same industry.

If it is possible to quantify the impact of the ESG criteria on the fair value of the company, in which the Management Company has invested or intends to invest, this can be integrated in the traditional financial analysis.

In case where such risks are difficult to be determined quantitatively, the portfolio manager will consider their potential impact in other ways, either expressly (e.g., by reducing the expected future value of the issuer) or indirectly (e.g., by adjusting the weight of the issuer's securities in the Fund portfolio, based on the portfolio manager's certainty that the sustainability risk may affect the issuer in question).

Considering the factors for sustainable investment is part of the investment process, where the financial analysts are responsible for taking them into account when structuring the investment portfolio, applying and making ESG assessments, and the investment committee oversees the implementation of the Sustainable Finance Policy.

The portfolio manager and investment committee review the investments at least annually or ad-hoc. When changes are identified of environmental, social or managerial nature that may have potentially significant negative impact on their value or substantial negative impact on their financial return, the Management Company makes decisions on the next steps to ensure the observance of the principles laid down in the Sustainable Finance Policy and the protection of the interests of Fund unit holders.

Currently, a significant part of the investment made by the Fund observes the principles of sustainable investment, however the Fund does not have environmental and/or social characteristics within the meaning of Art. 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services. The Management Company strives to achieve such characteristics of the assets under management in the middle term. As a result, the Fund may have limited exposition to some companies, sectors and industries and it can withdraw from certain investment opportunities or dispose of certain holdings that are not in accordance with its sustainability criteria. Therefore, the Fund may not reach the results of other funds that do not apply such criteria to their investment.

*The investments underlying this financial product do not comply with the EU criteria for environmentally sustainable economic activities.*

*In accordance with Regulation (EU) 2020/852 this attestation concerns the following ecological goals: attenuation of and adaptation to climate change, applicable from 01.01.2022.*

### **16.2.1. Investment Policy and Strategy**

To achieve its investment objectives the Fund will apply a model of active management of the portfolio of financial instruments based on the market conditions through the selection of financial instruments with high growth potential, as determined by fundamental and technical parameters. The investments will be focused on shares of Bulgarian, Romanian and other Eastern European companies. The main criterion for choosing these instruments is considerable asset undervaluation (undervalued stocks) or growth potential greater than that of the economy as a whole (growth stocks). Such instruments can be certain Bulgarian and foreign equities, which will comprise the major part of the Fund's holdings. This requires the selection of shares of industry leaders with expanding market shares that are managed professionally in the best interest of their stockholders and whose revenues and earnings are fast growing and that are expected to continue growing rapidly in the future. Bulgarian stocks that meet the Fund's requirements are the components of the Bulgarian Stock Exchange indices – SOFIX and BG40, and other relatively high-liquidity stocks that possess high growth potential (i.e., growth stocks) or attractive fundamental characteristics indicating undervaluation (i.e., undervalued stocks). In Romania, the Fund can invest in stocks that are components of the BET index, as well as other small & mid-caps listed on the RASDAQ segment. With regard to other international markets,

the Fund can pick some of the stocks, included in the indices of EU-member states or such that are affirmed by the Financial Supervision Commission, as well as other smaller stocks with promising fundamentals.

Another important criterion that is related to the active portfolio management model is the requirement for the assets to be of relatively high liquidity, i.e., the ability to be liquidated at any moment, in normal market conditions, without affecting adversely their market prices. Therefore, these securities should be traded actively on a regulated market in volumes large enough to provide a fair estimate of their value.

Last, but not least, the securities will be chosen in such a way that the investment portfolio is effectively diversified in terms of the number of instruments, size and industry of the issuers, so as to reduce as much as possible the risk of unfavourable price movements of the individual positions. With regard to industry structure, the actual industry allocation of the investments will depend on our analyses of and expectations about the prevailing conditions in the respective industry and companies in it. Consequently, stocks of companies and sectors, which are viewed as promising and therefore the price appreciation potential of its components is the highest, will pull larger weights in the Advance Invest Mutual Fund's portfolio. Despite the Fund's focus on equities, the active portfolio management implies that in periods of anticipated stock market decline, a greater portion of the Fund assets will be allocated toward cash, bonds and/or other more conservative instruments.

<b>Structure of the Fund Assets:</b>	
<i>Asset Type</i>	<i>Share (%) of the total assets</i>
Shares of companies, admitted to or traded at regulated markets as per Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act (MFIA) in the Republic of Bulgaria or another Member State; <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;	up to 100%
<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 Commission on a proposal by the Deputy Chairperson or are stipulated in the Collective Investment Scheme Rules;	up to 100%
<b>Bonds and money market instruments</b> , admitted to or traded at regulated markets as per Art. 152, Para. 1 and 2 of the Markets in Financial Instruments Act in the Republic of Bulgaria or in another EU Member State or traded at regulated markets, other than those under Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or in another Member State, regularly functioning, accepted and publicly accessible	up to 50%
<b>Foreign bonds</b> , 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 Commission on a proposal by the Deputy Chairperson or are stipulated in the Collective Investment Scheme Rules;	up to 30%
<b>Recently issued transferable securities</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 another regulated market, regularly functioning, accepted and publicly accessible, which are included in a list approved by the Commission on a proposal by the Deputy Chairperson or are stipulated in the Collective Investment Scheme Rules	up to 30%
<b>Units of collective investment schemes and/or other undertakings for collective investment</b> that meet the provisions of Art. 4, Para. 1 of the LACISOUCI, regardless of whether they are incorporated 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	up to 10%
<b>Derivative financial instruments</b> , including their equivalents, on which the liabilities can be performed through cash payment, traded at regulated markets as per Art. 38, Para. 1, items 1-	Pursuant to the legal

3 of LACISOUCI, derivative financial instruments traded over the counter while observing the legal provisions	restrictions
<b>Financial instruments other than the ones listed</b> under Art. 38, Para. 1 of LACISOUCI	up to 10%
<b>Cash, bank deposits and other payment vehicles</b>	up to 50%

## **16.2.2. Other investment strategies, techniques and instruments**

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

### **16.2.2.1. Repurchase agreements (repurchase and reverse repurchase transactions)**

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

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

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

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

1. Money market instruments within the meaning of Art. 38, Para. 1, item 9 of the LACISOUCI;
2. Bonds issued or secured by a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, their central banks, their local government authorities, by the European Central Bank, the European Investment Bank or by a public international organisation, of which at least one Member State is a member, as well as qualifying debt securities issued or secured by third countries with a credit rating not less than an investment grade, awarded by a credit rating agency registered or certified pursuant to Regulation No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ, L 302/1 of 17 November 2009);
3. Stocks or units issued by a collective investment scheme as per Art. 38, Para. 1, item 5 of the LACISOUCI;
4. Bonds traded at a regulated market in a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, where the trade with such bonds must be sufficiently liquid;
5. Shares traded at a regulated market in a Member State or another country, which is a party to the Organisation for Economic Co-operation and Development Convention, provided such shares are included in an index maintained by such a market.

The conclusion of such contracts could optimise the profitability and the liquidity of the Fund, therefore its contractors will be expected to satisfy strict requirements for creditworthiness.

### **16.2.2.2. Transactions with derivative financial instruments**

The Management Company can conclude transactions with derivative instruments:

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

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

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

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

1. The Fund cannot invest more than 5 per cent of its assets in transferable securities or money market instruments issued by a single entity.
2. The Fund cannot invest more than 20 per cent of its assets in deposits in a single bank.
3. The risk exposition of the Fund to the counter-party in a transaction with derivative financial instruments traded off-exchange cannot exceed 10 per cent of its assets, if the counter-party is a credit institution as per Art. 38, Para. 1, item 6 of the LACISOUCI, and 5 per cent of the assets in the rest of the cases.
4. The Fund can invest 10 per cent of its assets in transferable securities or in money market instruments issued by a single entity only if the total value of the investment in the entities, in which the Fund invests more than 5 per cent of its assets, does not exceed 40 per cent of the 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 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 collective investment scheme's 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. 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 of the LACISOUCI, regardless of 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 in other

undertakings for collective investment cannot exceed 10 per cent of the Fund assets.

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

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

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

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

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

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

The above-mentioned restrictions do not apply if the Fund exercises subscription rights, deriving from transferable securities and money market instruments, which are a part of its assets. 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 performing the breach to notify the Financial Supervision Commission by providing information about the reasons for the breach and the measures undertaken for its elimination.

#### **16.2.4. OTHER RESTRICTIONS. USING A LOAN**

The Fund may not 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 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 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.

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

The Management Company and the Depository Bank, when acting at the expense 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 Depository Bank may acquire transferable securities, money market instruments or other financial instruments as per Art. 38, Para. 1, items 5, 7, 8 and 9 of the LACISOUCI, in the cases when their value is not paid in full. The Management Company and the Depository Bank, when operating at the expense of the collective investment scheme, cannot conclude agreements for short sale of transferable securities, money market instruments or other financial instruments as per Art. 38, Para. 1, items 5, 7, 8 and 9 of the LACISOUCI.

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

### **16.2.5. LIQUIDITY REQUIREMENTS**

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

**1.** Cash, securities, money market instruments as per Art. 38, Para. 1, items 1 – 3 of the LACISOUCI and units of collective investment schemes and/or other collective investment enterprises as per Art. 38, Para. 1, item 5 of the LACISOUCI, whose fair value is not calculated using valuation techniques and generally accepted methods as per the Rules for portfolio evaluation and determination of the asset value of the ADVANCE INVEST Mutual Fund, money market instruments as per Art. 38, Para. 1, item 9 of the LACISOUCI and short-term receivables – to the amount of not less than 100 per cent of the weighted current liabilities of the Fund;

**2.** Cash, securities and money market instruments issued by the Republic of Bulgaria or another Member State, and money market instruments as per Art. 38, Para. 1, item 9, letter “a” of the LACISOUCI – to the amount not less than 70 per cent of the weighted current liabilities of the Fund, excluding the liabilities related to participation in the increase of capital of public companies.

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

- With a term of up to 1 month – weight 1,00;
- With a term from 1 to 3 months – weight 0,50;
- With a term from 3 months to 1 year – weight 0,25.

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

- 1.** Budget payables, social security payables and personnel payables – weight 1,00;
- 2.** Remuneration of the Management Company and the Depository Bank – weight 1,00 and the remaining liabilities – weight 0,25;
- 3.** Loans received – as per the terms of the loan agreement.

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

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

**1.** Not less than 70 per cent of the investment in assets as per Art. 38, Para. 1 of the LACISOUCI must be in assets whose fair value is not calculated using valuation techniques and generally accepted methods as per the Rules for portfolio evaluation and determination of the asset value of the ADVANCE INVEST Mutual Fund;

## **17. RISK PROFILE OF THE MUTUAL FUND. EXPECTED RISKS**

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

### **17.1. RISK PROFILE**

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

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

It must also be noted that according to the investment strategy described above the Fund has the intention of investing the bigger part of the funds raised in Bulgarian and other Eastern European stocks. Typically, investments in equity securities are riskier than investments in government securities, corporate bonds, and municipal bonds and in this sense, the risk for ADVANCE INVEST unit holders is higher than the risk for unit holders of mutual funds that invest mainly in government securities or other debt instruments. The considerable portfolio diversification and the professional selection of the individual securities that comprise the portfolio should reduce this risk. However, if there is a significant negative price change in the stock market, the value of the Fund units could decrease, too.

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

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

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

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

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

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

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

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

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

insolvency, material change in the capital structure, decrease of the credit rating, etc.

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

▪ **Operational 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:

**A. Internal operational risks:**

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

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

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

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

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

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

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

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

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

▪ **The influence of the particular techniques and instruments** used for efficient management of the Fund asset portfolio, on the Fund's risk profile is defined in item 16.2.2. *Other investment strategies, techniques and instruments* items 16.2.2.1. *Repurchase agreements (repurchase and reverse repurchase transactions)* and 16.2.2.2. *Transactions with derivative financial instruments* of the present Prospectus.

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

### **17.3. METHOD USED IN CALCULATING THE TOTAL RISK EXPOSITION OF THE FUND**

The Management Company applies short-term and long-term strategies to manage the market risk related to the activity performed by the Fund. The total risk for the mutual fund portfolio is measured by the historical volatility of the unit/share price measured with the standard deviation. If the method of the standard deviation cannot be applied to the NAV, the Management Company will use the standard deviation of the selected index of the regulated market, on which the particular shares are traded, as a substitute in the overall portfolio analysis. The long-term strategy to manage the price risk is to sufficiently diversify the Fund portfolio by countries, companies, industries and currencies so that the main risk to be borne is the market risk as a whole and to reduce the specific influence of the individual companies. The Management Companies will strive to ensure that no investment in a particular country, respectively the political and macroeconomic risks inherent only to it, has excessively big influence on the Fund's performance. The short-term strategy to manage the price risk includes monitoring and measuring the historical volatility of the individual markets, the correlation between them and the changes of this correlation. The Head of the Risk Management Department monitors on a daily basis the restrictions on the investment by groups of financial instruments described in the Fund Rules, this way ensuring the observance of the determined risk policy of the Fund. Each time the restrictions as per the preceding sentence are exceeded, this must be documented by the Risk management Department and reported to the Management Company management bodies to undertake corrective actions.

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

### **18. ASSET VALUATION RULES**

The Rules for portfolio evaluation and determining the net assets value of the ADVANCE INVEST MUTUAL FUND, adopted by a decision of 11.03.2013, amended by decisions of 12.06.2013, 03.12.2013, 08.10.2020 and 30.10.2020 by the Board of Directors of Karoll Capital Management EAD Management Company, contain detailed information about:

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

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

The issue price and the redemption price of the Fund units are calculated by the Management Company under the control of the Depository Bank pursuant to Rules for portfolio evaluation and determining the net

value of the Fund assets adopted by the Management Company and approved by the Financial Supervision Commission. The Management Company determines the net asset value per unit, the issue price and the redemption price every business day and announces them publicly by the end of the day.

The announcement of the issue price and the redemption price is done by:

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

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

- 1.5 per cent of the net asset value per unit if the total investment is up to BGN 100,000, inclusive;
- 1 per cent of the net asset value per unit if the total investment is over BGN 100,000.00.

The determined maximum amount of issue costs is applicable, unless the Management Company refrains from levying the issue costs fully, or in part, by applying a lower maximum amount for a certain period of time. In such cases the Management Company must inform the unit holders by publishing the decision for applying the reduced issue cost amount on the Management Company’s website, indicating the applicable amended amount and the period of its application, no later than the day before the start of the period for which the reduced issue cost amount will be applied.

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

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

A prerequisite for the calculation of the issue price and the redemption price is the absence of grounds for suspending the issue (sale) and redemption of Fund units as determined in item 14.2 of the present Prospectus (“*Terms and procedure for temporary suspension of the redemption*”).

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

## **20. FEES AND COMMISSIONS AT PURCHASE AND SALE OF UNITS**

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

- For orders of up to BGN 100,000 (one hundred thousand leva) inclusive, the fee for each purchased unit is in the amount of 1.5% (one point five per cent) of the net asset value per unit.
- For orders over BGN 100,000.00 (one hundred thousand leva), the fee for each purchased unit is in the amount of 1% (one per cent) of the net asset value per unit.

The determined maximum amount of issue costs is applicable, unless the Management Company refrains from levying the issue costs fully, or in part, by applying a lower maximum amount for a certain period of time. In such cases the Management Company must inform the unit holders by publishing the

decision for applying the reduced issue cost amount on the Management Company's website, indicating the applicable amended amount and the period of its application, no later than the day before the start of the period for which the reduced issue cost amount will be applied.

No issue costs shall be charged for investment in Fund units 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.

Investors do not pay redemption fees at redemption of Advance Invest Mutual Fund units by Karoll Capital Management EAD Management Company.

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

The bank fees related to money transfers for submitted orders for purchasing Fund units and for money payments by the Management Company to the investor are to be covered by the investor.

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

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

### **21.1. TRANSACTION COSTS FOR INVESTORS/UNIT HOLDERS**

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

- For orders of up to BGN 100,000 (one hundred thousand leva) inclusive, the fee for each purchased unit is in the amount of 1.5% (one point five per cent) of the net asset value per unit.
- For orders over BGN 100,000.00 (one hundred thousand leva), the fee for each purchased unit is in the amount of 1% (one per cent) of the net asset value per unit.

The determined maximum amount of issue costs is applicable, unless the Management Company refrains from levying the issue costs fully, or in part, by applying a lower maximum amount for a certain period of time. In such cases the Management Company must inform the unit holders by publishing the decision for applying the reduced issue cost amount on the Management Company's website, indicating the applicable amended amount and the period of its application, no later than the day before the start of the period for which the reduced issue cost amount will be applied.

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

**Unit-holders of the Fund do not pay directly any other fees for the issuance or redemption of units, other than the ones described above.**

There are other costs that are indirectly borne by all unit-holders and are described in detail in the next section.

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

## 21.2. ANNUAL OPERATIONAL COSTS

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

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

Remuneration for the Management Company	2.5 %
Other Operational Costs	2 %
Total Operational Costs	4.5 %

The remuneration of the Management Company is accrued on a daily basis and is payable at the beginning of the month following the month, for which the remuneration is due. The Management Company may relinquish a part of such remuneration. At its own discretion, the Management Company may decide not to accrue or to accrue smaller remuneration for certain days.

“Other Operational Costs” include main predictable operational cost that the Management Company incurs at the expense of the Fund such as:

- Expenses for remuneration of the Depository Bank, the certified auditors, consultants, storage fees for the Fund securities and cash in Bulgaria and abroad, etc.;
- Expenses for advertising, marketing and PR, provision of information to and contacts with Fund investors and unit holders; 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.
- 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.
- Legal and other costs related to protecting the unit holders' interests;
- Expenses for sending documents related to unit purchase and redemption to the investors' addresses;
- Other expenses directly related to the Fund activity;
- Expenses incurred at change of the Depository bank.

The remuneration of the Depository Bank shall be determined pursuant to a contract of 23.03.2018 and shall include fees for safekeeping and transfer of financial instruments, fees for confirming the net asset value, fees for corporate actions and other charges under the contract and its annexes.

The Management Company will undertake measures to limit the total amount of the mentioned “Other Operational Costs” up to 2 per cent of the average annual net asset value while limiting the Fund's total annual operational costs, including also its remuneration for Fund management, up to 4.5 per cent of the average annual net asset value as per the Fund's balance. The limit under the previous sentence does not include the expenses on material transactions with securities and investment in Fund assets, revaluation of investment in securities, foreign exchange losses, extraordinary expenses not caused by officials or caused by reasons beyond the control of the Management Company, as well as other expenses determined pursuant to the law.

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

## 21.3 EXPENSES INCURRED BY THE MUTUAL FUND DURING THE LAST THREE YEARS

**BEFORE THE YEAR OF ISSUANCE OR UPDATE OF THE PROSPECTUS**

Item	As of 31.12.2018, in BGN	% of the average annual net asset value of the Fund	As of 31.12.2019, in BGN	% of the average annual net asset value of the Fund	As of 31.12.2020, in BGN	% of the average annual net asset value of the Fund
Remuneration for the Management Company	196,241	2.50%	197,452	2.50%	184,357	2.50%
Remuneration for the Depository Bank	19,571	0.25%	13,694	0.17%	19,613	0.27%
Fees payable to the Financial Supervision Commission	800	0.01%	800	0.01%	1500	0.02%
Central Depository Charges	666	0.01%	726	0.01%	726	0.01%
Audit expenses	4300	0.05%	4300	0.05%	4500	0.06%
Advertising Costs	8,910	0.11%	10,530	0.13%	9345	0.13%
Other expenses of the Mutual Fund	1,457	0.02%	7,246	0.09%	16	0.00%
<b>TOTAL:</b>	<b>231,945</b>	<b>2.95%</b>	<b>234,748</b>	<b>2.96%</b>	<b>220,057</b>	<b>2.98%</b>

**22. INFORMATION ABOUT THE DEPOSITARY BANK****Name: Eurobank Bulgaria AD****Seat and registered address:** Sofia, Vitosha District, 260 Okolovrasten Pat Blvd.**UIC:** 000694749**Telephone:** (+359 2) 8166 000**Fax:** (+359 2) 988 81 10**E-mail:** contact@postbank.bg**Web site:** www.postbank.bg**Banking Licence:** Licence No. Б 05/02.04.1991 issued by the Bulgarian National Bank;

Eurobank Bulgaria AD is a universal bank offering a full range of bank services, including depository services. The Depository Services Agreement settles the relations between the Karoll Capital Management EAD Management Company, acting on behalf of the Fund, and the Depository Bank, Eurobank Bulgaria AD. Pursuant to an Agreement of 23.03.2018, Eurobank Bulgaria AD, in its capacity of the Fund's depository bank, is authorised to provide, for a consideration, the following activities:

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

While providing the depository services, the Depository Bank shall keep the entrusted assets as follows:

- The dematerialised financial instruments owned by the Fund will be filed with a depository institution under a sub-account of the Depository Bank;

- The remaining Fund assets are stored on its behalf at the Depository Bank.  
The Depository Bank will not be liable to its creditors with the Fund assets.  
The Depository Bank will dispose with the Fund assets entrusted to it only upon instructions by the authorised persons.

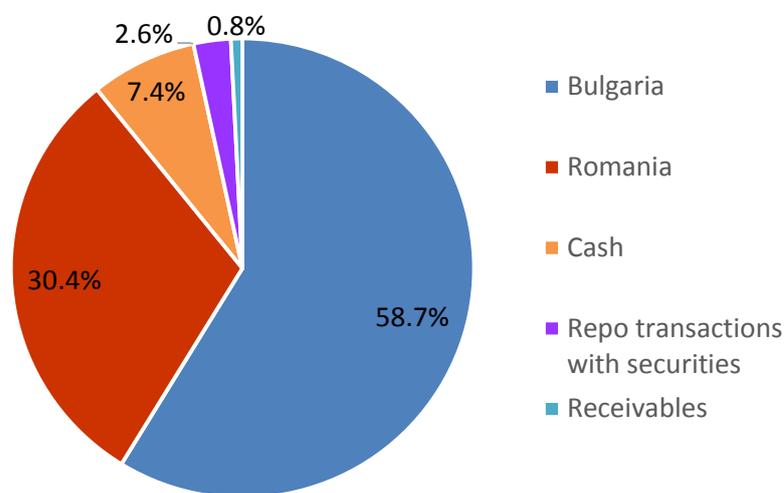
**23. INFORMATION ABOUT THE CONSULTING COMPANIES OR EXTERNAL CONSULTANTS PROVIDING ADVICE AT CONTRACTUAL TERMS WHOSE REMUNERATION IS PAID FROM THE FUND ASSETS**

There are no consulting companies or external consultants that provide advice at contractual terms whose remuneration is paid from the ADVANCE INVEST Mutual Fund assets.

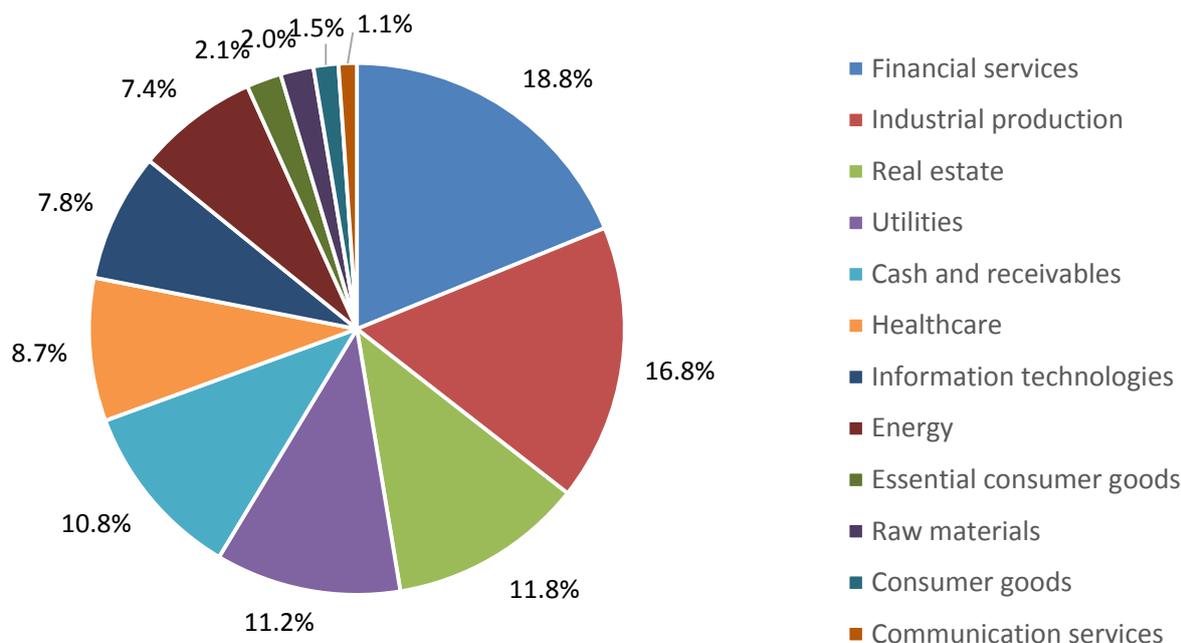
**24. RESULTS OF THE FUND ACTIVITY**

**a) Information about the structure of the Mutual Fund's assets**

**Asset structure of ADVANCE INVEST MF as of 31.12.2020:**



**Structure of the investment portfolio by industries as of 31.12.2020:**



**b) Selected Financial Information:**

INDICATOR	As of 31.12.2018	As of 31.12.2019	As of 31.12.2020
Net asset value per unit at the beginning of the period, in BGN	1.3536	1.2346	1.3297
Net asset value per unit at the end of the period, in BGN	1.2346	1.3297	1.2558
Total return per unit, in percentages	-8.79%	7.62%	-5.56%
Total net assets at the end of the period, in BGN	7,369,536	8,321,128	7,728,264
Average annual net asset value, in BGN	7,849,634	7,898,096	7,373,799
Portfolio turnover, in percentages	13.99%	12.25%	13.12%

**c) Minimum, maximum and weighted average issue price and redemption price**

INDICATOR	As of 31.12.2018 BGN	As of 31.12.2019 BGN	As of 31.12.2020 BGN
Minimum issue price	1.2238	1.1914	1.0012
Maximum issue price	1.4541	1.3496	1.3695
Minimum redemption price	1.2238	1.1914	1.0012
Maximum redemption price	1.4326	1.3297	1.3493
Weighted average redemption price	1.3112	1.2509	1.1856
Weighted average issue price per unit for orders up to BGN 100,000.	1.3308	1.2697	1.2033
Weighted average issue price per unit for orders between BGN 100,000.01 and BGN 500,000.	1.3243	1.2634	1.1974
Weighted average issue price per unit for orders between BGN 500,000.01 and BGN 1,000,000.	1.3177	1.2572	1.1915
Weighted average issue price per unit for orders over BGN 1,000,000.	1.3112	1.2509	1.1856

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

INDICATOR	As of 31.12.2018	As of 31.12.2019	As of 31.12.2020
Number of units outstanding	5,969,263.8558	6,258,024.9834	6, 153,737.2430
Units issued during the period	1,372,149.4350	511,362.1480	144,651.5758
Units redeemed during the period	386,086.2690	222,601.0204	248,939.3162

## 25. INFORMATION ABOUT THE APPROVED AND USED LOANS

Since its establishment to date, the collective investment scheme has not applied for or used any loans.

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

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

The policy of ADVANCE INVEST Mutual Fund presumes a focus on equity investments, which means that the Fund is oriented toward a higher expected return and consequently higher risk.

To achieve its investment objectives ADVANCE INVEST Mutual Fund will focus its activities on both individual and institutional investors. Individual investors are characterised by the dynamics of dominant moods and the heterogeneity of the investor groups. The good understanding of the needs and views of investors provides a possibility for their segmentation. Segmentation means investor classification in relatively homogeneous groups that can be offered a specific product adapted to the demand for the individual segments. The following criteria can be used for defining the different segments:

- Amount of savings;
- Amount and type of incomes;
- Investors' age;
- Professional group;
- Expected income preferences;
- Life status /married, single, workers, retirees/;
- Psychological profile /readiness for risk taking, maturity of the decisions, inclination for novelty.

Advance Invest Mutual Fund will target its activities mainly at the so-called “active investors”. These investors receive high incomes and possess considerable savings between the ages of 25 and 45. The potential investors in the Fund are individuals who need a smaller degree of certainty than representatives of other categories of investors and professional groups. In the near future, legal entities with available investment resources will pay a greater attention to the excellent profit potential of the risk tolerability, those who are prone to innovation and possess certain knowledge in the field of finance. Professional groups who tend to be active investors include entrepreneurs, physicians, accountants, lawyers, people with liberal professions, and lecturers. These are also working and married people, whose main objective is to reach financial independence in the long term and whose return expectations are measured in double-digit figures.

Institutional investors include banks, mutual funds, insurance companies, pension funds and other companies operating with securities. Until recently, these investors had adopted a rather conservative investment approach, and their portfolios consisted mostly of fixed income securities. In line with the expansion of the Bulgarian economy and the resulting income and the savings growth, the assets of the mentioned companies have been rising. Meanwhile, with the development of the Bulgarian capital market, these investors have become more willing to increase the risky part of their portfolios and to invest in the stock market more confidently, including indirectly by purchasing Fund units such as those of Advance Invest.

Advance Invest MF intends to direct its activities toward international investors, too – natural persons as well as institutional investors who are interested in the emerging Eastern European market where the fund invests.

Karoll Capital Management EAD recommends an investment horizon of 3 years or longer to the investors in the Fund.

## **27. INFORMATION ABOUT THE PLACE, TIME AND METHOD OF RECEIVING ADDITIONAL FUND INFORMATION AND DOCUMENTS**

Potential investors may receive the Prospectus, the Fund Rules, the Key Investor Information Document, the annual and 6-month report, as well as any additional information every business day from 10:00 to 17:00 hours (Bulgarian time) at the office of Karoll Capital Management EAD at the following address: Sofia, 1 Zlatovrah St.

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

## **28. SUPERVISORY STATE INSTITUTION. NUMBER AND DATE OF THE PERMIT FOR ORGANISING AND MANAGING THE MUTUAL FUND**

The Supervisory state institution is the Financial Supervision Commission. The number and date of the permit for establishment and management of the ADVANCE INVEST Mutual Fund is № 561 of 22.12.2003, when the FSC issued a license to the investment company, and later by decision № 479-ИД of 26.06.2013, a permit to operate the Advance Invest Mutual Fund was issued due to the transformation of the company.

## **29. DATE OF PROSPECTUS UPDATE**

The present Prospectus has been updated on **02.02.2022**.

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